CGD REPORTS

ANNUAL REPORT 2012

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Caixa Geral de Depositos

CONTENTS

01
BOARD OF DIRECTORS' REPORT

|01. BOARD OF DIRECTORS' REPORT

|01.1. MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CHAIRMAN OF THE EXECUTIVE COMMITTEE

One of the most evident effects of the financial crisis, visible from the summer of 2007, consists of the change which has already taken place in the framework of the performance of the various market players but which has not been completed, namely in the importance currently attached to the strength, sustained liquidity, transparency and the efficiency of banks in general.

The European banking system is living a new paradigm, characterised by major regulatory, technological, behavioural and governance changes and significant adjustments to institutions' business models.

Notwithstanding the route still to be taken, the fact that Portuguese banks have already deleveraged sharply, increasing their capital and liquidity levels as well as rationalising costs, will further increase their resilience to a prolonged unfavourable operating environment.

New advances must, however, still be made, not only as a consequence of the new paradigm but also on account of the effects of the Financial Assistance Programme in progress in Portugal and, in the case of banks which increased their capital on the basis of the programme's recapitalisation facility, the implications of Community competition discipline which also applies to CGD owing to its capital increase in 2012 which was considered to be equivalent to state aid.

Caixa, as an institution whose mission and profile result from its characteristics as a public limited liability company comprising exclusively public capital, has additional responsabilities in its active contribution to the transformation and stability of the financial situation and the recovery of activity and sustained balance of the economy.

In furthering these objectives, Caixa has strengthened its leading position as the bank of preference of Portuguese households while also fortifying its business with all corporate segments, paying special attention to good SMEs in the tradables sector, on account of their importance to economic recovery.

Caixa's extensive, loyal individual customer base is one of CGD Group's most important assets which it has rigorously and visibly protected over the course of its history.

One of the Group's major strategic priorities is to reinforce citizens' confidence by perfecting ongoing, proximity-based relationships and a commercial service of excellence to different age bands and social groups.

In a difficult macroeconomic framework in which the recession has been deeper than forecast and unemployment has reached an all-time high, the promotion of savings represents a crucial challenge which Caixa has seriously pursued in its launch of products which endeavour to converge to the needs and expectations of a society whose habits and experience are undergoing rapid change.

Caixa's customers have recognised this endeavour and in a context of a reduction of their disposable income, have continued to permit an increase in the deposits of individual customers.

The Group's market share of corporate business has followed a clearly rising growth path. Reference should be made to the development, in 2012, of the PME Líder (SME Leader) and PME Excelência (SME Excellence) segments. Solutions such as Linha Caixa Capitalização, (capitalisation line) geared to improving companies' financial autonomy, PME Crescimento (SME Growth) and Caixa Mais Tesouraria (Treasury) have, inter alia, facilitated the implementation and management of projects of companies with growth potential.

Of major importance to the corporate business segment has also been the expansion of the Group's international platform which, in establishing commercial corridors between regions of the globe with the highest growth levels, comprises an effective export development and international investment agent. This positive evolution in the corporate segment has naturally been accompanied by a rigorous assessment and risk management on each company and operation.

Special mention should also be made of the path trodden by the Group over the years – unchanged in the present crisis – of combining business strategy with its contribution to sustainable development, encompassing such comprehensive aspects as environmental equilibrium, academic merit, young talent and entrepreneurship, social insertion and the promotion of financial education in an endeavour to contribute towards citizens' better informed and favourable decisions.

Albeit relevant benchmarks, Caixa's history and tradition are not sufficient to ensure its future success which is currently more of a challenge and more complex than in equally troubled situations which have been overcome in the past.

Notwithstanding the fact that Caixa has robust solvency and financial strength indicators as shown by its capital ratios (with its highest ever Core Tier 1 level) and a comfortable liquidity situation, the persistence of a framework of very low interest rates and the growing rate of impairment have visibly penalised Caixa's profitability which, notwithstanding a certain improvement over 2011, comprises negative net income for the second consecutive year.

2013 will continue to be a difficult year.

Caixa Group's enhanced financial strength will, however, enable it to pursue a path of ongoing improvement, always focused on delivering value and investment and in meriting the confidence of its customers.

GROUP CGD CONSOLIDATED OPERATIONS

|01.2.
MAIN INDICATORS

(EUR million)

BALANCE SHEET	2009	2010	2011 (*)	2012
Loans and advances to customers (gross)	79 627	84 517	81 631	78 902
Securities investments (**)	25 929	30 547	25 176	28 696
Customer resources	64 256	67 680	70 587	71 404
Debt securities	25 182	19 307	14 923	10 591
Shareholders' equity	7 157	7 735	5 324	7 280
Net assets	120 985	125 757	120 642	116 857
NET OPERATING INCOME				
Net interest income including income from equity instruments	1 641	1 613	1 832	1 463
Non-interest income	867	978	611	963
Technical margin on insurance operations	491	509	470	513
Operating Costs	1 936	1 903	1 776	1 718
Net operating income	2 999	3 099	2 913	2 939
Gross operating income	1 063	1 138	1 138	1 221
Income before tax	374	370	-545	-367
Net income	279	255	-488	-395
RATIOS				
Core Tier I (Bank of Portugal)	8.3%	8.8%	9.5%	11.6%
Core Tier I (EBA)	n.a.	n.a.	n.a.	9.4%
Tier I (Bank of Portugal)	8.5%	8.9%	9.0%	11.2%
Solvency ratio (Bank of Portugal)	12.6%	12.3%	11.6%	13.6%
Loans-to-deposit ratio	141.7%	136.0%	122.2%	114.0%
Credit at risk/total credit (1)	n.a.	4.2%	6.9%	9.4%
Non-performing credit/total credit (1)	3.0%	3.1%	4.3%	6.4%
Overdue credit/total credit	2.9%	2.9%	3.9%	5.7%
Accumulated impairment/overdue credit	105.3%	105.3%	105.0%	92.8%
Accumulated impairment/credit overdue for more than 90 days	122.4%	117.4%	116.5%	100.6%
Cost-to-income (consolidated operations) (1)	64.7%	63.3%	60.8%	58.4%
Cost-to-income (separate operations) (1)	59.6%	58.5%	55.7%	57.1%

RATIOS	2009	2010	2011 (*)	2012
Gross return on equity - ROE (1)	5.9%	5.0%	-8.1%	-5.7%
Return on equity after tax - ROE (1)	4.8%	4.1%	-6.4%	-5.3%
Gross return on assets - ROA (1)	0.32%	0.29%	-0.44%	-0.31%
Return on assets after tax - ROA (1)	0.26%	0.24%	-0.35%	-0.29%
OTHER INDICATORS				
Branches	1 273	1 326	1 351	1 311
Portugal (2)	848	864	860	848
Abroad	425	462	491	463
Representative offices (3)	11	10	11	12
Employees (4)	22 237	23 083	23 205	23 028
CGD Portugal	9 791	9 672	9 509	9 401
Other banking institutions	4 495	5 029	5 531	5 484
Insurance companies	3 642	3 559	3 463	3 411
Financial companies	357	368	368	443
Other activities	3 952	4 455	4 334	4 289
RATINGS (LONG/SHORT TERM)				
Moody's	Aa2/P-1	A1/P-1	Ba2/NP	Ba3/NP
Standard & Poor's	A+/A-1	A-/A-2	BB+/B	BB-/B
Fitch Ratings	AA-/F1+	A/F1	BB+/B	BB+/B
DBRS			BBB/ R-2 (high)	BBB (low) /R-2 (mid)

(*) Pro forma accounts, considering the figures involving Caixa Seguros e Saúde, SA's healthcare area as a non-current asset held for sale.
(**) Includes assets with repurchase agreement.
(1) Indicator calculated in accordance with Bank of Portugal instructions
(2) Includes 18 self-service branches in 2012.
(3) Includes representative office in Argelia, which awaits approval from the Algerian authorities.
(4) Does not include 257 CGD employees in the CGA Support Department or 93 employees engaged on public service secondment or in other situations, in 2012.

|01.3. EXECUTIVE SUMMARY

The Group's gross operating income, in 2012, was up 7.3% to €1 221.1 million, owing to a slight 0.9% growth of net operating income from banking and insurance operations, for the year to €2 939.0 million, in conjunction with a continuing decline of operating costs, which were once again down, this time by 3.3%.

Net interest income, including income from equity instruments, down 20.2% over the preceding year, translated a persistent, marked decline in Euribor rates and adverse evolution of income from equity instruments deriving from the effects of the deleveraging process.

There was a significant growth of 57.5% in non-interest income over 2011 to €962.9 million owing to the highly favourable performance of €363.0 million in income from financial operations, in December, against losses of €24.8 million in 2011.

The credit Impairment net of reversals was up 22.3% to €1 010.3 million, reflecting the persistent difficulties of Portuguese economic framework. CGD recorded an amount of €559.9 million of provisions and impairment of other assets (net).

The significant increase of credit Impairments, recorded as cost of the exercise due to a prudent provisioning policy in a context of strong economic slowdown, penalizing CGD Group consolidated net income, which recorded a negative amount of €394.7 million (which represents an improvement of €93.7 million compared to the figures recorded in 2011). The income before tax and non-controlling interest was -€367.5 million, representing an increase of €177.6 million compared with 2011.

Operating costs for domestic banking operations continue to decline (-9.7%), largely on account of the evolution of employee costs, which were down once again and this time by 12.7%. Caixa has continued to implement a policy of rationalising its operations and increasing its measurable efficiency in a favourable evolution of its respective indicators, notably the Group's costtoincome which, in spite of the reduction of income, was down from 60.8% in December 2011 to 58.4%.

The Group increased its shareholders' equity by 36.7% (€1 956.2 million) during the year, in spite of the negative net income, to €7 280.0 million at the end of 2012, based on a €750 million increase in share capital under CGD's Recapitalisation Plan last June and the significant recovery of €1 895.6 million in fair value reserves.

Under the terms of the referred to Plan, €900 million in convertible subordinated debt instruments, eligible as Core Tier 1 own funds were also issued.

The total capital ratio, in 2012, was 13.6% with a Core Tier 1 ratio on a consolidated basis, including retained earnings of 11.6% (9.5% in December 2011), in accordance with Bank of Portugal rules. Under the European Banking Authority's (EBA's) definition, this ratio was 9.4% in December 2012.

CGD Group therefore enjoys a robust solvency situation in which its respective indicators are higher than those required by regulations pertaining to own funds.

CGD Group's net assets of €116.9 billion at the end of December 2012, were down 3.1% over the end of 2011. Contributory factors were the reductions in loans and advances to credit institutions, cash and cash equivalents with central banks and loans and advances to customers.

Loans and advances to customers, at the end of the year, were down 4.5% over the preceding year to €74.7 billion. This reflected the Portuguese economy's recessionary context and subsequent adjustment of seveDal companies' management models.

CGD corporate market share was 17.3% at the end of 2012, representing an increase of 0.9 p.p. compared with December 2011. This market share has increased about 2 p.p. in the last 3 years.

Customer deposits were up 2.4% by €1 515 million in the year to €65.5 billion. Individual customers' deposits, in Portugal, with year-on-year growth of 2.2%, were almost €1 billion up over 2011. This is a particularly significant change in the present economic and social circumstances and was only possible on account of the trust and safety that Caixa's extensive, stable customer base continues to confer to the bank.

The loans-to-deposits ratio measured by net credit to customer deposits was 114.0%, compared to the indicative maximum threshold of 120% established for Portuguese banks by 2014 under the Economic and Financial Assistance Programme. This evolution, in a context of greater solidity, broadens the Group's operating possibilities in terms of its promotion of economic activity in Portugal.

In a context of the gradual improvement of investors' perceptions of risk attached to Caixa, CGD returned to the international capital markets in November in the form of its successful senior unsecured debt issue of €500 million with a maturity of 3 years and a coupon rate of 5.625% which continued to perform well in the secondary market.

Caixa returned to the market in January 2013, this time with a covered bonds issue of €750 million with a maturity of 5 years, with a coupon rate of 3.75%.

Borrowings from the ECB continued to decline from €9 billion to €6.95 billion, respectively at the end of 2011 and 2012. Notwithstanding, the pool of unused eligible assets closed the year at €9 755 million, almost double the €5 391 million available in December 2011.

The recessionary economic environment continued to have a notoriously marked effect on credit quality, with a credit more than 90 days overdue ratio of 5.3%, and respective coverage level of 100.6%. The credit at risk ratio accordingly increased from 6.9% at the end of 2011 to 9.4%.

The technical margin on insurance operations was up 9.2%, to €513.1 million, in 2012. Caixa Seguros e Saúde, SGPS consolidated its lead of the national insurance market, clearly retaining top position with a total market share of 29.3%.

International operations continue to represent one of the Group's major strategic thrusts, in which business relative to operations in expanding economies recorded favourable performance levels, visible, in such geographies as Macau, Mozambique, Angola, South Africa and Brazil. A contributory factor was the energising of cross-border business between these geographies, in which the domestic network played an important pivotal role in a large part of such growth flows.

The contribution of the Africa, Asia and Brazil affiliates to the consolidated result in 2012 reached €82.9 million, which represents an increase of 43.5% compared to 2011.

Not considering the Spanish market, which strategically is an integral part of the Group's domestic activity, the result of international activity was positive, €118.1 million, showing a growth of 35.1% compared with the previous year.

This evolution was not, however, sufficient to fully make up for the unfavourable results of several European operations affected by impairment increases, especially in Spain, whose results, in 2012, were also penalised by non-recurring costs attached to the business model restructuring process in progress in the referred country.

In this context, the contribution of the international activity to the consolidated net income in 2012, was negative €41.3 million.

|01.4. GROUP PRESENTATION

|01.4.1. EQUITY STRUCTURE

Caixa Geral de Depósitos' equity capital is owned by the Portuguese state as its sole shareholder. At 31 December 2012 share capital was EUR 5 900 million.

|01.4.2. 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).

1988 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 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 Espanhol, 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:

Formation of Caixa Geral de Depósitos – Culturgest Foundation.

Caixa Seguros becomes Caixa Seguros e Saúde, SGPS, S.A. 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 Angola (BCGTA), giving CGD Group a controlling interest in the holding company and indirectly in the bank itself.

CGD Group agrees to take a 70% stake in Banif Corretora de Valores e Câmbio ("Banif CVC").

Permission to set up Banco para a Promoção e Desenvolvimento (BPD) in Angola, with an initial share capital of EUR 1 billion owned on a 50/50 basis between CGD and Sonangol Groups

Formation of Banco Nacional de Investimento (BNI) in Mozambique, whose share capital is 49.5% owned by CGD, 49.5% owned by the State of Mozambique through its National Directorate for the Treasury and 1% by Banco Comercial e de Investimentos (CGD Group).

2011 Formation of Universal Seguros, in Angola, in which Caixa Seguros e Saúde has 70% of the capital and Angolan partners the remaining 30%.

2012 Merger between the Fidelidade – Mundial and Império Bonança insurance companies, in which the latter was incorporated into the former, accompanied by a name change to Fidelidade-Companhia de Seguros.

Contract for Caixa Seguros e Saúde's sale of 100% of the share capital of HPP-Hospitais Privados de Portugal to Amil Participações.

Agreements for the acquisition of an equity investment in Banif Corretora de Valores e Câmbio, now known as CGD Investimentos Corretora de Valores e Câmbio ("CGD Securities").

Agreement for the sale of CGD's investment in Banco Nacional de Investimento (BNI).

Sales agreement for the disposal of CGD's equity investment in Banco para a Promoção e Desenvolvimento, subject to the need to obtain the necessary permits.

Repurchase of the full amount of third party equity investments in Mercantile Bank Limited, which is now a wholly owned CGD subsidiary.

|01.4.3.

DIMENSION AND RANKING OF GROUP

CGD Group retained its domestic market lead in most of the business areas in which it operated in 2012, as shown in the following table.

MARKET SHARES IN PORTUGAL

	Dec 2011		Dec 2012	
	Share	Ranking	Share	Ranking
Banking				
Net assets (a)	31.8%	1st	31.8%	1st
Loans and advances to customers (b)	20.9%	1st	21.3%	1st
Loans and advances to companies	16.4%	1st	17.3%	1st
Loans and advances to individual customers	23.5%	1st	23.6%	1st
Mortgage loans	26.6%	1st	26.6%	1st
Customer deposits (b)	27.6%	1st	28.1%	1st
Individual customers' deposits	32.0%	1st	32.7%	1st
Insurance (c)	33.4%	1st	29.3%	1st
Life insurance	37.2%	1st	31.0%	1st
Non-life insurance	26.6%	1st	26.4%	1st
Specialised credit (d)				
Property leasing	18.4%	3rd	13.0%	3rd
Equipment leasing	15.1%	1st	14.0%	1st
Factoring	14.5%	4th	9.0%	5th
Asset management				
Unit trust investment funds (e)	23.0%	1st	25.0%	1st
Property investment funds (e)	13.9%	1st	13.0%	1st
Pension funds (f)(h)	15.7%	2nd	15.7%	2nd
Wealth management (e)(g)	32.9%	1st	37.3%	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) 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) Includes Pension Funds managed by CGD Pensões.
(h) 2012 figures are provisional.

The overall share of the loans and advances to customers market was up from 20.9% to 21.3% at the end of 2012, reflecting an increase in the market share of corporate lending from 16.4% to 17.3%. The market share of mortgage loans remained at 26.6%.

Caixa's market share of customer deposits, in 2012, was up from 27.6% to 28.1%, reaffirming its leading position in Portugal. Reference should be made to the market share of the individual customers segment, up from 32.0% to 32.7%.

Caixa Seguros e Saúde continued to be the undisputed domestic insurance market leader with an overall market share of 29.3%, comprising a volume of direct insurance premiums (including resources taken under insurance contracts) of €3 195 million, both in the case of life (31.0%), and non-life insurance (at 26.4%, more than double the amount of its closest competitors).

Multicare consolidated its lead of the healthcare insurance market, in 2012, with a market share of more than 33.1%, managing the portfolio of Fidelidade – Companhia de Seguros, S.A, which includes the Fidelidade Mundial and Império Bonança brands on a reinsurance basis.

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CGD Group retained its leadership of the domestic market in the main business areas

Overall market share of loans and advances to customers up from 20.9% to 21.3%:

- **Market share of corporate lending up from 16.4% to 17.3%**
- **Market share of mortgage loans remains at 26.6%**

Caixa Seguros e Saúde maintained its undisputed lead of the domestic insurance sector (overall share of 29.3%)

Multicare consolidated its leadership of the healthcare insurance market (with a market share in excess of 33.1%)

In the leasing area Caixa Leasing e Factoring (CLF) retained its top position in the equipment leasing sector with a market share of 14%. The contraction of turnover in the real estate leasing sector translated into a reduction in CLF's market share from 18% in 2011 to 13% in 2012. In the factoring area the company retained fifth position in the sector ranking with a market share of 9% (14% in 2011).

In terms of investment funds management, CGD Group also came in a leading position with Caixagest, in the unit trust investment fund area, and Fundger, in the real estate investment funds area, maintaining their market shares of 25% and 13.0%, respectively. In the pension funds management area CGD Pensões retained its market share of 15.7%, in 2012, coming second place in the ranking by amount. Lastly, in terms of portfolio management, centred on the mandates of major institutional customers, Caixagest retained its market lead with a share of 37.3%.

In the domestic investment banking area, CaixaBI once again reaffirmed its leadership based on its involvement in the most relevant transactions in Portugal, in 2012, leading the sector rankings and winning the most important international distinctions which particularly included "Best Investment Bank in Portugal 2012", from Global Finance, Euromoney Award for Excellence and World Finance magazines.

As regards its international presence, the Group enjoys a leading position both on account of the highly relevant dimension of its market share (Cape Verde, Mozambique, São Tomé e Príncipe and Timor) as well as on account of its status and recognition of its brand (Macau, Cape Verde, Timor, São Tomé e Príncipe, Mozambique and Angola). Special reference should be made to the market shares of Banco Comercial e de Investimentos (Mozambique) at the end of 2012, of around 30% for credit and 28.2% for deposits, consolidating its position as the second largest bank in Mozambique's financial system.

Caixa Leasing e Factoring (Specialized credit):

- 1st position in equipment leasing (market share of 14%)
- Reduction of market share in real estate leasing from 18% to 13%
- 5th position in factoring (market share of 9%)

Caixa Gestão de Ativos (Asset management):

- Caixagest (market share of 25% in unit trust funds and 37.3% in portfolio management)
- Fundger (market share of 13%)
- CGD Pensões (market share of 15.7%)

CaixaBI distinguished as the "Best Investment Bank in Portugal 2012", reaffirms its leadership

BCI (Mozambique) came 2nd in the sector, with a market share of 30% for credit and 28.2% for deposits

CGD Group maintains its focus on banking activities

|01.4.4.

CGD GROUP STRUCTURE – RECENT DEVELOPMENTS

CGD Group continued to focus on its banking activity in 2012, namely outside the Europe, reducing its exposure to other activities/sectors, thus meeting the set out in the Economic and Financial Assistance Programme.

CGD and Fidelidade sold 33 181 144 and 215 000, respectively, ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. shares, comprising 10.805% of ZON's share capital to the Amsterdam headquartered Jadeium B.V. company in June. CGD also sold the full amount of its 9.6% equity investment in Cimpor to InterCement in June. In August, it sold the full amount of its 1.5% equity investment in Brisa to Tagus, pursuant to its launch of a take-over bid.

As regards listed financial investments, reference should also be made to CGD's sale of 8 295 510 Galp Energia, SGPS, S.A., shares comprising 1% of its share capital and voting rights at the end of November. The sale took place in the context of the performance of CGD's tag along rights on Eni S.p.A. as provided for in the Consent & Waiver Agreement entered into between CGD, Eni and Amorim Energia B.V., in March 2012.

During the course of first half 2012, as a result of the offer made to non-controlling interest shareholders, the Group repurchased the full amount of third party equity investments in Mercantile Bank Limited (a Mercantile Bank Holdings, Ltd subsidiary), and now directly and indirectly owns the full amount of its share capital.

As regards the insurance area, reference should be made to the merger, on 31 May, between Companhia de Seguros Fidelidade – Mundial, S.A. which incorporated Império Bonança – Companhia de Seguros, S.A. Companhia de Seguros Fidelidade – – Mundial, S.A. simultaneously changed its name to Fidelidade – Companhia de Seguros, S.A., and increased its share capital from €400 million to €520 million, owing to the effects of the merger which was followed, in June, by a further increase of €85 million in share capital to €605 million.

At the end of June and with the objective of increasing Caixa Seguros e Saúde shareholders' equity, CGD increased the holding company's share capital by €351 524 920, from €448 400 000 to €799 924 920.

In mid-November, Caixa Seguros e Saúde formalised the sale of 100% of the share capital of HPP – Hospitais Privados de Portugal, SGPS, S.A. to Amil Participações, S.A.. The transaction totalled €85.6 million, including debt, with the possibility of a potential increase of €6 million if certain objectives are achieved. The completion of the business is subject to obtaining the administrative authorisations usually applicable.

In Brazil, following around two years of negotiations, CGD Group, through CGD – Participações em Instituições Financeiras, Lta. ("CGD PINF"), a Brazilian company, owned on a fifty fifty basis by CaixaBI and Banco Caixa Geral Brasil, entered into the definitive agreements for the acquisition of an equity investment in Banif Corretora de Valores e Câmbio, S.A. ("Banif CVC") which, in the meantime, underwent a name change to CGD Investimentos Corretora de Valores e Câmbio, S.A. ("CGD Securities").

Following the Memorandum of Understanding between the Ministry of Finance of the Republic of Mozambique and Caixa Geral de Depósitos, a decision was taken to sell CGD's equity investment in Banco Nacional de Investimento (BNI). A purchase/sales agreement for 1 108 million shares, comprising 49.5% of BNI's equity capital was then signed between CGD and IGEPE – Instituto de Gestão de Participações do Estado on 10 December 2012.

An agreement for the purchase and sale of equity investments between CGD companies (Gerbanca, SGPS, CGD and Caixa Participações, SGPS) and Sonangol Group companies (Sonangol EP and Sonip – Sonangol Imobiliária e Propriedades Lda) was entered into at the end of December 2012, for the sale of the equity investment in Banco Para a Promoção e Desenvolvimento S.A., whose completion is subject to the necessary permits.

These sales enabled Caixa to make significant progress in essentially concentrating on its banking business while simultaneously rationalising its international presence.

Merge of the insurance unitsCompanhia de Seguros Fidelidade – Mundial and Império Bonança – Companhia de Seguros

Caixa Seguros e Saúde completed the sale of HPP to Amil, which totaled €85 million

CAIXA GERAL DE DEPÓSITOS GROUP (*)

	DOMESTIC		INTERNATIONAL	
COMMERCIAL BANKING	Caixa Geral de Depósitos, S.A.		Banco Caixa Geral (Spain)	99.8%
			Banco Caixa Geral (Brazil)	100.0%
			BNU (Macau)	100.0%
			CGD Subsidiária Offshore Macau	100.0%
			B. Comercial do Atlântico (Cape Verde)	59.3%
			B. Interatlântico (Cape Verde)	70.0%
			Mercantile Bank Hold. (South Africa)	100.0%
			Parbanca, SGPS	100.0%
			B. Com. Invest. (Mozambique)	51.0%
			Partang, SGPS	51.0%
			Banco Caixa Geral Totta (Angola)	26.0%
			Banco Promoção e Desenvolvimento (Angola)	50.0%
ASSET MANAGEMENT	Caixa Gestão de Activos, SGPS	100.0%		
	CaixaGest	100.0%		
	CGD Pensões	100.0%		
	Fundger	100.0%		
SPECIALISED CREDIT	Caixa Leasing e Factoring IFIC	51.0%	Promoleasing (Cape Verde)	60.2%
	Locarent	50.0%		
	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%	CGD Investimentos CVC (Brasil)	99.9%
	Caixa Capital	99.7%		
	Caixa Desenvolvimento, SGPS	99.7%		
INSURANCE AND HEALTHCARE	Caixa Seguros e Saúde, SGPS	100.0%	Garantia (Cape Verde)	65.4%
	Comp. Seg. Fidelidade	100.0%	Universal Seguros (Angola)	70.0%
	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 Peritagem Automóveis	100.0%		
	EAPS – E. Análise, Prev. e Seg.	100.0%		
	HPP – Hospitais Privados Portugal, SGPS	100.0%		
	HPP – Lusíadas (**)	100.0%		
	HPP – Boavista (**)	100.0%		
	HPP – Algarve (**)	100.0%		
	HPP – Cascais (**)	100.0%		
	HPP Viseu, S.A.(**)	65.0%		
	LCS – Linha de Cuidados de Saúde	100.0%		
	Multicare – Seguros de Saúde	100.0%		
	EPS – Gestão de Sistemas de Saúde	100.0%		
AUXILIARY SERVICES	Caixatec – Tecnologias de Informação	100.0%	Inmobiliária Caixa Geral (Spain)	98.8%
	Imocaixa	100.0%		
	Sogrupo Sistemas Informação ACE	100.0%		
	Sogrupo Compras e Serviços Partilhados ACE	100.0%		
	Sogrupo IV Gestão de Imóveis ACE	100.0%		
	Caixa Imobiliário	100.0%		
OTHER PARTICIPATIONS	Parcaixa, SGPS	51.0%	La Seda Barcelona	14.2%
	Caixa Participações, SGPS	100.0%	Banco Internacional São Tomé e Príncipe	27.0%
	Wolfpart, SGPS	100.0%		
	Portugal Telecom	6.2%		
	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%		
	VAA – Vista Alegre Atlantis	4.5%		

(*) Percentage of effective participating interest
(**) Sold in March 2013

|01.4.5.
BRANCH OFFICE NETWORK

CGD Group's branch office network, at the end of the year, comprised 1 311 branches of which 848 in Portugal and 463 abroad.

CGD's branch office network in Portugal was down 12 units during the year to 811 branches, of which 18 self-service branches, and 36 Corporate Offices at the end of 2012.

CGD GROUP BRANCHES

	Dec/11	Dec/12
CGD (Portugal)	859	847
Physical branches	804	793
Self-service branches	17	18
Corporate Offices	38	36
Caixa – Banco de Investimento (Lisbon+Madrid)	2	2
France Branch	46	47
Banco Caixa Geral (Spain)	209	172
Banco Nacional Ultramarino (Macau)	14	14
Banco Comercial e de Investimentos (Mozambique)	120	128
Banco Nacional de Investimentos (Mozambique)	1	–
Banco Interatlântico (Cape Verde)	9	9
Banco Comercial Atlântico (Cape Verde)	33	33
Mercantile Lisbon Bank Holdings (South Africa)	15	15
Banco Caixa Geral Brazil	2	2
Banco Caixa Geral Totta de Angola	24	25
Other CGD Branch Offices	16	16
Macau Offshore Subsidiary	1	1
Total	**1 351**	**1 311**
Representative offices (*)	**11**	**12**

(*) Includes a representative office in Algeria in 2012, which awaits approval from the Algerian authorities.

The international network was down by 40 units, particularly in Banco Caixa Geral in Spain (down 37) as a consequence of the restructuring process for the Group's presence in Spain, starting 2012. As in the preceding year, the Banco Comercial e de Investimentos (Mozambique) network, continued to expand, having added 8 branches to its total.

Granular retail network:

- Portugal
  - 811 branches and 36 'Caixa Empresas' offices (companies service model)
  - CaixaBI
- Across borders:
  - 463 branches and 12 representative offices

INTERNATIONAL BRANCH OFFICE NETWORK

Europe			
Spain		**Germany**	
Banco Caixa Geral	172	CGD – Representative Office	1
Caixa Banco de Investimento	1	**United Kingdom**	
CGD – Spain Branch	1	CGD – London Branch	1
Fidelidade – Branch	1	**Luxemburg**	
France		CGD – Luxembourg Branch	2
CGD – France Branch	47	Fidelidade – Branch	1
Fidelidade – Branch	1	**Switzerland**	
Belgium		CGD – Representative Office	1
CGD – Representative Office	1	BCG – Representative Office	1
Madeira			
Offshore Branch	1		
America			
United States		**Venezuela**	
CGD – New York Branch	1	CGD – Representative Office	1
Mexico		BCG – Representative Office	1
BCG – Representative Office	1	**Canada**	
Brazil		CGD – Representative Office	1
Banco Caixa Geral Brasil	2	**Cayman Islands**	
CGD Investimentos	1	CGD – Cayman Islands Branch	1
Africa			
Cape Verde		**São Tomé e Príncipe**	
Banco Comercial do Atlântico	33	Banco Intern. S. Tomé e Príncipe	10
Banco Interatlântico	9	**Mozambique**	
Garantia	11	Banco Comercial e de Invest.	128
A Promotora	1	**Algeria**	
Angola		CGD – Representative Office (*)	1
Banco Caixa Geral Totta Angola	25	**South Africa**	
Fidelidade – Universal Seguros	1	Mercantile Bank	15
Asia			
China – Macau		**China**	
Banco Nacional Ultramarino, S.A.	14	CGD – Zhuhai Branch	1
Macau Offshore Subsidiary	1	CGD – Xangai Representative Office	1
Fidelidade Mundial – Branch	2	**East Timor**	
India		CGD – East Timor Branch	8
CGD – Representative Office	2		

(*) It is waiting for approval from the Algerian authorities

|01.4.6. CAIXA BRAND

"Caixa Geral de Depósitos is the benchmark brand in the Portuguese financial market.

In 2012, the brand was recognised and characterised by Portuguese consumers as having the highest recognition factor as well as for its relevance to society, trust, strength, leadership, status as a prestige benchmark organisation and for its social and environmental responsibility.

CGD is the most supportive brand for education and universities, strategic sectors of the economy, culture and sustainability."

Source: Brandscore – Brand Barometer – 2012

!

CGD Brand
- Confidence
- Strength
- Leadership
- Prestige
- Benchmark
- Social responsibility and sustainability

CGD is the most supportive brand for:
- Education and Universities
- Strategic sectors of the Economy
- Culture
- Sustainability

CGD's activity in 2012 merited the following distinctions:
- Banking Brand of Confidence
- Most Valuable Portuguese Banking Brand
- Excellence Brand
- Most Sustainable Financial Group in Portugal

DISTINCTIONS AWARDED TO CGD BRAND

- Banking Brand of Confidence;
- Most Valuable Portuguese Banking Brand for the 5th consecutive year, with a brand value of €381 million – Brand Finance Banking 500 Ranking;
- Brand Excellence for the 5th consecutive time – Superbrands;
- "Marcas que Marcam" (Brands which make a Difference) – CGD was the winning brand in the "Banks" and "Credit and Debit Cards" categories out of a total of 80 contestants.

SUSTAINABILITY DISTINCTIONS

- Prime Company – Oekom Ranking for companies with the lowest social and environmental risk;
- Most Sustainable Financial Group in Portugal for the 2nd consecutive time – The New Economy;
- Maximum[(a)] classification for performance in the Carbon Disclosure Project and listing on Carbon Performance Leadership Index (CPLI).

OTHER DISTINCTIONS

- SIL 2012 (Rental) Prize.

SUSTAINABILITY IN CAIXA GERAL DE DEPÓSITOS

EDUCATION AND FINANCIAL LITERACY

KNOWLEDGE PROMOTION

- **PmatE National Science Competitions 2012** CGD has sponsored PmatE (Mathematical Education Project) competitions since 2006. This is one of the major national educational events for more than 13 thousand students in primary and secondary education who take part in nine competitions, comprising knowledge areas such as mathematics, biology, physics, Portuguese language and geology.

  In 2012, the competition was held on the University of Aveiro's Santiago campus.

- **City of Lisbon Foundation**

  Annual grants from the University College of Cooperation.

Knowledge Promotion:
- PmatE
- Annual grants

Financial Literacy:
- "Programa saldo Positivo" (Positive Balance programme)
- Educação+ (Education plus) Financial exhibition

FINANCIAL LITERACY

- **"Saldo Positivo" (Positive balance)**

  In continuing to develop the Saldo Positivo (positive balance) financial education programme, CGD launched a specific programme for SMEs, for the first time in Portugal in 2012 with a new area on its site exclusively geared to companies – Saldo Positivo Empresas (corporate positive balance).

  The Positive Balance site received more than 4 700 000 views (up 160% over 2011).

- **"Educação+ Financeira" (Education+ Financial)**

  The "Educação+ Financeira" (Education+ Financial) roadshow based on an institutional partnership of many years between Caixa Geral de Depósitos and the University of Aveiro, maintained the preceding year's programmatic contents, with three main thrusts, targeted at their preferred target public:

  I. **Why money?** – geared to the 1st and 2nd primary educational cycles. Objective: to provide younger people with a historic vision of the evolution of money and commercial exchanges.

  II. **How should money be spent?** – for the 3rd primary educational cycle. Objective: to raise young people's awareness of the importance of work, consumption decisions and savings habits.

  III. **To buy or not to buy?** – particularly geared to secondary cycle students and the general public; includes a range of games, based on the creation of or identification with a PC-based avatar, with the aim of raising awareness on the issue of indebtedness, multi-indebtedness and over-indebtedness.

More than 26 thousand people visited the Education+ Financial exhibition, in 2012, over the whole of the country. In 2012, the exhibition, comprising a leisure-pedagogical proposal from CGD and the University of Aveiro was held in Espinho, Viana do Castelo, Trofa, Coimbra, Óbidos, Torres Novas, Sousel, Alcochete, Évora, Albufeira, Barcelos, Castelo Branco, Vidigueira, Aveiro, Setúbal, Montemor-o-Novo, Bragança, Montalegre, Porto, Vila Verde, Valença, Pinhel, Tondela and Estarreja.

CULTURE

CULTURGEST

The integration of the community as a determining factor in terms of value creation and business sustainability is one of the fundamental pillars of CGD's socially responsible activities. This has taken the form of ongoing support for social and cultural activities, in which special reference should be made to the activity of the Caixa Geral de Depósitos Culturgest Foundation as a crucially important agent in terms of promoting culture for the Portuguese public.

The Foundation continued to be a benchmark cultural centre on the national and international scene, in 2012, with leading initiatives in all domains of thought and science, providing information on several of the world's most creative developments.

CGD, DESIGN AND ARCHITECTURE

CGD has been engaged on promoting design and architecture, since 2009, distinguishing such areas' importance to the development of the Portuguese economy and society.

CGD is also the official sponsor of ExperimentaDesign.

The ExperimentaDesign (EXD), project which, inter alia, involved industrial design, architecture, fashion, multimedia, set design and new media areas in a multidisciplinary and transversal manner, represents a major happening whose dimension, and opportunity places Lisbon and Portugal on the map of the most engaged European artistic scenes.

Also as regards ExperimentaDesign, Caixa has sponsored the programming for the Trindade Convent (EXD's new headquarters), for a period of one year. The convent's prime location, in the Chiado district, enhances the programme's visibility and projection with national and foreign visitors, converting it into an emerging cultural space.

Caixa, in 2012, entered into a protocol with the Order of Architects as a prime partner for this professional class, ensuring its presence at all national events organised by the Order of Architects, as well as other initiatives or projects of common interest.

Caixa has also been providing support to various actions of the Architecture Triennial and the northern section of the Order of Architects.

Promotion of design and architecture

CGD sponsors ExperimentaDesign

CGD ORCHESTRAS PROJECT

The CGD orchestras project is based on partnerships with entities having oversight responsibilities for the Lisbon Metropolitan, Northern, Algarve and Central Portugal's Clássica orchestras.

This project, beginning 2001, consists of sponsoring the activity of these musical formations and the promotion of Caixa Geral de Depósitos concerts, on traditional classical and fusion music.

57 nationwide events, attended by more than 18 thousand spectators, were held in 2012. 35 of these actions were essentially pedagogical, promoting the creation of new audiences and the development of habits of the enjoyment of culture en famille (didactical-pedagogical actions, family and promenade concerts).

OTHER CULTURAL PROJECTS

Other projects, in different cultural areas, relied upon CGD sponsorship, during the course of 2012:

- **Music**

  Jazz ao Centro – international jazz meeting of Coimbra

  Rota das Artes festival

- **Arts and Letters**

  Portuguese Writers' Association – Vida Literária prize

  Inês de Castro Foundation – Coimbra Arts Festival

  Serralves Foundation

  Pessoa Prize

  Gazeta Prizes (Journalists' Club)

  Júlio Pomar Foundation

  Arpad Szènes/Vieira da Silva Foundation

  Casa de Mateus Foundation – D. Diniz literary prize

  National Centre for Culture

  Lisbon Week 2012

- **Cinema and Documentary**

  Cinanima – International Animation Cinema Festival of Espinho

SPORT

CGD has committed to promoting sport as a sine qua non for a healthy, responsible lifestyle, sharing fundamental values such as dedication, loyalty and team spirit.

CGD has paid particular attention to amateur sports and investment in sports infrastructures as a means of promoting social development.

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

VOLUNTARY WORK

Caixa continued to encourage voluntary work, in 2012, for all employees, particularly actions designed to protect the environment, financial education and solidarity.

All actions relied on the participation of hundreds of employees, family members and friends, confirming an ever greater awareness of the fact that each of us can make a difference and help create a better, fairer society.

!

Voluntary work

- Partnership with Entrajuda
- "Education for Entrepreneurship"
- Young VolunTeam
- Beach and forest clean-ups
- Support for the homeless

PARTNERSHIP WITH ENTRAJUDA

Caixa once again provided assistance to Entrajuda, in 2012, in the form of a financial donation to the volunteers' pool as an online tool which aims to provide a meeting point between demand for and the provision of voluntary work. Caixa is the main partner of the volunteers' pool which has, as a project, been evolving since its creation, notably on a level of technological platforms, being now available, in addition to the www.bolsadovoluntariado.pt, site on Facebook (Volunteerbook), as the first app in the sphere of the 3rd sector developed for Windows 8.

EDUCATION FOR ENTREPRENEURSHIP

Caixa was a member of Junior Achievement Portugal's "Educação para o Empreendedorismo" (Education for Entrepreneurship) project with the main objective of informing schools about financial literacy, citizenship and the promotion of entrepreneurship, which are not part of curricular programmes.

The initiative included 60 forms from various schools nationwide, encompassing more than 1 200 students between the ages of 6 to 18 and was implemented by 60 volunteers.

CGD scheduled a visit to its Lisbon headquarters for students, at the end of each programme, having received 18 groups of students between March and June 2012.

Feedback from one of women volunteers:

"There are few challenges which can be compared to finding the right response when faced by the curious eyes of thirty adolescents. But to confirm that there is still a desire to find out about new things and the will to improve upon old habits, respecting them, satisfies a natural. anxiety. Finding a balance between desires is therefore my main experience from the JAP programme, which was fortunate to benefit from CGD's promotion. Thank you for the opportunity!".

Ana Rita Matos Days (Sogrupo ACE).

YOUNG VOLUNTEAM

In continuing to implement its policy of leadership by example, Caixa Geral de Depósitos launched a challenge to secondary schools, in 2012, in the form of its Young VolunTeam Programme developed in partnership with Sair da Casca and ENTRAJUDA and with the support of the Directorate General for Education, Ministry of Education and Science. On the basis of this project Caixa aims to promote best practice in response to the challenges facing Portuguese society, whose young people are less actively involved in voluntary work than in other European countries according to a 2010 survey performed by the European Voluntary Service Programme.

The aim of the Young VolunTeam Programme is to raise the awareness of the whole of the educational community on voluntary work as an expression of active citizenship and to incentivise young people's recognition of essential competencies for their professional future in different areas: entrepreneurship, social inclusion, education, employment and citizenship. Student participants operate over the whole of the academic year as ambassadors and agents of change, performing training actions on voluntary work with students from other educational cycles and implementing voluntary work actions within schools and the community. In addition to the students, the involvement of teachers and the whole of the school's organisational structure are essential for the implementation and execution of the programme. Several schools also have an incentive in the form of a Caixa Godfather, who accompanies the actions of the schools over the year, as part of the community involvement policy.

Participating schools have performed various voluntary work promotion and awareness-raising actions, in addition to voluntary actions which include campaigns for the collection of goods and food, visits to old people's homes or institutions providing assistance to children or even the creation of charity shops in schools. Primary education training sessions have enhanced students' sense of value, reinforcing links between the participating schools, originating joint projects such as a school radio in the 3rd cycle to encourage interaction with students with special educational needs.

25 schools with 101 students were involved in this pilot project. The work of the schools is monitored daily on Facebook, by groups which, at the end of the year, already comprised more than one thousand members and the educational programme's home page at www.facebook.com/CGDyoungvolunteam.

BEACH CLEANING AT SEREIA BEACH

Caixa once again assembled its employees and their respective families, in a voluntary work action consisting of a clean-up operation at Sereia beach, in Costa da Caparica – an initiative involving the participation of around 150 volunteers. Around 500 kilos of litter were collected.

2012, was the third consecutive year of voluntary work actions to clean up beaches, as part of the environmental pillar of Caixa's sustainability programme.

FOREST CLEANING

This initiative, organised and performed by Caixa employees from Viana do Castelo, was imbued with a spirit of companionship between colleagues, friends and family members.

In addition to its leisure component, it involved the collaboration of all in an action which – albeit symbolic – to a certain extent contributed to improving the community, which, in this case involved a clean-up of the picnic park.

"GREEN DAY"

As part of the European Mobility Week 2012 commemorations, Caixa was a party to several initiatives to promote more sustainable mobility, notably in challenging its employees to travel to work by bicycle and participate in "Green Day" activities in the gardens of the Electricity Museum in Belém.

CGD was present in "Green Day" in the form of various initiatives:

1. *Escultura de Desperdicios: Eco-Arte* (Waste Sculpture: Eco-Art) zone – a ground sculpture made by children to promote the Savings Cycle Game;
2. *O Mundo que Queremos Ter* (The World we Want to Have) mural, inviting all those present to leave a message;
3. *Viver Melhor* (Better Living) zone with the *Aprenda a Poupar* (Learning to Save) workshop;
4. *Voluntariado* (Voluntary work), zone in which CGD employees volunteered to take part in various initiatives in progress.

SUPPORT FOR THE HOMELESS – PREPARATION AND DISTRIBUTION OF MEALS

This action, performed with the Vida e Paz community, took the form of two different instances over the course of a week, comprising the preparation and distribution of meals.

In my eyes, this action translated the possibility of opening the eyes of people who refuse to see reality. Although they know it exists and praise participants, few of them leave their comfort zone to become acquainted with the scourge of poverty.

Joana Sousa and Sara Silveira
(Internal Audit Division).

CHRISTMAS INITIATIVE – SWAP BOX

The "swap box" initiative, on the theme "Wasting nothing, transforming everything" was held at CGD headquarters in December.

This was a Christmas action for Caixa employees and their respective family members with the objective of strengthening employees' emotional commitment to CGD. The initiative embraced various activities:

- *O Mundo que Queremos Ter* (The World we Want to Have), exhibition with an eco-sculpture (with written messages from participants);
- *Caixa de Trocas* (Swap box) – book mart, CDs/ /DVDs, games and toys, in good condition;
- *Caixa de Doações* (Gift Box) – objects which were not swapped and/or were left, were collected for delivery to institutions for assistance for children, young people and families at risk;
- 3 children's Christmas workshops – children up to the age of 12, under the supervision of monitors, transformed recyclable materials into new decorations/Christmas presents;
- "Savings cycle" game for children, with tickets for Kidzania;
- Lounge space – with a performance by CGD's Social Services' choir and Rita Dias, following CGD's internal "Show me your musical talent" and also with the presence of writer Alice Vieira and Rosário Alçada to read a short story;
- Social services' book fair with discounts for employees.

INTERNAL COMMUNICATION

CAIXA IDEIAS COMPETITION

The Caixa Ideias is an internal competition open to all employees and aims to stimulate the presentation of original, innovative ideas applicable in CGD's strategic performance areas. The competition, in 2012, was based on the single theme: "Preparing CGD's sustainability and competitiveness, on an organisational and business model level, focusing on banking activity, strengthening it and adjusting it to new banking circumstances".

Six ideas qualified for the final stage of the competition in which the idea "From Synergy to Leadership", submitted by a team from the Lisbon Commercial Division was the winner. The idea aims to achieve a commercial approach geared to the creation of synergies between SME and affluent customer segments, improving efficiency in taking-in balance sheet resources in these segments.

INTRANET

The intranet is CGD's internal portal for all institutional and commercial information.

Consulted by all CGD employees, this is the prime means of obtaining background information on activity. The portal recorded 79 million page views, in 2012.

NÓS CAIXA MICROSITE

Comprising 500 pages, the Nós Caixa microsite aims to compile information of interest to CGD employees, such as, inter alia, voluntary work actions, the Ideas Box competition, leisure time activities and classified advertisements, The microsite is accessed via the intranet and had around one million pages views in 2012.

CAIXA'S 136TH BIRTHDAY

TEAM LEISURE ACTIVITY – *A UNIÃO FAZ A FORÇA* (UNITED WE STAND)

A União faz a Força (United we Stand) was the theme for the commemorations of CGD's 136th birthday which included a leisure time activity in which all employees were asked, as a team, to send a photograph with a phrase reflecting the values, motivation and spirit comprising a source of pride for Caixa's extended family.

The competition was won by the Amoreiras branch, with a sculpture containing the CGD symbol, in which a photograph of each worker was placed, together with a phrase making reference to the way in which all consider the Caixa brand. «We share the strength that unites us ... with determination and passion». The prize comprising tickets for a football match was, of course, also shared:

According to Amoreiras branch manager Jaquelina Vieira, "Because we believe that it is in the details that we can make a difference in Caixa, we "wear the shirt" at all times, even in the game.".

A FORÇA VEM DE DENTRO! (STRENGTH FROM WITHIN!) – INDIVIDUAL LEISURE PURSUIT

A Força vem de Dentro! (Strength from within!) was the theme of a virtual word game. A word making reference to Caixa's values was published daily for a week on the intranet. With each word, employees were invited to write a creative phrase representing CGD's strength, with a daily prize for the best phrase.

PUBLICATION OF A CHILDREN'S BOOK: *A DIFFERENT TREE*

Caixa sponsored the publication of a story written by the children of employees in the Beja region. This initiative was promoted by the Beja Social Services Branch, with the objective of stimulating the imagination and creativity of the younger beneficiaries of CGD's Social Services.

The challenge was issued with a short text and a drawing and the story grew with each child's contribution of texts and/or drawings. The book (at its creation stage) "visited" 30 households of employees with young children (3 – 12 years old) in the Beja branches and region,

The cycle was closed by the Festa de Reis of employees in the region at Beja's Pax Julia municipal theatre, where the book's final version was presented and distributed, in addition to a show to animate the story written by the children.

CAIXA NOTÍCIAS NEWSLETTER

Caixa Notícias is Caixa's internal newsletter. It is published monthly and aims to provide information on all CGD and CGD Group areas of interest on a single media – notably information on business highlights, sustainability, human resources, culture, brand information, events and other items of interest in Caixa's world.

This newsletter with 50 – 70 articles per edition, is sent to all CGD workers and several Group companies.

NÓS CAIXA

This publication was distributed to the following, in 2012:

- Workers – digital release on the intranet and Caixapessoal portal;
- CGD retirees, via CTT (postal services);
- CGD Group companies;
- Media in general;
- Partners;
- Official entities;
- Other pertinent entities.

IMPLEMENTATION OF NEW ORTHOGRAPHIC AGREEMENT

As an entity subject to the management authority, superintendence and supervision of the government, Caixa complies with the legal regulations pertaining to the state's corporate and public companies sector pursuant to which it has been obliged, since January 2012, to use the new orthographic agreement for the Portuguese language.

A comprehensive implementation programme on the new orthographic agreement has, since then, been implemented for internal and external communications, with a worker awareness and training campaign, including an online training tutorial, having been organised.

DISTINCTIONS

APCE 2012 GRAND PRIX

- **Winner**
  In the "Bulletin and Newsletter" category: for the Nós Caixa supplement

!

Nós Caixa brochure won the APCE 2012 price for CGD

DIGITAL COMMUNICATION

CGD's digital communication, in 2012, focused on aspects related with innovation, creativity, commitment and leadership, initiated in the preceding year.

Reference should be made to the development of communication on new channels, in 2012. These include mobile phones and tablets, via the launch of the Caixadirecta app for Windows 8. There were also new developments on a level of digital signage and social networks.

DIGITAL SIGNAGE

With a perfectly consolidated technological platform using corporate television terminals, installed in 308 branches, Caixa's inline system is an institutional and commercial communication channel of major relevance to its contact strategy with existing and potential customers.

Its programme schedule concentrates on issues of particular interest to the community – especially reports highlighting CGD initiatives and actions on a regional and local level.

SOCIAL NETWORKS

COMMITMENT TO CGD PROFILES

With active profiles whose number of followers has continued to increase, such as in the case of Caixa Woman, Caixa Advantages and Positive Balance, on financial literacy themes, CGD launched its profile for young university students – Caixa IU at the end of 2012.

The profile had already achieved 16 thousand followers within one month from launch.

COMMUNICATION ON ACTIONS TO PROMOTE MARKET PRODUCTS AND SERVICES

CAIXAZUL

Caixazul is the Caixa brand which identifies the personalised service provided to its preferred customers. It is underpinned by the close relationship between customers and the bank and it was on the basis of the proximity between account managers and customers that the September advertising campaign was based.

In a storytelling narrative, account managers speak about the lives and their customers' preferences, demonstrating their knowledge of customers and the way they select products to meet their needs.

This campaign emphasised one of Caixa's important aspects which consists of providing a differentiated, personalised service in which people are interested: "Há um Banco que o conhece como ninguém. A Caixa. Com Certeza." (There's a bank that knows you like no other. Caixa. Of course.).

The personages in the campaign were tailored to the segment's characteristics: higher and upper middle classes, higher education, the professionals, technical staff and managers between the ages of 30 and 60.

RESIDENTS ABROAD

There were several communications actions, in 2012, in a framework in which taking–in savings from residents abroad is particularly important. They particularly included the Easter, summer and Christmas communication campaigns.

The Easter campaign was based on information on Caixa's savings solutions for this target segment, especially focusing on term deposits Depósitos Mais RE ("residents' abroad plus deposits"), giving subscribers the opportunity to win a trip with accommodation for 2 people to Ukraine to support Portugal at the European Football Championship.

The residents abroad summer campaign focused on the offer associated with the Olympics, notably the *Oferta Triatlo* (Triathlon Offer) and *Depósito Maratona* (Marathon Deposit) with the aim of strengthening emotional links with Portugal and Caixa as the bank which values its customers living outside Portugal.

In addition to these products, further development work was carried out on *Depósitos Mais RE* in foreign currency and on additional information relating to Caixadirecta's resident abroad service.

In addition to the traditional communication campaign based on various media, notably the national and international, digital and foreign press, network of urban display panels at Lisbon, Porto, Madeira and the Azores airports as well as shopping centres; regional networks and two large format displays next to the Vilar Formoso border, Caixa prepared a collection of initiatives to welcome and accompany its resident abroad customers.

The campaign also benefited from television coverage with three informational spots entitled "Facilitadores de Poupança" (Savings Enablers), providing information on the priority offer for the residents abroad segment.

In addition to structures abroad, 54 branches on the domestic network with the largest turnover or higher levels of customers from abroad were identified and specialised helpdesks provided.

Also as regards the summer campaign and with the same objective of improving the identification of and proximity of customers with Caixa, three events in zones which, according to the branch office network, have the largest concentration of emigrants were organised – Aguiar da Beira, Ansião and Chaves. Each of the events was attended by around 250 customers and included a dinner in a relaxed ambient, with animation and live music.

The Christmas campaign, launched in the international and national media, aimed to commercially develop residents abroad savings solutions, particularly the Caixa Família service (to secure second and third generation customers), young people's savings solutions and Depósitos Mais RE in offshore branches.

COMPANIES

EXPORTS

Renewing Caixa's status as the economy's support bank, an exporting companies' support campaign was launched on a new theme: *Há um banco que mexe e faz mexer o País* (There is a bank that moves and is moving the country).

With a strong presence on television, the press, radio, digital media and point of sales outlets, this campaign aimed to show that Caixa:

- ... provides the most comprehensive services, such as consultancy which help to expand activity and mitigate risks owing to its knowledge of the customer at the point of delivery, etc.
- ... is a modern, innovative bank which supports companies in cutting–edge sectors;
- ... has a broad range of products and services and an international network in 24 countries, ready to assist the internationalisation strategy of domestic companies.

CAIXA EMPREENDER (CAIXA ENTREPRENEUR)

This campaign aimed to position Caixa as the entrepreneurship support bank.

A new Caixa Empreender offer based on Formula 1, under the banner: *Acelere o seu negócio* (Accelerate your business), was presented. The offer comprises the Caixaworks Empreender card, savings products with special conditions for cardholder customers and a personal credit line for the capitalisation of companies.

The campaign was aired in the press, radio, digital media and point of sales (Corporate TV, ATS in–house system, leaflets and posters). It was also present at Lisbon airport, with a display panel in the arrivals zone.

NETCAIXA

"netcaixa e netcaixa on-line: *duas soluções a pensar no seu negócio*" (netcaixa and netcaixa on-line: two solutions with your business in mind) was the headline chosen for this campaign, with a virtual APT.

With the objective of promoting new subscriptions for physical and virtual APTs, special promotional conditions were attached to separate subscriptions for the two services.

LEADERSHIP OF MICRO AND SMALL COMPANIES' SEGMENT

Caixa came first in the SME Growth ranking, in 2012, specifically for its credit line for micro and small companies. The communication campaign provided information on Caixa's leadership of this segment, amount of financing already supplied to such companies. Media included the press, radio and digital formats.

SUPPORT FOR COMPANIES

This campaign aimed to position Caixa as the driving force for financing the economy and provided information on the total amount of corporate loans and the amounts still available for financing purposes. In terms of creativity, major inspiration was drawn from export support campaigns.

The campaign was aired on television, the press, radio, digital format and point of sales (Corporate TV, leaflets and posters).

CAIXA WOMAN

Various promotions were organised in 2012 with the aim of meeting the expectations of this segment. In the sphere of Women's Day celebrations, Caixa subscribed for Sporting Clube de Portugal's "Mulheres com Garra" (Women who Don't Give Up" and Futebol Clube do Porto's "Mulheres com Chama" (Women with Spirit), games.

Information on several of the initiatives organised in 2012 was strongly based on specific communications media (monthly newsletter, Facebook and Caixa's own microsite).

With the aim of stimulating savings, prizes were awarded to top saving customers (based on the rounding-up programme), using Caixa Woman cards.

The brand strengthened its presence on social networks, with its Facebook profile having attracted eight thousand followers.

MY BABY CARD

Following the 2011 launch of the prepaid My Baby card and to reinforce public involvement in and knowledge of CGD's unique offer, two family events were sponsored: in the form of the "A Nossa Gravidez, o Nosso Bebé" (Our Pregnancy, Our Baby) conference and the "Barrigas de Amor" (Wombs of Love) action.

CAIXA ACTIVA

The image and headlines attached to the materials were renovated to provide continuity to the Caixa Activa communication rationale.

The end of the printed version of Caixa Activa magazine did not prevent communication from continuing with these customers, in the form of the monthly newsletter, focusing on issues of interest to this public, with adequate products and partnerships.

CAIXA MAIS

The fifth and sixth roll-outs took place in 2012, with the objective of consolidating the relationship between Caixa and its mass market customers, enabling around 75 500 customers to be contacted.

REAL ESTATE LOANS

In the sphere of a series of initiatives providing information on and promoting the Group's retail real estate portfolio under management, a communication campaign on the theme "*Compre casa na Caixa. E os custos ficam por nossa conta*" (Buy your house from Caixa. We'll pay for the costs) was launched.

The base position accompanying Caixa Imobiliário's communication since the start – "*Bons Preços – Bons Negócios*" (Good Prices – Good Business) was also retained.

YOUNG PEOPLE AND UNIVERSITY STUDENTS

Communication with the under 18s took the form of various initiatives and campaigns, notably the "*Multiplica os teus Cifrões*" (Multiply your Figures), campaign which was launched in October with the participation of the actor Vítor Fonseca a.k.a. "Cifrão", and actions at Caixa's KidZania branch on World Savings Day.

Caixa used this campaign to provide information on the practical advantages and benefits of its commercial offer, facilitating the involvement of parents/tutors and young people with banking involvement in subscribing for products which, in addition to being innovative, permit allowances/weekly pocket money to be efficiently managed while also encouraging medium and long term sa- vings habits. Prizes were given to customers with the largest subscriptions.

Various actions were organised for communication with the university segment with the objective of providing information, achieving status and generating goodwill for the Caixa IU brand, notably presences at academic events "Queima das fitas" (burning of the faculty ribbons on the end of the studies and receptions for "fresher" students), summer festivals and the Pro Surf League.

Other fund-taking actions/campaigns designed to achieve lasting customer ties were also developed: "Nova Época Universitária" (New University Season), (with stands at partner universities), the "Depósito Caixa IU Festivais de Verão" (term deposit for university students with season tickets for summer festivals), "Caixa Poupança Superior" (a savings account exclusively for university students) and the "Caixa ISIC" card (a credit card which can be used for international student identification purposes and which provides discounts in several countries).

MEANS OF PAYMENT

During the course of 2012, communication on innovative projects for the means of payment was an ever present factor.

As a means of stimulating the day-to-day use of cards, an information campaign on the automatic splitting up of payments, without interest, at the point of sale was launched, based on the headline "*Pague as suas compras de forma fracionada e sem juros*" (Split up the payment for your purchases with no interest).

The development of the Portal Vantagens Caixa ("Caixa Advantages Portal") to aggregate the benefits and advantages associated with cards, was an ongoing process over the whole of the year, culminating, at year-end, with a campaign to secure registrations with the Portal and Facebook followers.

Reference should also be made to the partnership with Transportes Urbanos de Braga TUB, ("Braga City Transport") In a unique project in Portugal enabling Caixa Classic/TUB cardholder customers to acquire occasional onboard tickets by simply placing the card close to the card reader fitted to the bus.

Reference should also be made to the promotion of Made By solutions which have enabled Caixa to consolidate its position in terms of such attributes as a pioneering approach, innovation, products/services customisation and the adopting of a customer-centric attitude.

During the summer period and as in past years, special campaigns to boost the use of Caixa Gold and Soma credit cards were organised.

With the objective of improving the brand recognition factor by associating the cards with highly prestigious sports events, communication campaigns associated with the Champions League and the 2012 Olympics were organised in the form of draws for tickets and trips.

Also in terms of sport, further development work was carried out on the Benfica credit card, in the sphere of the "Lugar de Ouro" ("Golden Seat") competition which involved various promotional initiatives at diverse Sport Lisboa and Benfica games.

In the December period in which credit cards tend to be more used, it was decided to promote the rounding-up programme and split payments functionality – aimed at encouraging savings and budget support management.

SAVINGS

Early 2012 was marked by an advertising campaign assessing the impact of the "Plano Automático de Poupança" (Automatic Savings Plan) in the lives of Portuguese citizens. The aim was to show, in financial terms, that "PAP" (ASP) measures are having practical day-to-day results in making it possible to save without giving up on life: "Com o PAP, a vida automaticamente continua" (With ASP, life continues automatically.).

Based on this concept, the story of two families was told, asking consumers to visit cgd.pt and use the savings calculator to simulate how much they could save, in their cases, with "PAP" (ASP) measures.

The 10th "PAP" (ASP) measure – Caixa Família – was launched for Portuguese families in June. This innovative, unique market service makes it possible to join up the savings of family members, permitting an increase in interest rate on their accounts, showing that "Quem poupa em familia, poupa automaticamente mais." (People who save as a family automatically save more).

PUBLICATIONS

The publications sector, in 2012, was developed as part of the customer publishing strategy defined for the three year period 2010-2012, based on the publication of magazines targeted at diverse customer segments – Cx + supplement, Caixa Azul, Caixa Activa, Caixa Woman, Caixa no Mundo, Caixa Empresas, as well as a specific publication for Caixa employees in the form of the Nós Caixa supplement distributed with Cx magazine.

In an endeavour to reduce costs, starting 2nd half 2012, Cx magazine's print run was reduced and Caixa Activa, Caixa Woman (in this case, at the end of the 1st quarter) and Caixa no Mundo were discontinued. Nós Caixa in print which was expanded from 8 to 16 pages was sent to retirees by mail and to current employees in digital format via the intranet and Caixapessoal portal.

In terms of economic-financial communication, the annual report for 2011, was published in Portuguese and English.

Reference should also be made, in this domain, to the publication of a collection of studies produced with the technical assistance of consultants Augusto Mateus & Associados.

Quarterly publications with quantitative and qualitative information of relevance to CGD's activity concentrated on markets or specific economic sectors. Particular reference should be made to: The Competitiveness of the Portuguese Economy; The Current Status of the Residential Real Estate Sector, Adjustments and Challenges; Cities and Development; North Africa: A New Area of Challenge and Opportunity.

Reference should also be made to the following annual publications geared to the real economy: Report on the Development of the Portuguese Economy and Exports, Value and Growth.

CX

Quarterly brand magazine currently posted to Caixazul and Caixa Woman customers and available at CGD branches.

CAIXA EMPRESAS

Geared to CGD's corporate segment, published quarterly as a supplement to the Diário Económico newspaper, a part of its print-run is distributed on the Caixa Empresas Corporate Office Network and at CGD branches.

Caixa Empresas magazine is a visibility and recognition support media for companies and domestic business people who are given the opportunity to keep abreast with Caixa Geral de Depósitos's actions and the whole of its specialised offer.

DISCLOSURE OF ECONOMIC-FINANCIAL INFORMATION: ANNUAL REPORT 2011 (IN PORTUGUESE AND ENGLISH)

As a benchmark Caixa Geral de Depósitos publication, its annual report for 2011 was considered to be a Carbon Zero publication for the third consecutive year and therefore bears the Carbon Zero seal on the counter cover of its Portuguese and English versions stating that: "The greenhouse gases generated by its production have been offset".

In line with environmental concerns, this publication's print-run was sharply reduced with digital printing also having been used – less costly than the traditional offset with only 50 copies of each version having been made, particularly to provide for the legal requirements of the regulatory and supervisory entities of foreign countries in which Caixa is represented. The report was mainly produced on a dual language CD, with an annex containing a dual language issue of the Sustainability Report for 2011.

Taking into account the already referred to cost optimisation exercise, only the following publications were published in the 1st half:

CAIXA ACTIVA

Information on this segment is now published on the CGD site, as well as in the form of newsletters.

CAIXA NO MUNDO

Information for the residents abroad segment is now available at: www.cgd.pt.

CAIXA WOMAN

The last issue of this magazine – distributed on CGD's branch office network and at diverse events – was published in 1st quarter 2012, with information on the women's segment now being published on the CGD site as well as in newsletters.

PRIZES AND DISTINCTIONS

EFICÁCIA PRIZES

Caixa was distinguished by *Eficácia* prizes, with its Silver Prize in the Financial Services and Insurance category, for the excellent performance of its Summer Campaign for Residents Abroad in 2011.

Eficácia prizes are an initiative of the Portuguese Association of Advertisers (APAN), in conjunction with the Consultores Group which distinguish and reward excellence and the effectiveness of such brands' communication.

SAPO PRIZES

These prizes distinguish brand communication on digital media.

Caixa won two prizes for its "PAP – Plano Automático de Poupança" (ASP – Automatic Savings Plan) campaign:

- Gold prize for the best digital media plan.
- Silver prize for the savings calculator.

DISTINCTIONS FOR PUBLICATIONS

- APCE 2012 Grand Prix – Diplomas of Merit

  In the "covers" category for the cover of Cx no. 4 magazine.

  In the "external publications" category for Cx magazine.

|01.4.7. HUMAN CAPITAL

The human resources (HR) policy is part of a corporate culture and management model, with a flexible, efficient, suitably dimensioned organisational framework.

Support for business areas, talent management based on the recognition of merit and development of capacities and competencies and the balance between professional and personal lives, continue to be the strategic thrusts of HR management.

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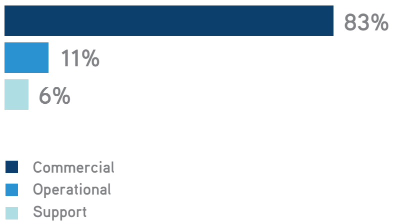
Factors such as motivation, quality of working conditions and talent development based on an ongoing approach are always embedded in the Group's most important strategy decisions

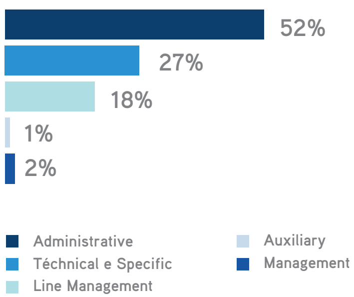
Adjustments have been made to Caixa's staff complement which has been allocated in accordance with each unit's effective needs and changed in line with the business paradigm.

At 31 December 2012, Caixa Geral de Depósitos had an overall total of 10 392 employees (9 378 in domestic banking operations) down 172 year-on-year.

DISTRIBUTION BY AREAS

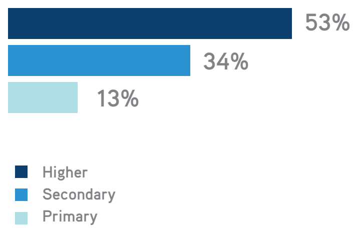


FUNCTIONAL DISTRIBUTION



Staff levels have mainly been renovated/refreshed in the form of the replacement of staff leaving the company on retirement and agreements to suspend the provision of employment contracts, by new employees. This enabled the increase in the average age to be no more than 0.21 years, from 41.94 to 42.15 while furthering the trend towards an increase in the number of employees with higher educational qualifications at close to 53%.

DISTRIBUTION BY ACADEMIC QUALIFICATIONS



CGD EMPLOYEES

	Dec/11	Dec/12	Change	
			Total	(%)
CGD Total (1)	10 564	10 392	–172	–1.63%
Full time (1)	9 509	9 378	–131	–1.38%
Joining the bank	566	552	–14	–2.47%
Leaving the bank	729	683	–46	–6.31%
Main indicators				
Average age	41.94	42.15	0.21	0.49%
Average seniority	17.14	17.33	0.19	1.10%
Higher than secondary education rates	50.15	52.78	2.63	5.25%
Female employees' rate	55.96	56.30	0.34	0.62%
Absenteeism	5.02	4.65	–0.37	–7.29%

(1) CGD employees.

RECRUITMENT AND MANAGEMENT OF COMPETENCIES

The flexibility of employees' career development, in Caixa, has been improved by internal mobility processes, in which employees with a profile in line with the performance of significant functions for which they apply are selected. There were 25 recruitment/internal mobility processes, totalling 1 241 candidatures in 2012.

In terms of external recruitment, Caixa has endeavoured to improve its relationships with leading domestic universities. This proximity comprises its presence at employment fairs and Caixa's placements programme, which provides final year degree or masters students and recent graduates, essentially in the financial areas, with contact with the world of banking. This process enables Caixa to establish a pool of excellent candidates for future recruitment.

During the course of 2012, in the external recruitment domain, Caixa provided 346 young people with placements in commercial areas. 177 comprised curricular placements in the sphere of Caixa's social responsibility, always at the request of the respective schools. Annually in the sphere of the "Summer Academies" project, Caixa provides 60 placements for students on courses of interest to banking and to leading domestic schools, providing them with their first contact with the banking business.

Caixa was also present at 12 employment fairs sponsored by professional job-finding offices and associations of students from diverse universities.

489 new external recruitment contracts were signed, 175 for a one year fixed term, 146 with no fixed term and 168 for a fixed term of less than a year, associated with short term projects.

TRAINING

Caixa's training plan, in 2012, complied with the Group's strategic guidelines for the three year period 2011/2013, in promoting and sustaining a process of change, on all structural levels.

Particular emphasis was placed on executive training, empowerment and their respective certification, allocation of key competencies in the corporate area and to various structure alignment and team mobilisation initiatives.

The number of training hours between 2011 and 2012 was up 29%. Special reference should be made to the following programmes:

- Leadership for change, geared to staff with management functions;
- Key competencies, in 2012, essentially geared to the corporate business;
- Development of integrated teams to consolidate the knowledge acquired from other programmes within commercial teams;
- Empowerment and certification, geared to preparation for new functions, functional development and knowledge harmonisation, with work having begun on 2 certification processes.

In short, the 383 713 training hours given in 2012, comprising 94 787 participations, enabled a greater involvement of practically all functional groupings In training activities, reflected in an average of 41 training hours per employee.

Training:

- 383 713 hours
- Average 41 hours per employee

Training for change programmes:

- Leadership for change
- Key competencies
- Development of integrated teams

NUMBER OF TRAINING HOURS

Functional Distribution	Dec/12
Management	8 505
Line Management	63 373
Technical and Specific	116 108
Administrative	193 633
Other	2 094
Total	**383 713**

EMPLOYEES' HEALTH AND WELL-BEING

Caixa has a multidisciplinary team of doctors, nurses, psychologists and administrative staff with the objective of creating and maintaining working conditions conducive to its employees' health.

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Periodic consultations on:

- Nutrition
- Stopping smoking
- Gynaecological – mammary
- Breastfeeding

Caixa's occupational health policy is based on an organisational model in which a preventative approach is adopted by all (employer and employee), including active mechanisms providing for knowledge of and compliance with the legislation in force regarding the prevention of professional risks.

A total number of 8 578 medical examinations was performed, in 2012, to comply with legal requirements:

Periodic Examinations	7 565
Admission Examinations	216
Occasional Examinations	270
Interviews	527

The examinations were accompanied by auxiliary diagnoses, including laboratory tests, electrocardiograms, eye and hearing tests and occasional chest X-rays and respiratory function tests in addition to stress tests and colonoscopies.

In addition to mandatory requirements, in October 1999, Caixa, via its medicine in the workplace services sent a "Health in the Workplace" questionnaire to 10 thousand employees to which around 50% of the employees involved provided an anonymous response The results provided by this questionnaire provided information on habits regarding food, tobacco, alcohol, physical exercise, sleep disorders related with overwork, in addition to information on musculoskeletal pathologies and pathologies of the psyche associated with the function, workplace, sex and age of employees.

The conclusions reached on the basis of this questionnaire provided the foundation for various initiatives/ /projects which remain in force in terms of medicine in the workplace and particularly include:

- A weekly nutritional consultation. A total number of 193 employees attended 446 nutritional consultations, in 2012.
- Weekly consultation on stopping smoking. 20 employees attended 42 consultations in 2012.
- Weekly mammary gynaecological consultation, screening for gynaecological and mammary cancer. 135 employees attended 174 consultations in 2012.
- Consultation for employees who travel on the job, who are provided with an emergency medication kit and a small handbook containing useful advice. 64 employees attended 150 consultations in 2012.
- *Cantinho de Amamentação* (Breastfeeding corner), inaugurated in October 2010, for employees who have returned to work but who are still breastfeeding their children. This space aims to extend the breastfeeding process which is undeniably beneficial. A lactation consultation was also created. 6 employees attended 6 consultations in 2012.

In May each year, on the theme *Maio Mês do Coração* (May – Month of the Heart), medicine in the workplace was involved in activities for the prevention of cardiovascular disease, involving 75 employees.

Information leaflets providing information on the correct attitudes to various cardiovascular risk factors (blood pressure, food, smoking and the importance of physical exercise) were distributed.

Caixa also has a psychology team to diagnose the early detection of situations potentially capable of generating dissatisfaction and dysfunctional behaviour having a negative impact on the social climate within the company.

The team's main thrust, in 2012, was to document and accompany all situations involving long periods away from work (more than 60 days), in addition to psychosocial intervention in crisis situations (e.g. assaults).

EVOLUTION IN THE NUMBER OF CGD GROUP EMPLOYEES

CGD Group had 23 028 employees at the end of 2012, down 177, of whom 108 were employed in CGD's banking activity in Portugal. Reference should be made to the continued expansion registered in Africa in the form of increases of 203 and 30 employees in Banco Comercial e de Investimentos (Mozambique) and Banco Totta Angola, respectively.

! Reduction of 177 employees within the Group in 2012

CGD GROUP EMPLOYEES

	Dec/11	Dec/12	Change	
			Total	(%)
Banking operations (CGD Portugal) (1)	9 509	9 401	–108	–1.1%
Other	13 696	13 627	–69	–0.5%
Total	**23 205**	**23 028**	**–177**	**–0.8%**

(1) Includes employees from other Group's companies.

|01.5. MACROECONOMIC FRAMEWORK

|01.5.1. OVERVIEW

The world economy continued to expand, in 2012, albeit slowing for a second successive year. The international economic environment, continued to be constrained by the modest growth of activity in the industrial sector, deriving from weak demand in the main economies and consequent deceleration of international commercial transactions.

Demand continued to be conditioned, in diverse cases, by an environment of corporate and particularly household deleveraging, notably in developed regions, plus the absence of monetary stimuli traction on the real economy.

With the debt to GDP ratio soaring to high levels, several governments continued to implement restrictive budget policies In an endeavour to achieve primary budget surpluses. In the few economies in which a certain fiscal stimulus was noted, the impact on growth was not significant, owing to the blanket effect of contracting private consumption.

2012 was marked by the propagation of the sovereign debt crisis in Europe, following the spread of contagion to Italian and Spanish debt. With fears of investors, over the worsening situation of the public finances heightening up to the middle of the year, several governments reinforced austerity measures.

Government and central banks' officers continued to implement measures to stabilise financial markets and boost economic activity, in 2012, improving market sentiment in the second half of the year.

On a government level, in Europe, reference should be made to the new commitments to coordinate economic policies, budget inspection and an increase in the intervention power of financial stabilisation mechanisms, this time in the banking sector in which the first steps towards the single banking supervision mechanism were taken.

On a monetary policy level, mention should be made of the announced creation of the OMT – Outright Monetary Transactions programme, as the European Central Bank's (ECB's) new debt market intervention mechanism, as well as the reduction of the key reference interest rate to a minimum of 0.75% in July and a second 3 year liquidity injection auction, in February.

The US Federal Reserve reinforced its purchase of treasury bonds and announced the acquisition of covered bonds. Japan's central bank increased the size of its quantitative easing programme sixfold.

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Propagation of sovereign debt crisis in Europe

ECB Monetary Policy: Outright Monetary Transactions Programme (OMT)

World growth slows once again

During the course of the year, economic growth estimates produced by institutions such as, inter alia, the International Monetary Fund (IMF) and OECD, were successively revised downwards, in conformity with deteriorating economic indicators in many regions of the globe. The IMF, in its January 2013 update, estimated world economic growth of 3.2% in 2012, in comparison to its September 2012 estimate of 3.3%.

ECONOMIC INDICATORS

Rates (percent)

	GDP		Inflation (b)		Unemployment (b)	
	Dec/11	Dec/12	Dec/11	Dec/12	Dec/11	Dec/12
European Union (a)	**1.5**	**−0.3**	**3.1**	**2.6**	**9.7**	**10.5**
Euro area	1.4	−0.6	2.7	2.5	10.2	11.4
Germany	3.1	0.9	2.5	2.1	6.0	5.5
France	1.7	0.0	2.3	2.2	9.6	10.2
United Kingdom	0.9	0.2	4.5	2.8	8.0	7.9
Spain	0.4	−1.4	3.1	2.4	21.7	25.1
Italy	0.4	−2.4	2.9	3.3	8.4	10.6
USA	**1.8**	**2.2**	**3.1**	**2.1**	**8.9**	**8.1**
Japan	**−0.6**	**2.1**	**−0.3**	**0.0**	**4.6**	**4.4**
Russia	**4.3**	**4.0**	**8.5**	**5.1**	**6.6**	**5.5**
China	**9.3**	**7.8**	**5.4**	**2.7**	**4.1**	**4.1**
India	**7.3**	**5.1**	**8.9**	**9.7**	**n.a.**	**n.a.**
Brazil	**2.7**	**0.9**	**6.6**	**5.4**	**6.0**	**5.5**

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

ECONOMIC INDICATORS IN THE EUROPEAN UNION AND EURO AREA

Rates of change (percent)

	European Union		Euro Area	
	Dec/11	Dec/12	Dec/11	Dec/12
Gross domestic product (GDP)	**1.5**	**−0.3**	**1.4**	**−0.6**
Private consumption	0.1	−0.7	0.1	−1.3
Public consumption	−0.2	0.4	−0.1	0.0
GFCF	1.4	−2.7	1.5	−4.1
Domestic demand	0.3	−0.7	0.5	−2.2
Exports	6.4	2.3	6.3	2.6
Imports	4.1	−0.4	4.2	−1.0
				(%)
Inflation rate (HICP)	3.1	2.6	2.7	2.5
Unemployment rate	9.7	10.5	10.2	11.4
General government deficit (as a % of GDP)	−4.4	−3.8	−4.2	−3.5

Source: Eurostat
2012 values: European Commission: European Economic ForecastFebruary 2013

According to Eurostat, the euro area, in 2012, contracted once again, this time by −0.6%, slipping back into recession for the second time in four years. This retraction was essentially fuelled by domestic demand.

The peripheral economies contracted and other euro area member states, notably the major players, albeit posting growth, also recorded strong slowdowns. Unemployment in the region, in 2012, continued to increase, hitting 11.4% close to year end. This was its highest level since summer 1990.

In the US and notwithstanding growing uncertainty related with the strong budget adjustment forecast, for 2013, growth made a positive contribution to a slightly higher than initially expected level of investor sentiment. Reference should also be made to the substantial improvement in the housing market, both in terms of prices and sales.

Although the highest growth levels were registered in the emerging economies, this bloc also evidenced a certain slowdown, particularly in the second half of the year, owing to the weakening of its main trading partners as well as inflation control policies implemented in 2011.

!

The Euro area contracted again in 2012 (−0.6%)

The US are growing above forecasts

Emerging economies also slowed down

Monetary policy, in many of these economies, was therefore readjusted, in 2012, this time moving into expansion mode.

The highest expansion rates were once again seen in the Asian bloc. Investor attention was focused on China which, following three quarters of deceleration, returned to sharp growth in the last quarter of the year, as well as Japan where activity slipped back into the red.

Brazil produced a much lower than expected growth rate. Special reference should be made to the Central Bank of Brazil's announcement of seven reductions to its key reference rate, whereas the government, in turn, announced new stimuli on consumption and investment.

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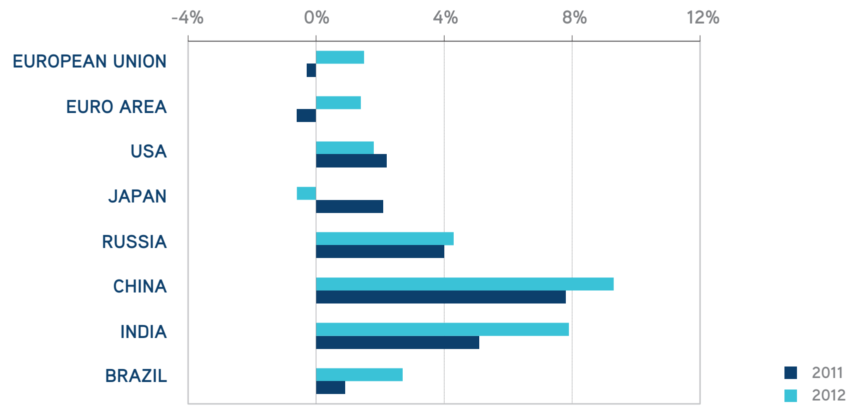
Asia is growing faster with China GDP increasing its growth pace in the last quarter of 2012

GROSS DOMESTIC PRODUCT



In 2012, on a global level, moderate inflation proved to be no obstacle to the implementation of economic stimulus measures with expectations on the evolution of price levels remaining anchored.

Inflation in the euro area, as measured by the HICP (Harmonised Index of Consumer Prices) recorded an average rate of change of 2.5%, as opposed to 2.7% in 2011. The main contribution to the levelling off of prices came from the energy component.

At the beginning of 2013 the contraction pace of the industrial production in the euro area was less pronounced, as well as the reduction of the inflationary pressures.

|01.5.2. PORTUGUESE ECONOMY

|01.5.2.1. OVERVIEW

The Portuguese economy continued to be affected by the adjustment process, during the course of 2012. This took the form of a reduction of the net borrowing requirements of diverse sectors of the economy, with a net funding capacity of up 0.4% of GDP being achieved, as well as adjustments to banks' balance sheets based on higher solvency ratios and a reduction of loan–to–deposit ratios.

GDP was down 3,2% in the first three quarters of 2012, in comparison to the preceding period with negative consecutive changes in the three periods on which information is available. This performance resulted from the negative contribution of private and public consumption and investment, only offset by the growth of net exports.

!

The Portuguese economy continues its adjustment process

Economic activity slowed down (–3.2%)

PORTUGUESE ECONOMIC INDICATORS

Rates of change (percent)

	Dec/10	Dec/11	Dec/12
Gross domestic product (GDP)	**1.9**	**–1.6**	**–3.2**
Private consumption	2.5	–3.8	–5.6
Public consumption	0.1	–4.3	–4.4
GFCF	–3.1	–10.7	–14.5
Domestic demand	1.8	–5.8	–6.8
Exports	10.2	7.2	3.3
Imports	8.0	–5.9	–6.9
Inflation rate (HICP)	1.4	3.6	2.8
Unemployment rate	10.8	12.7	15.7
General government deficit (as a % of GDP)	–9.8	–4.4	–5.0
Public debt (as a % of GDP)	93.5	108.1	119.1

Source: INE

!

Exports up 3.3%

Imports down 6.9%

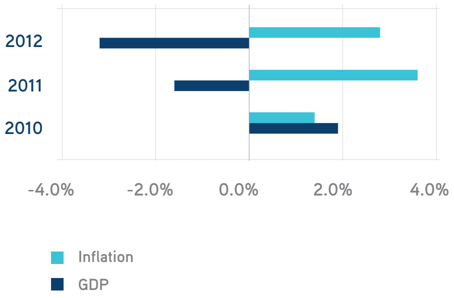
Inflation 2.8%

Unemployment up to 15.7%

In terms of international trade, exports were up 3.3% and imports down 6.9%. Portuguese exports increased their market share, with exports to non–Community markets up 19.8%.

The Portuguese HICP posted in 2012 an average rate of change of 2.8%, 0.3 percentage points up over the euro area. This partly derived from the increase in the price of energy goods and diverse indirect tax hikes, notably VAT.

PORTUGUESE ECONOMIC INDICATORS



In the labour market, the unemployment rate trend continued upwards to an average of 15.7% in December. Unemployment was up 19.7% over the same period in 2011 to 923 200 individuals.

|01.5.2.2. DEPOSIT AND CREDIT AGGREGATES

The M3 liquidity aggregate, excluding currency in circulation, recorded a fourth consecutive year of contraction, in 2012, this time by 6.8%.

As opposed to past years total deposits were down 2.7%. A contributory factor was the evolution of non–financial corporations' deposits.

Total domestic credit was down 7.2%. Credit to general government, net of liabilities to central government was down 5.8%. Loans to non–financial corporations were down 8.3% and loans and advances to individual customers down 4.3%.

Total deposits down 2.7%

Total domestic credit down 7.2%

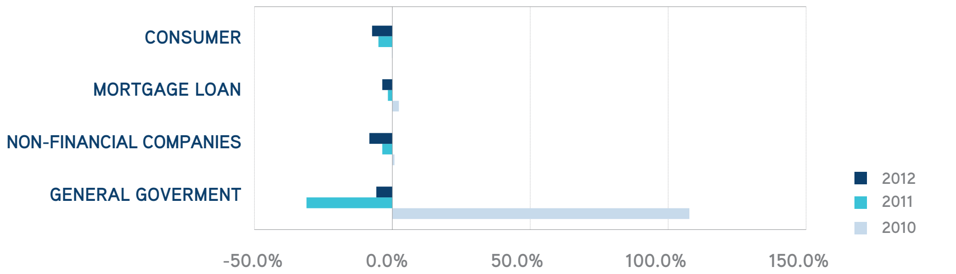
MONETARY AGGREGATES IN PORTUGAL [a]

Rates of change (percent)

	Dec/10	Dec/11	Dec/12
M3, excluding currency in circulation	**–3.8%**	**–2.6%**	**–6.8%**
Total deposits	5.7%	11.2%	–2.7%
Deposits made by non–financial companies	18.1%	–8.5%	–18.8%
Individual customers' and emigrants' deposits	2.0%	9.8%	0.0%
Total domestic credit	10.0%	–2.9%	–7.2%
Loans and advances to central and local government [b]	107.7%	–31.1%	–5.8%
Loans and advances to non–financial companies	0.8%	–3.6%	–8.3%
Mortgage loans	2.4%	–1.6%	–3.6%
Consumer and other credit	–0.1%	–5.0%	–7.3%

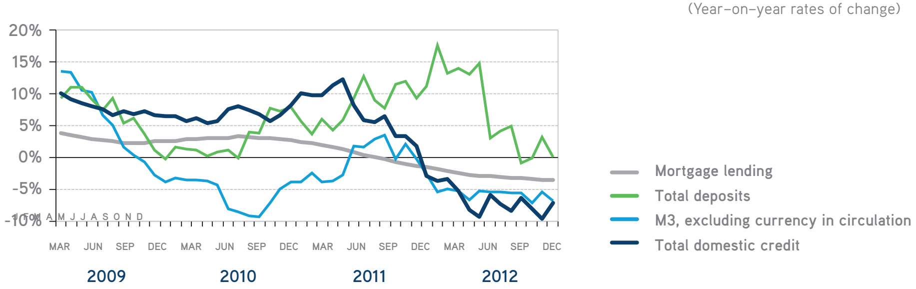
Source: Bank of Portugal – Statistics Bulletin, February 2013
(a) Rates of change based on end of month balances. Deposit aggregates do not include NMFI (non–monetary financial institutions) deposits. Credit aggregates include securitised loans
(b) Net of liabilities to central governmen

EVOLUTION OF CREDIT IN PORTUGAL



CURRENCY AND CREDIT

(Year-on-year rates of change)



|01.5.2.3. INTEREST RATES

In response to the signs of deteriorating economic activity, this time also affecting euro economies considered to be the most solid, the ECB announced a 25 bp cut in its key reference interest rate, in July 2012, to a new historical minimum of 0.75%, having reduced its deposits rate to 0%.

Notwithstanding, in second half 2012, the President of the ECB Governing Council also acknowledged the possibility of an additional cut, in the case of the materialisation of negative risks which were always considered a preponderant factor.

The maintenance and intensification of tensions in the public debt market and slowdown, followed by a contraction of economic activity in the euro area, triggered an increase in ECB stimuli which, at the beginning of September announced the details of the new programme for the secondary market acquisition of government bonds of countries in difficulty. ECB intervention is always contingent upon the submission of a formal request to the European Commission and may solely take the form of a complement to the financial assistance provided under the scope of a formal economic and financial adjustment programme or a preventative assistance programme for rescue mechanisms.

INTEREST RATES [a]

(%)

	2010	2011	2012			
	Dec	Dec	Mar	Jun	Sep	Dec [d]
Fed funds rate	0 – 0.25	0 – 0.25	0 – 0.25	0 – 0.25	0 – 0.25	0 – 0.25
ECB reference rate	1.00	1.00	1.00	1.00	0.75	0.75
Euribor						
Overnight	0.817	0.629	0.388	0.382	0.107	0.131
1 month	0.782	1.024	0.419	0.373	0.115	0.109
3 months	1.006	1.356	0.777	0.653	0.220	0.187
6 months	1.227	1.617	1.078	0.930	0.437	0.320
12 months	1.507	1.947	1.416	1.213	0.684	0.542
New credit operations						
Non-financial companies [b]	4.59	5.89	5.73	5.06	5.62	5.07
Individual customers – mortgage loans	2.96	4.25	4.15	3.91	3.69	3.45
Term and savings accounts [c]						
Non-financial companies	3.10	4.13	3.35	2.79	2.58	2.71
Individual customers	1.81	3.55	3.59	3.42	3.14	2.90

Source: Bank of Portugal – Statistics Bulletin, February 2013
(a) Rates relative to last day of month
(b) Operations for more than EUR 1 million
(c) Deposits with an agreed maturity period of up to 2 years
(d) Nov-12 for New credit operations and Term and savings accounts

The trend on interest rates used as indexers for credit operations, in 2012, was unremittingly downwards, albeit more pronounced in the third quarter, falling to minimum levels over all maturities at year end.

Negative changes, in 2012, more than cancelled out the increases of the preceding two years. The Euribor 1 month rate was down 91.5 bp, with 3, 6 and 12 months rates down 116.9 bp, 129.7 bp, and 140.5 bp, respectively.

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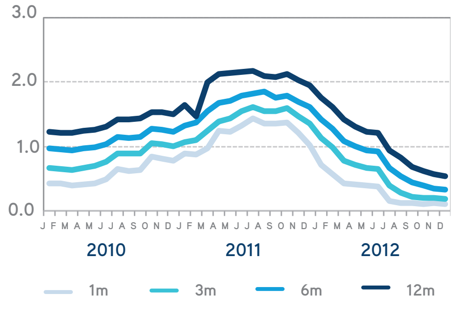
The euro in the foreign exchange markets in 2012:

€/USD +2.0%

€/GBP −2.3%

€/JPY +13.4%

EURIBOR (*)



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

|01.5.2.4. EXCHANGE RATES

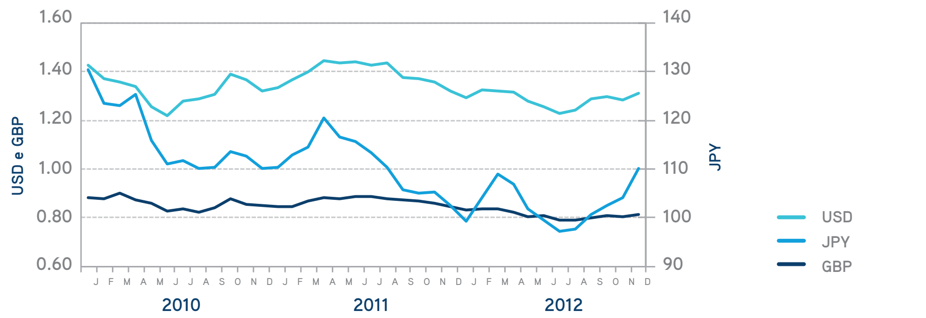
Up to the end of July, the euro recorded a depreciation trend against the main currencies. Following the measures announced by the ECB, the single European currency embarked upon an upwards trajectory which continued through the end of the year.

In December 2012, the euro's average exchange rate to the dollar was USD 1.319 (an appreciation of 2.0%). Following its depreciation of around 5.1% up to the end of July, the single currency appreciated by 7.2% up to the end of the year.

The euro reacted differently against the other main currencies, depreciating by around 2.3% against sterling and appreciating 13.4% against the yen.

EURO EXCHANGE RATES

(% – Average monthly values)



Source: Bank of Portugal

EURO EXCHANGE RATES

(Average monthly values)

	USD	GBP	JPY
December 2009	1.441	0.888	133.16
December 2010	1.336	0.861	108.65
December 2011	1.294	0.835	100.20
December 2012	1.319	0.816	113.61

|01.5.2.5. CAPITAL MARKET

The central banks, in reducing their key reference rates and promising new economic stimuli, made a decisive contribution to the capital markets which closed 2012 with strong signs of stabilisation, notwithstanding the uncertainty related with the situation of the public finances in the US, an issue which came to the fore in the 2nd half of the year.

The more positive outlook in terms of the resolution of the European debt crisis at the end of 2012 was not associated with any improvement in economic data but rather signs of coordination among European authorities, with the aim of stabilising and strengthening monetary union. Evidence to the effect that decision-makers took the first steps to create a banking union and reinforce fiscal sustainability together with a series of new measures adopted by the ECB were noted in this respect.

Strong signs of stabilisation in capital markets at close 2012

Although the euro area economy slipped back into recession in 2012, the publication of positive economic indicators in the US and China also contributed to a recovery in market sentiment in the last few months of the year.

In spite of the risks and uncertainties, over the last few months of 2012, the high level of contraction of risk premia in most asset categories, generated positive annual returns. Capital flows remained strong, particularly in the emerging economies.

SHARE MARKET

Following a positive start to the year, the share market fell sharply in second quarter 2012, affected by the signs that the European sovereign debt was spreading to the larger countries.

The reinforcement of economic growth stimulus measures by the monetary authorities of diverse countries, the positive performance of corporate profits and a certain upturn in economic activity, notably in the US and China at the end of the year, led to a resumption of the market's rising trend over the course of second half 2012, enabling positive price levels to be reached in the main indices.

Different levels of performance were once again witnessed among regions, in 2012, in an overall context of increases in value. Share indices in the developed European countries made significant gains during the year, especially in the case of the central European economies. Particularly in evidence was the German DAX and, to a lesser extent, on the periphery. Greece's ASE was up 33.4%. Among peripheral countries, only Spain registered a fall, in this case of 4.7%. Gains of 21% in the Japanese index were mainly concentrated at the end of the year, following the LDP's victory in the general elections which triggered the announcement of greater economic stimuli. Reference should be made to the positive change, in the US during the year, in spite of increasing fears over the situation of the public finances.

STOCK MARKET INDICES

	2011		2012	
	Index	Change	Index	Change
Dow Jones (New York)	12 217.56	5.5%	13 104.14	7.3%
Nasdaq (New York)	2 605.87	–1.8%	3 019.51	15.9%
FTSE (London)	5 572.28	–5.6%	5 897.91	5.8%
NIKKEI (Tokyo)	8 455.35	–17.3%	10 395.18	22.9%
CAC (Paris)	3 159.81	–17.0%	3 641.07	15.2%
DAX (Frankfurt)	5 898.35	–14.7%	7 612.39	29.1%
IBEX (Madrid)	8 566.30	–13.1%	8 167.50	–4.7%
PSI–20 (Lisbon)	5 494.27	–27.6%	5 655.15	2.9%

Positive performance by emerging share markets, in 2012, was in line with the developed markets. The Morgan Stanley index for emerging markets was up 15.2%, although performance was not particularly uniform. Whereas in China, the Shanghai index was up 3.2%, in India particular reference should be made to the Sensex which was up 25.7%. In Brazil, the Bovespa appreciated 15.1% and Russia's index was up 5.2%.

BOND MARKET

The evolution of the European sovereign debt crisis conditioned bond market performance in 2012, as in the preceding year, and also affected the corporate bonds sector which ended the year with a reduction of spreads, particularly in the financial sector.

Fears of contagion over public debt sustainability to the larger countries, notably Spain and Italy, in the first part of 2011, grew over the first seven months of 2012, even following the ECB's two unlimited liquidity injection auctions with a maturity of 3 years.

Yields on Italy's and Spain's sovereign debt tended to increase over the first part of the year, to successive historical maximums although the trajectory in the case of Ireland and particularly Portugal, was the opposite.

Starting from the end of July, the performance of the central banks, particularly the ECB, was a decisive factor in the sharp narrowing of Italy's and Spain's financing costs, contributing, at the same time, to a situation in which the financing costs of Portugal and Ireland maintained the downwards trend occurring since the beginning of the year.

The reduction in risk premia was not accompanied by an inversion of the downwards trajectory in the yields of countries with the best credit quality, noted over the first seven months of the year.

US and German yields were down over various maturities in 2012. This was also the case of Central European countries. The downwards trend, representing a flight to quality, led to new minimum yields on US and German bonds at the end of July although this decline was interrupted in the second half of the year on account of the already referred to decisions.

Short term US yields continued to benefit from the US Federal Reserve's maintenance of its key reference rate at a minimum level and expectations that it would remain so over a long period of time. There was also an increase in the euro area, over the first three months of the year, followed by a significant reduction over the following four months.

The performance of yields over long maturities, both US and German, was highly synchronised during the course of 2012 as a whole. Following an increase in the first few months of the year, they declined sharply, as in the case of the shorter maturities, to minimum historical levels, stabilising over the next few months up to the end of the year. In addition to the other referred to factors, the easing of inflationary pressure together with uncertainty over the level of cooling of the economy also contributed to this evolution.

The drop was sharper in the case of the longer maturities. In the US, the 2 year rate, however, succeeded in posting a highly marginal gain of 0.8 bp with the 10 year yield down 11.9 bp, as opposed to Germany in which the 2 year rate was down 16 bp and the 10 year rate down 51.3 bp.

Lower yields on Portuguese government bonds were noticeable in Europe. The 10 year yield, after having reached its maximum value since the introduction of the euro, at the beginning of the year, corrected over the course of 2012 as a whole. The annual fall of 635 bp virtually cancelled out the increase of 676 bp registered in 2011. There was also an almost unremitted decline over short term maturity yields, with 2 year yields down 1 236 bp, in this case more than cancelling out the increase of 1 180 bp noted in 2011.

Spreads on the yields of countries on the periphery in comparison to German spreads were only down in the case of Portugal and Greece. In the case of Portugal the spread was down 584 bp, closing the year at its lowest level since March 2011. The spreads also narrowed in the case of the Central European economies such as France, Holland, Belgium and Austria as well as Italy. Of major countries, only Spain's spread increased, notwithstanding the compression registered in the second half of the year.

The more optimistic context was reflected in the private debt market, whose spreads, following two years of strong expansion, were down in 2012.

The primary market improved considerably, in 2012, particularly after the summer, even allowing companies in the peripheral countries, notably Portugal, to meet their financing requirements.

The financial sector benefited from the measures ta-ken by the ECB, and the first decisions to create a future integrated banking system, with sharply narrowing spreads, particularly in the second half of the year. These were more pronounced in the case of financial as opposed to non–financial companies.

|01.6. BUSINESS STRATEGY AND MODEL

|01.6.1. STRATEGIC OBJECTIVES

Notwithstanding the adverse context affecting its operations, CGD Group succeeded in maintaining and even building upon its leading position in the Portuguese financial market, with a healthy, sustained level of financial strength. The Group achieved balance in terms of its loans-to-deposits ratio and its funding mix is particularly backed by customer resources and a moderate component in terms of interbank market or ECB resources.

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CGD Group improved its leadership of the Portuguese financial market, on the basis of its healthy and sustained financial strength

These are particularly relevant indicators for Caixa, especially in a context in which banking activity, in Portugal, will encounter increasingly more demanding challenges, exemplified by the following:

- A recessionary economic environment on account of the public finances adjustment programme and external national accounts;
- Increased risk and default levels of individual and corporate debt;
- Increased competitive aggressiveness of market players, notably in the event of the entry of the major European banks;
- Tightening of regulatory capital requirements.

Portuguese banks submitted their funding and capital plans to the authorities, in 2011, pursuant to the Economic and Financial Assistance Programme, with the aim of fulfilling a series of objectives, as 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, under Basel II rules;

b) Liquidity:

- A loan-to-deposit ratio of less than 120% in December 2014;
- Reduction in use of ECB funding over the medium term;
- Stable funding ratio of more than 100% in December 2014.

In turn, it was established, under the same plan, that CGD Group's structure should be rationalised, in order to increase its central banking activity's capital base. In parallel, improvements should be made to the Group's governance. The referred to measures included the definition of a programme for the gradual disposal of its non-core investments, in addition to the disposal of the group's insurance arm.

Caixa pursued these objectives, in 2012, in already disposing of a significant part of its non-core investments. It also completed the sale process of the healthcare area in Caixa Seguros e Saúde on 01 March 2013.

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 National Bank of Belgium - as well as the Bank of Portugal, was formed to monitor the programme's execution.

The steering committee approved, in July 2011, the terms of reference for the works, defining the scope, methodological approach, execution timetables and monitoring and control mechanisms to be adopted. In accordance with the terms of reference, the SIP comprises three aspects:

1. Valuation of credit portfolios, with reference to 30 June 2011, based on an analysis of impairment allocated to a credit sample, in addition to consideration of the impairment calculation models and associated policies and procedures;
2. Revision of the process for the calculation of own funds requirements for credit risk;
3. Validation of the methodologies and parameters used in the stress test exercises to be regularly performed in the context of the Economic and Financial Assistance Programme.

In second half 2012, CGD Group, under the scope of the Bank of Portugal's Onsite Inspections Programme (OIP) were subject to a specific inspection which included its exposure to the construction and real estate development sector in Portugal and Spain.

This inspection involved the 8 largest Portuguese banking groups and on the basis of conservative assessment criteria endeavoured to assess the adequacy of impairment levels on such exposures, at 30 June 2012.

The results of the inspection were announced by the Bank of Portugal and CGD Group on 3 December 2012. It was concluded that: "there is a need to increase impairment by €138 million, of which €69 million resulted from the analysis of information and post reference date events, such as new insolvencies/bankruptcies and collateral revaluations,..."

The impairment increases that CGD Group has, in the meantime set up with reference to 30 September 2012, covered a large proportion of the identified needs, reducing the amount thereof from €138 million to the €44 million to be registered by 31 December 2012. As announced, in due course, the identified needs were fully paid up by the end of the year, without any material repercussions on compliance with the minimum Core Tier 1 ratio defined by the regulator.

The EBA (European Banking Authority), as a follow-up to its stress test exercise on the European banking sector at the end of 2011, recommended an increase in the capital requirements of European banks exposed to the sovereign debt of countries with the highest risk of default, including Portugal. As CGD Group is central to the financing of the Portuguese economy, the recommendation naturally implied the need to strengthen the Group's capital base to ensure compliance with the new capital requirements.

In January 2012, CGD accordingly submitted its proposed Recapitalisation Plan as required by the European Banking Authority (EBA) designed to achieve a Core Tier 1 ratio (as defined by the EBA) of 9% at 30 June 2012.

Following the plan's approval by the authorities, CGD's recapitalisation process was successfully completed at 30 June 2012, in the form of a €750 million capital increase and a €900 million issued of hybrid equity instruments both of which subscribed for and paid up by the State in its capacity as CGD's sole shareholder.

The fact that the recapitalisation process was later deemed by the European authorities to be State aid, led to the need for the production of a restructuring plan to ensure CGD's feasibility and limitation of impacts on the competition, which is likely to be approved by the European Commission's Directorate - General for Competition (DG Comp).

CGD Group's Restructuring Plan is currently being discussed between the Portuguese State and DG Comp and a decision on its approval is expected very shortly, following which the Restructuring Plan will be a fundamental element of CGD Group's strategy.

As such, the Strategic Challenge defined for the three year period 2011–2013 should be adjusted on the basis of the restructuring plan to be agreed with European Commission authorities.

CGD Group's Strategic Plan for the three year period 2011–2013 is structured on two key challenges:

1st challenge: to protect and strengthen CGD Group's financial health (solvency, liquidity and profitability), in response to the needs generated by the new economic and financial sector framework.

2nd challenge: to transform CGD, focusing on its banking business in order to ensure the Group's sustainability and competitiveness on an organisational and business model level.

Strategic plan:

- Protect and strengthen solvency, liquidity and profitability indicators
- Focus on the banking business

The pursuit of these two challenges is based on a series of nine directives with different timespans in terms of impacts:

I. To ensure the sustainability of funding;

II. To protect and boost revenue generation;

III. To optimise costs and effectiveness;

IV. To optimise and develop key processes for monitoring credit recovery and property business management;

V. To promote the profitable and sustainable growth of the international area;

VI. To optimise the value proposal in key segments, particularly companies, affluent individual customers and non-residents;

VII. To optimise the commercial approach model and infrastructure;

VIII. To promote the rationalisation and excellence of processes;

IX. To optimise HR policies and management.

These were the directives underlying the specific guidelines conveyed to diverse Group entities and organic structures, in the sphere of the respective activity plans and budget for 2012, particularly:

a) Balance sheet management, converging to a consolidated loan-to-deposit ratio of 120% by 2014;

b) To take in savings and diversify liquidity sources, notably in international markets;

c) To increase the share of the SME market, as the main bank for the best SMEs;

d) To increase endeavours to support exports/internationalisation, contributing to the country's economic recovery;

e) To support corporate capitalisation and microfinance, promoting new sectors of the knowledge economy and guaranteeing the finance needed to increase companies' competitiveness, particularly those associated with innovation and internationalisation, in addition to the technological updating of traditional sectors;

f) To improve net interest income and profitability;

g) To restructure the corporate model:

- To proceed with the works of the Group's insurance activity;
- To dispose the portfolio of investments in non-financial entities;
- To restructure several business areas in the domestic marketplace;
- To strengthen the mechanisms needed for corporate type functions, namely those associated with strategic management, risk control and management and liquidity management;

h) To analyse CGD Group's international presence, especially in Spain, viewed in light of the objectives of increasing profitability and deleveraging the separate and consolidated balance sheets;

i) To improve the efficiency of both the branch office network and central services, by redesigning processes and identifying key staff for the functions and activities performed in each organic unit;

j) To strengthen the multichannel strategy in terms of customer relationships, based on the development of distance banking and reconfiguration of the physical branch office network, moving to new locations and adopting more flexible new formats.

The strategies and policies defined for the Group aim to fulfil the previously referred corporate objectives.

Lastly, reference should also be made to the fact that under Decree Law 31-A/2012 of 10 February, credit institutions authorised to take in deposits must submit a Recovery Plan to the Bank of Portugal (with the objective of identifying the measures to be adopted for the prompt correction of a situation in which a credit institution is in a state of financial imbalance or at risk of so being) and a Resolution Plan with the information necessary to ensure that the Bank of Portugal is in a position to implement an orderly solution for the institution. It was the lawmaker's aim to contribute towards the system's financial stability, by forcing credit institutions with a market share of more than 2% of deposits to prepare a contingency plan governing their response to financial crisis scenarios and accordingly guarantee that they are in a position to react in a faster and more structured way to difficult situations

The Recovery Plan (regulated by the Bank of Portugal's Official Notice 12/2012) will take the form of an annual exercise in which the banks simulate scenarios involving financial difficulties of varying severity, representing systemic and idiosyncratic events, while also preparing internal liquidity generating and solvency levers (whose ratios are defined by the regulatory institutions) for the simulations, without access to or the supply of extraordinary public financial support.

|01.6.2. BUSINESS AREAS

|01.6.2.1. RETAIL BANKING IN PORTUGAL

Caixa's retail banking activities, in Portugal, continued to concentrate on its strategic pillars of supporting economic activity and most importantly, promoting household savings.

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Caixa's retail banking operations in Portugal remained geared to its strategic pillars of funding economic activity and promoting household savings

In its implementation of these thrusts, CGD has reinforced its leadership of the main segments and products, based on improved knowledge, segmentation and profitability of its customer base, innovation in terms of offer and optimisation of its sales channels, always pursuant to a value creation approach.

Customer loyalty initiatives in the individual customers segment were strengthened, in a framework of improving returns and liquidity.

The strategic focus on corporates was based on the development of the exporters segment (capitalising on Caixa's international presence and promoting specific offers) and SMEs, in an endeavour to optimise risk/ /return.

SALES NETWORK AND CHANNELS

Excellence of service, based both on a proximity approach and in accordance with customer profiles, in performing distance operations is a benchmark for all of CGD's customer operations.

CGD's domestic network, at 31 December, comprised 811 branches and 36 Caixa Empresas corporate offices (down 10 and 2 respectively over the end of 2011). Accompanying the optimisation of its geographical coverage, Caixa made further efforts to adapt its various channels and instruments to its customers' needs, paying particular attention to its multichannel relational approach. It simultaneously continued to consolidate service models and value proposals for customers, notably by extending its Caixazul, Caixa Empresas and Caixa Mais, customer service model as well as services geared to customers resident abroad, university students and recent graduates.

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CGD's domestic geographical network at 31 December comprised 811 branches and 36 Caixa Empresas Corporate Offices

As regards distance channels, in 2012, reference should be made to the multichannel dimension of the Caixadirecta service, improving the linkage of processes between branch offices, telephone, online and mobile services.

Reference should be made to the following in the case of online and mobile channels:

- Renewal of image and user-friendliness;
- Online manager with permanent human support extended to more than one million Caixadirect on-line customers;
- New functionalities, such as viewing instalments, credit, credit card statements and automatic treasury management accounts, in addition to the scheduling of operations and transfers outside the eurozone or in foreign currency.
- A new, more personalised Caixadirect on-line homepage and user-friendly navigation process between operations and functionalities, associated both with Caixadirect on-line as with other channels.
- Also as regards distance channels, the first Caixadirecta app for PCs running Windows 8 and tablets was launched on 26 October The Caixadirecta app is described in the section on electronic channels.

As regards Caixa e-Banking reference should be made to the provision of the SEPA debit authorisation functionality, enabling debtors to view, change and accept authorisations.

A continued commitment to integrated channel management confirms Caixa's leadership in terms of service innovations.

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Launch of first Caixadirecta App for PCs and tablets running Windows 8

Continued commitment to integrated channel management confirms Caixa's leadership in services innovation

Caixazul service
"There's a bank that knows you like no other. Caixa. Of course."
- Largest number of interaction channels
- New features
- New offer of financial products

INDIVIDUAL CUSTOMERS SEGMENT

INNOVATION IN PRODUCTS AND SERVICES

Over the course of the year, Caixa reinforced its role as a banking reference, secure and rigorous for Portuguese households.

PREMIUM CUSTOMERS

CGD continues to provide its Caixazul service for premium and other individual customers with commercial growth potential, which, based on the identification of the needs and expectations of each customer, provides a personalised financial service via a dedicated account manager.

Commercial relationships with affluent customers have been enhanced by a series of factors, particularly:

- The provision of a larger number of interaction channels, facilitating successful contacts;
- New functionalities and a new Caixadirect on-line image. Reference should be made to the "secure messages" service and access to the account manager's appointments book for scheduling and/or cancelling meetings;
- Provision of business opportunities by the online account manager;
- Caixazul "Know your Customer" structuring campaign 2012;
- Active disclosure of information on the main characteristics and advantages of starred and/ /or campaign products (sent by email or perso-

nally delivered to customers identified as preferred targets);

- Improved characterisation/registration of customers' investment profiles;

- Actions to boost cross and up-selling activities, providing customers with a diversified choice of products, covering the financial needs of each stage of customers' lives and each financial profile.

The adequacy and sophistication of offer was essentially achieved by updating the offer of Caixazul's exclusive online deposits and reformulating its personal loans, with direct benefits to Caixazul customers in the form of varied spread reductions, in line with the loan's purpose, as well as the following initiatives:

- Launch of Caixazul Supra October 2017. This is an exclusive financial product, with a long maturity period, guaranteed capital and minimum level of interest, at an increasingly tax efficient rate;

- Protocols with professional associations exemplified by the protocol with the Order of Doctors, accompanied by two exclusive deposits with a maturity of one year with a higher rate of interest than on CGD's global offer;

- A new rounding-up functionality for purchases made using the Caixazul card, to be credited to a savings account.

Caixazul customers are currently entitled to 11 products/services with special conditions and 10 exclusive products/services, which particularly include:

- The highly prestigious platinum card, with a broad range of insurance which, inter alia, includes healthcare and hospitalisation insurance and an exclusive concierge service;

- Exclusive online term deposits with maturities of 1, 3, 6 and 12 months (Caixazul Netf@cil and Caixazul Netpr@zo);

Additional benefits on premiums for a vast range of insurance, notably healthcare (plans and cards), personal accidents and domestic employees.

MASS-MARKET

- Continued expansion of Caixa Mais service, with an end of year presence in all very large branches, 97% of medium-sized branches and 76% of small branches.

  The Caixa Mais service, considered as Caixa's standard service is a personalised service for individual customers having business evolution potential (who are not eligible for the Caixazul service) and which is provided by 1 021 commercial assistants who endeavour to adjust the bank's solutions to the needs of more than 473 thousand customers.

  2012 witnessed the start-up of the Caixa Mais service on distance channels (Caixadirect on-line, Caixadirecta mobile and the Caixadirecta Windows 8 app) via an online manager identified with the service model, a commercial assistant and the presentation of business opportunities, call-back and secure message services.

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> Start-up of Caixa Mais service on distance channels

Launch of Caixa Família service

In a framework in which the promotion of savings is one of Portuguese economic policy's main objects, Caixa launched its Caixa Família service at the beginning of the second half. This comprises an innovative savings approach which creates value for each individual and for the group, based on an approach which is both rational and emotional.

This service aims to incentivise regular savings habits by increasing individual and therefore collective return, based on "the whole is greater than the sum of its parts". Customers are therefore able to create a savings network in their natural community with which they have the greatest affinity and concerns i.e. the family.

Caixa Família, enables grandparents, parents and children to gain. They can join and leave the group whenever they wish and receive higher interest on their savings accounts with no change of ownership or conditions of use. It is also possible to activate a member-get-member system within the family community attached to the customer who promotes the scheme (on whom the family relationships of other subscribers are based) and who will probably be the prime salesperson in finding customers for the service.

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> Caixa Família: an innovative approach to family savings
>
> Re-issue of Made By card – a pioneering, innovative tailor-made solution
>
> *Pacote Zero* (Zero Pack): a limited banking service at a minimum cost

- **Re-issue of Made By card**

  The "Made By" card was re-issued in July 2012, with the novelty of now being subscribed for on the Caixadirect on-line service. This solution enables each customer to customise their own credit card, with a very broad range of combinations: the possibility of personalising the image on the card and choice of their most valued functionalities and services. The result is a unique card whose customers only pay for the cost of their own and not other options which they do not value or which they do not need.

  The "Made By" card reinforces Caixa's status as regards pioneering, innovation, customisation of products/services and a customer-centric attitude. The card has won international recognition as the winner of Trophées 2011 Innovative Cards.

- **Customer loyalty and product packs** – reformulation of current offer and launch of Zero Pack Major adjustments were made to the supply of packs in December 2012, with the objective of strengthening customer ties, improving levels of return on each customer, simplifying offer and improving commercial operation. These adjustments were made by the launch of the Zero Pack and the reformulation of the Caixa Pack.

  The Zero Pack comprises the offer of the bank's provision of a low cost banking service reflected in a low price for customers. It is mainly geared to new customers or customers whose relationship with the bank is very tenuous but who are willing to accept a reduced, albeit free, service. The Zero Pack comprises a better banking solution for "Minimum Banking Services" customers

  This product consists of a current account with domiciled income and free access to the Caixadirect on-line service in which they can make free domestic transfers between Caixa accounts with the free issue of a global digital statement. Customers are provided with a free debit card allowing them to make purchases and withdrawals on domestic territory, with no annual fee.

  The Caixa Pack, made up of the five main banking products and services[1] permitting day-to-day financial management has been improved and is now more user-friendly and effective.

1 Changed by Decree Law 317/2009 of 30 October, Law 46/2011 of 24 June and Decree Law 242/2012 of 7 November

- **Caixa Activa consolidates communication with customers**

Caixa Activa communication support solutions were reinforced. This is an innovative offer for customers over 55, comprising the sending of a specific monthly newsletter on the best financial solutions for this customer group.

As one of the main areas of concern of older customers is the well-being and security of their descendants, the newsletter includes business contents of a greater intergenerational scope and includes leisure-time activities and partnerships based on an approach designed to improve family relationships.

- **Caixa Woman**

Caixa Woman as an innovative value proposal for working women, continued to strengthen its position in the market based on commercial development initiatives. Reference should be made to Women's Day celebrations of 8 March which, in addition to the customary game "Mulheres com Garra", held in Lisbon, was extended to the north of the country with the first edition of the "Mulheres com chama" ("Women of Spirit") game and a campaign incentivising the use of the rounding-up function for Caixa Woman cards with an offer of 3 trips to London (16 June – 15 August).

Caixa:

Young people's savings bank and a partner in education

- **Strengthening of Young customers' offer**

In the young persons' segment, Caixa continued to position itself as the savings bank and partner for financial education, geared to encouraging savings from infancy.

Highlights:

- Two campaigns to promote savings, using, inter alia, a very broad range of direct marketing media, followed up by commercial contacts. Prizes were awarded to top savers in the October campaign;
- Launch of Caixa PopAforro deposit which can be opened with as little as €25 plus occasional or scheduled deposits starting from €10;
- Development of LOL prepaid cards which facilitate day-to-day management and encourage savings as, at the end of each month, any unspent amounts on the card (starting from €10) are accumulated and automatically transferred to the CaixaProjecto savings account;
- Presentation of actor/singer Vítor Fonseca, also known as Cifrão, as the Young Persons' Savings Ambassador and launch of the "Savings Embassy" on Caixa's website;
- Educação+ Financeira (Education+ Financial). This is a financial literacy roadshow which roved the country for the 3rd consecutive year, contacting primary and secondary school students.

- **The My Baby offer strengthened its communication with its target public.**

The My Baby offer is an innovative solution comprising financial products and advantages to facilitate and provide for specific needs related with the birth of a child and the first stage of a child's life. It aims to simplify day-to-day life as well as making the most out of family budgets and savings for a baby's future providing healthcareand other advantages.

In 2012, in addition to the continued development of the offer available at HPP hospitals, Caixa strengthened its presence at such events as the "Cuidar de Nós, Cuidar do nosso bébé" (Looking after Ourselves, Looking after our Baby) conference and the "Barrigas de Amor" (Wombs of Love) event.

- **Personal loans**

Caixa reformulated its personal loans offer, committing to sustainability and social responsibility, providing discounts on spreads, for purposes such as training, healthcare and renewable energies:

- Caixa financed higher educational courses, masters, doctorates and MBAs, rewarding academic merit with discounts on spreads via Crediformação and its credit line for students with a mutual guarantee (with a market share of around 50%);
- In the renewable energies areas, it has entered into protocols with various entities for the acquisition and installation of environmental-friendly equipment;
- It has incentivised the purchase of environmental-friendly vehicles by reducing spreads;
- Caixa has restructured its healthcare offer based on the creation of Emergency Healthcare Personal Loans exclusively for customers with lower income levels.

UNIVERSITY STUDENTS AND UNIVERSITIES

The promotion of knowledge, talent and academic merit continued to be Caixa Group's main thrusts in Portuguese society in which diverse instruments such as research grants, cash prizes, competitions and solutions for young entrepreneurs continued to be provided as well as financial solutions for students during their respective academic lives and start of their professional lives.

2012 was yet another year in which Caixa reaffirmed Its leadership of the university market, having entered into more than 70 protocols with schools providing benefits to the academic community in general.

Confirmation of leadership of university market

Launch of Caixa IU brand

NEW BRAND

In furthering its plan for the launch of the new Caixa IU brand, starting 2011, which is likely to represent a benchmark brand in the university segment, the image on the university card was redesigned and associated with the new brand, including all issues and renewals since September.

Under the aegis of the new brand, Caixa provided assistance to more than 120 events at partner schools, in addition to other regional or national initiatives such as the theme parties of academic associations and summer festivals.

The look and feel of the contents of the internet site for the www.caixaiu.pt segment was also reformulated and the Caixa IU card was also launched on Facebook.

COMMERCIAL DEVELOPMENT

The «Follow your Course» theme witnessed the 18th edition of the New University Season Campaign 2012, highlighting the launch of a new savings product – Caixapoupança Superior – which, in addition to facilitating the regular saving of small amounts (accepting deposits of as little as €1), rewards loyalty to Caixa as the main bank (with interest increasing in line with the products held, hitting a peak with wages/salary accounts).

Caixa Empreender solutions (for entrepreneurial projects), **Erasmus.go** (for training abroad, particularly Erasmus programmes), **Young People's Savings** products, especially online deposits, notably the Special Summer Festivals Deposit, **Crediformação** (with more flexible maturities and conditions), Credit for Students with a Mutual Guarantee (credit line subject to an annual ceiling), Caixa ISIC card (international student card) and the Caixadirecta service were the main commercial development targets in 2012.

Issue of the new savings product "Caixapoupança Superior"

CUSTOMER SERVICE

To adapt the service to different stages of the academic cycle, the structure of Caixadirecta IU's, distance services was expanded in 2012 and was reformulated by allocating customers to three teams of commercial assistants.

University branches, located on around 20 university campuses continued to operate on a proximity approach, linked with distance services.

The continuity of the preferred relationship with Caixa at the time of the completion of the academic stage and starting work in a professional capacity, which is the principal strategic objective of the management of the university segment led to the transition of more than 6 400 post university student customers, in 2012, to new relational management services: Caixadirecta Mais, for customers preferring interaction on direct channels (telephone, online and mobile), Caixa Mais for customers who prefer personal contact, or Caixazul for affluent customers.

RESIDENTS ABROAD

Highlighting the importance of savings-taking for the country, over the course of 2012, Caixa launched vari-ous initiatives, specifically geared to its customers resident abroad:

- Easter campaign: with the main objective of boosting the growth of savings. This campaign included the Poupança à Portuguesa (Portuguese Style Savings) leisure activity, with the offer of a trip to Ukraine of which mention has already been made.
- *Apoiamos Portugal e quem poupa também* (We support Portugal and savers too) summer campaign, to promote the Portuguese spirit at the Olympics aimed to improve customer loyalty through the launch of the Depósito Maratona (Marathon Deposit) for a collection of products Oferta Triatlo (Triathlon Offer): Caixadirecta + debtor deferred debit card + online term deposits).
- The *Poupar em Família neste Natal* (Save as a Family this Christmas) campaign: highlighting young people's savings solutions and for the above referred to Caixa Família service.

Various "Know your Customer" campaigns were also organised to improve the proximity relationship between customers and their account managers and compile information to be used for the creation of personalised proposals. This domain particularly concentrated on customers who indicate that they may emigrate or recent expatriates.

Together with these initiatives, Caixa continued to promote good linkage and a complementary approach between its branch and representative offices abroad and distance channels, notably via Caixadirecta Internacional together with the allocation of dedicated, personal account managers for resident abroad customers with significant assets via the Caixazul Internacional service.

Non-residents
- *Depósitos Mais* (deposits plus offer)
- *Oferta Triatlo* (Thriathlon offer)
- *Depósito Maratona* (Marathon deposi

INVESTMENT AND SAVINGS

One of Caixa Geral de Depósitos's key objectives is to encourage savings.

Various savings and investment solutions were launched and adjusted to different customer investment profiles (prudent, balanced, dynamic and daring), in order to reinforce the taking-in of new balance sheet resources and retention of matured amounts, notably:

- On a deposits level, six bi-monthly resource-taking initiatives (Base Offer + Integrated Deposits Offer) and 10 automatic savings mechanisms[2];
- Nine of the ten automatic savings mechanisms were launched in 2011, with the tenth in the form of the already referred to Caixa Família service, having been launched on 1 July 2012;
- Up to 31 October 2012, the Papexperience kit sales campaign, for customers and non-customers interested in offering a "present with a future" with the objective of:
  - Tangibilizing and activating automatic savings mechanisms;
  - Boosting savings accounts inflows; and
  - Giving a present with financial and pedagogical value, in which, the person giving the present acts as the mentor for savings with Caixa within their family, social and/or professional circle of influence.

PAP (authomatic savings programme):
- 10 automatic savings mechanisms
- Papexperience kit

- Seven medium/long term financial insurance campaigns guaranteeing capital and fixed interest at the end of the maturity period.

2 Caixa Aforro Poupe Mais automatic increase, Young People's Savings Accounts automatic increase, Caixa Activa savings accounts automatic increase, Automatic Unspent Monthly Allowances automatic increase, Cashback, Rounding-up "Piggy Bank", Automatic Scheduling of Savings Transfers, Automatic Increases in Term Deposit Accounts upon maturity, Automatic Treasury Management function and Caixa Família service.

- On the investment funds level, the launch of a new special closed-end investment fund (Caixagest Rendimento Corporate II – 2014_ FEI) with maturities of 3 years and 12 actions to promote the development of Permanent Funds.
- Income and retirement solutions involved:
  - Two Caixa Reforma Activa pension funds, Caixa Reforma Prudente, Caixa Reforma Valor and Caixagest Rendimento Garantido 2022 ;
  - Promotion of five special PPR (retirement plans) series (Levexpert).

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Launch of new Caixagest Rendimento Corporate II – 2014_ FEI (special closed-end investment fund)

As regards resource-taking in campaigns:

- Around 72% comprised deposits (domestic market), around 19% Investment funds and 10% financial insurance products.
- 85% of the resource-taking campaigns were targeted at premium segment customers and seniors.

Reference should also be made to the following initiatives:

- Non-financial insurance, to complement the insurance offer:
  - Launch of 17 insurance initiatives for the protection of property and persons with total sales of around 100 thousand new contracts.
  - Upgrade of the Multicare Offer, with a new type of product (Simplecare) as an easy means of using the Multicare network services. With two options – Simplecare Base and Simplecare Plus – a customer can choose between insurance which allows them to make eight consultations on the Multicare network, per annual insurance fee or to increase the level of protection by also contracting for €75 000 in hospitalisation costs.
- Minimum Banking Services – Following the protocol entered into on 27 November 2012, between Caixa, the government and Bank of Portugal, Caixa introduced its minimum banking services for individual customers on 21 December 2012 under the new legal regulations (Decree Law 225/2012 of 17 October).

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Upgrade to Multicare Offer – Simplecare Base and Simplecare Plus

Provision of minimum banking services

REAL ESTATE FINANCE

The real estate sector, in 2012, reflected the current stage of the economic cycle and the change in the climate of trust and expectations of the Portuguese population.

A sharp drop in the mortgage loans balance and new contracts were also witnessed over the course of this period.

In a context of worsening unemployment and high levels of household indebtedness, diverse factors continue to contribute towards this evolution:

- Oversupply of housing, largely resulting from the high rates of construction over the last few years;
- Adoption of more restrictive lending criteria, reflecting higher credit risk;
- Lower levels of household confidence and consequent postponement of decisions to buy or swap houses;
- Need to adjust loans-to-deposits ratios to the criteria imposed in the imf/ecb/eu memorandum of understanding.

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"Buy your house from Caixa ... and the costs will be on us."

Albeit accompanying the most recent mortgage market trends, Caixa has continued to provide its customers with access to mortgage loans, in the form of financing solutions specifically tailored to the current circumstances.

Caixa has been providing integrated solutions for the sale of real estate belonging to the Group and special conditions on mortgage loans, mainly geared to households with more limited resources.

Caixa organised diverse property auctions associating highly attractive financing conditions, notably on a level of the maximum maturity, spread and financing/guarantee ratio, as well as exempting purchasers from the valuation fee and the need for provisional registrations.

In this process which also includes the possibility of renting out the Group's real estate, there has been active collaboration with diverse real estate mediation networks with which Caixa has entered into partnership agreements, particularly in the form of "open house" initiatives which provide the possibility of speeding up visits to properties which are being commercialised at lower prices than those initially set. In a context of a slowdown in the real estate sector, the Group endeavoured to contribute towards the financial stabilisation of its construction company customers, having, for the purpose, created a promotional financing offer geared to customers who are interested in acquiring apartments built by these companies.

Caixa has also entered into partnerships with real estate agents, reinforcing the use of media and promotional support in co-marketing actions on these projects, either locally, by intranet or its branch office network.

The disclosure of information on and promotion of CGD Group's real estate portfolio were intensified with the renewal Caixa Imobiliário website and the monthly Issue of nationwide and international electronic and printed newsletters. Caixa has, simultaneously, paid more attention to the management of its mortgage loans portfolio, keeping a close eye on its customers' financial situation and proactively proposing the renegotiation of loan contracts, adjusting them to income levels and reducing the risk of default.

The reconciliation solutions include the lengthening of an operation's maturity, change in the type of contract, introduction of a grace period on capital, deferral of a part of the capital to the end of the loan or even a change in the instalment's payment date. More than 25 000 contracts were changed in 2012.

CGD also provided for overdue instalment settlements introducing an overdue debt deferments plan (capital, interest and charges) with a maximum term of 12 months or by capitalising the amount of the debt.

Caixa now enables the most indebted households to consolidate diverse debts, notably mortgage loans, personal loans, vehicle finance and credit cards, adjusting total instalments to customers' current income levels.

In an attempt to stimulate the home rentals market, Caixa pioneered the creation and development of "FIIAHs" (real estate investment fund for home ren-tals), reinforcing its commitment to such instruments.

These funds have increasingly played a benchmark role in terms of credit recovery solutions, simultaneously incorporating a social aspect by permitting CGD customers in economic difficulties to stay in their current homes based on the payment of a rent with the possibility of entering into rental agreements with a purchase option.

A new initiative was also launched in this sphere, allowing Caixa customers to exchange their current house for another smaller, less expensive CGD owned property, with an effective reduction of their respective loan costs. This solution reinforces Caixa's support to financially stressed households.

The "FIIAHs" option has also contributed to another of CGD's strategic commitment, urban redevelopment, with which Caixa has associated in developing and commercialising specific financing lines.

The *Programa Social de Arrendamento* (Social Rental Plan), as one of the measures of the Plano Social de Emergência (Social Emergency Plan), was inspired by the *Programa Arco-Íris – Novos Horizontes Para O Arrendamento* (Rainbow Programme – New Rental Horizons), which resulted in a highly successful experience of the Municipality of Vila Nova de Gaia and CGD Group, for social classes with higher levels of income than permitted for the allocation of social housing but who do not have the financial capacity to rent property on the free market. This represents a threefold benefit:

- Access to housing as the rents to be charged are lower than free market rents;
- Optimization of the bank's real estate assets;
- Support for the urban redevelopment market.

Caixa's commitment to this important sector of activity, considered strategic for the country is undisputable. In addition to a broad range of protocols with diverse entities operating in this area, CGD submitted a bid for the management of an Urban Development Fund under the Community›s Jessica Initiative developed by the European Commission (EC) and European Investment Bank (EIB) working in close cooperation with the Council of Europe Development Bank (CEB), to promote urban redevelopment and regeneration projects designed to promote social cohesion and sustainability.

Lastly, in 2012, Caixa implemented a major restructuring project, particularly in organisational, and operational aspects involving support systems and platforms for its business real estate internal management model, adopting an approach designed to ensure effectiveness and the linkage between all stages of the value chain, notably loans granting, monitoring and recovery as well as the acquisition and commercialisation stages of real estate repossessions.

CUSTOMER SEGMENT – CORPORATES

Contributing towards Portuguese economic growth, notably in financing and supporting the internationalisation of companies and incentivising innovation and entrepreneurship, comprises one of Caixa's strategic priorities.

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Caixa Empreender offer: "Accelerate your business"

In furthering this objective, Caixa increased its market share of loans and advances to companies by 0.9 pp in 2012 (up 2.5 pp over the last four years).

Corporate business involves the activity of micro, small and medium-sized enterprises, including the individual self-employed entrepreneurs. By November 2012 more than €1 830 million had been contracted for in credit operations in this segment.

Commercial activity was geared to the growth of new customers and improving commercial relationships, in the form of communication campaigns and development initiatives and consolidating the Caixa Empresas personalised financial consultancy service model, for:

- SMEs, on its own network of 36 corporate offices with 115 dedicated account managers;
- The individual self-employed entrepreneurs and micro-enterprises, in the form of a dedicated space at several branches and a team of 243 dedicated managers.

Various measures to prevent and monitor non preforming loans were implemented in 2012, notably in the form of business alerts on credit risk, increased flexibility of maturities for companies representing a good risk and an increase in levels of collateralisation. Caixa also revised its pricing policy on credit operations, aligned with the updating of its rates of resource taking from companies, with its launch of two new deposits with total liquidity for maturities of 7 and 15 days.

Foreign trade products comprised a volume €157 million in new operations in November 2012, representing 8.1% of total fees and commission on credit products and other off-balance sheet liabilities.

To support the commercial structure of the branch network and corporate offices, business leads were launched on exporting companies and producers of tradable goods focusing on the SME Leader and Excelência (Excellence) segments. The increased level of commercial dynamics was based on the allocation of financial limits in support of corporate treasuries, particularly SME Leader and Excellence companies. Reference should also be made to the following main initiatives in 2012:

- **Launch of the *Linha Caixa Empresas Exportações* (Caixa exporting corporates line)**

  This line comprised more than 2 300 operations totalling €360 million and aims to increase the flexibility of the treasury function of corporate exporters or producers of tradable goods, with three advantages:

  - Increasing the flexibility of maturity periods and conditions for medium and long term or new operations;
  - Benefits contingent upon the commercial relationship with Caixa, on the basis of subsidised spreads;
  - Advance payment of export receipts within a period of 48 hours for customers with agreed commercial debt limits.

Caixa Group has various foreign trade support instruments and an international network with a presence in 23 countries covering around 80% of Portuguese companies' export markets.

The *Apoio às Exportações* (Exports Support) communication campaign strengthened Caixa's role as the driving force behind the domestic economy, with its new banner for the corporate segment "Um Banco que mexe e faz mexer o País. A Caixa com certeza." (A bank on the move for a country on the move. Caixa of course).

!

Exporting companies: "A bank on the move for a country on the move"

Caixa Capitalização line: Increasing companies' capital

- **New entrepreneurship offer**

  Caixa expanded its offer with the launch of new credit instruments in the form of its Caixa Empreender card to provide for treasury needs and its Caixa Capitalização line designed to increase corporate capitalisation levels. The Caixa

Capitalização line for companies with growth prospects, combines debt and capital components providing stable resources and reducing the impact of an across–the–board deterioration of average receipt periods for the treasury function while also facilitating the allocation of funding for growth, particularly in the external market or for import substitution products.

Reference should also be made to the provision of professional management support services, enabling companies to optimise their competitive market positioning.

Caixa Group via Caixa Capital, is involved incorporate start–ups and investments in emerging businesses on the basis of its Desafio Caixa Empreender + (Caixa Empreender + Challenge) comprising a competition www.caixaempreendermais.pt, with an initial appropriation of €25 million. More than 750 high potential projects were analysed.

- **Investe QREN (SRF – Strategic Reference Framework)**

  Caixa promoted, disclosed information on and developed its Investe QREN line, launched in October 2012 which is designed to provide domestic component funding for SRF operations, for a global amount of €1 billion of which €600 million for SRF projects submitted by SMEs.

- **Linha PME Crescimento (SME Growth Line)**

  With an upper limit of €2.5 billion, this line aims to create employment and fund economic growth, based on investment or exports. Caixa achieved a market share of 17%, totalling €420 million and leadership of the micro and small enterprises segment[3].

3 Source: 26/12/2012 operations involving MGCs.

!

Linha PME Crescimento (SME Growth credit line):

- Leadership of micro and small enterprises segment
- Market share of 17% totaling €420 million

- **Linhas PME Invest (SME INVEST lines)**

  The development of SME Invest and SME Growth lines was strong and proactive, reflected in candidatures for more then €4 billion. Caixa also subscribed for the expansion measures of these lines in 2012.

- **Credit lines for the agricultural, animal husbandry and fisheries sectors:**

  In the primary sector, Caixa supported productive capacity and reinforced corporate treasury functions through the following initiatives:

  – Extending of repayment periods on support lines for the agricultural and fisheries sectors;

  – Credit line for animals foodstuffs – Seca 2012 (Draught 2012) – endeavouring to offset higher animal foodstuff costs;

  – Launch of a credit line with IFAP (PRODER and PROMAR projects) for €150 million and €72 million for the Credit Campaign (subsidised credit line with IFAP).

- **Support for the tourism sector**

  Caixa entered into protocols of understanding with Turismo de Portugal permitting access of companies in the tourism sector to the following advantages:

  – Grace period on capital under tourism support credit lines.

  – Credit line in support of the corporate treasury functions of tourism sector companies in the form of advances on receivables: documentary remittances, promissory notes, cheques, factoring.

  – Credit line in support of the qualification of supply for tourism sector companies – for the creation and requalification of resorts or animation activities differing from a region's existing supply and the creation and requalification of restaurants provided that they are of interest to tourism.

INNOVATION IN PRODUCTS AND SERVICES

Caixa improved its market competitiveness, over the course of the year, based on its launch and improvement of innovative products, particularly:

- **Linha Caixa Capitalização** (Caixa Capitalisation line)

  A pioneering credit facility in the domestic financial market combining debt and capital with extended terms and bullet settlement without any mortgage guarantee requirements.

!

"Linha Caixa Capitalização" (capitalization line for SMEs) – extended maturities

"Caixa Mais Tesouraria" function: a solution integrating treasury function management flows

- **Linha Caixa Mais Tesouraria (Caixa Mais Treasury Line)**

  A solution which comprises in a single product, the management of treasury flows,with advances of receivables and/or guarantee of payments to suppliers.

- **Serviço Netcaixa on-line (Netcaixa on-line service)**

  A service which, with total security and speed of transaction, aims to provide for consumers' new purchasing habits, helping to increase traders' sales volumes based on web payments. This convenient, user–friendly, efficient service is available 24 hours a day.

  The netcaixa service is Caixa's solution for the acceptance of electronic payments on automatic payment terminals (APTs) for Visa and Mastercard debit and credit cards. Caixa values and rewards its customers by providing a cashback facility on a percentage of the Traders' Service fee on transactions made with cards issued by Caixa.

Caixa provides companies with a multichannel network, particularly its Caixa e–banking service whose available functionalities have been enhanced and has an extensive international platform available to support corporate internationalisation.

QUALITY OF SERVICE AND CUSTOMER EXPERIENCE

To provide quality of service and customer satisfaction is a permanent and prior Caixas' goal.

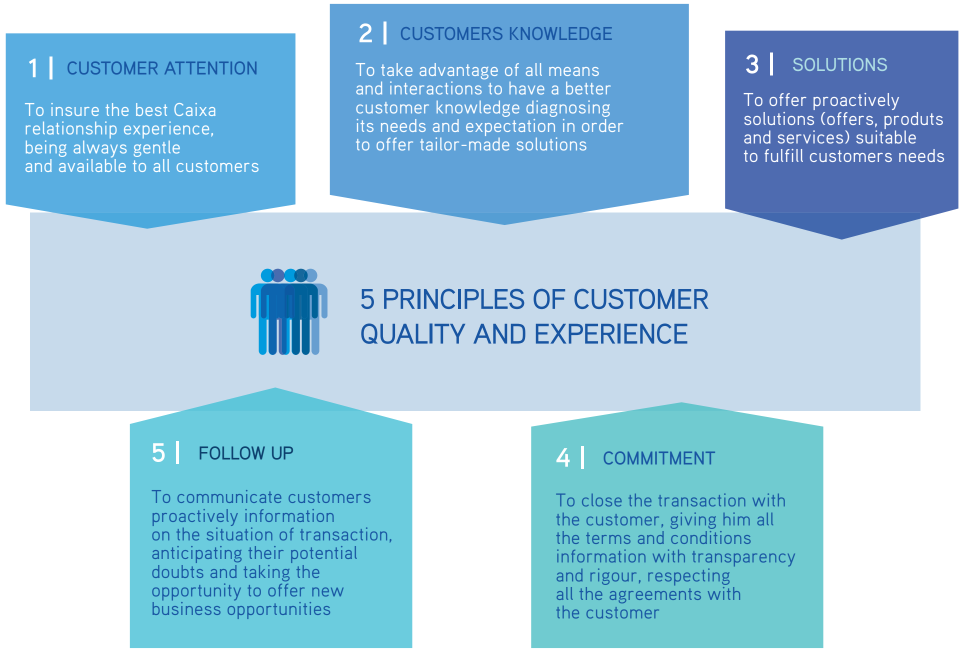
Quality of service management is in line with best international multi–sectoral practice, notably in methodologies for compiling and analysing customers' opinions.

The assessment and monitoring of customers' experiences take the form namely of surprise visits to diverse sales outlets and customer opinion surveys. Regularly listening to customers' opinions is combined with online, benchmark and other occasional and qualitative market studies, especially designed to assess key interaction times with the bank and the level of adequacy of its proposals.

Based on the premise that an organisation, as a whole, is responsible for the ongoing improvement of customer experience and satisfaction, the results are regularly sent to the whole of the internal structure, included in training plans and translated both into specific guidelines on the identification of opportunities for improvement and customer satisfaction and loyalty indices, which are integrated with the network incentives system which is as an important management and motivation instrument for the provision of a quality service.

In 2012, with the objective of transforming all contributions and results into barometers of customer experience and accelerators of commercial action in each service model, reference should be made to: the launch of actions contributing to the growth of the levels of recommendation of Caixa and the conversion of "detractors" (i.e. customers who do not recommend Caixa and who, over time, may change their bank) into customers who "promote" Caixa (Caixa Ambassadors); surprise visits, increase in the weightings attributed to aspects with greater impact on customer satisfaction and experience, notably quality of personal service and a commercially proactive approach; testing of an online platform for the launch of a regular monitoring programme on the information provided by customers on online media; start of development work on a specific online platform for information on the results of the customer quality and experience scoreboard; internal communication on the five customer quality and experience principles:

CUSTOMER EXPERIENCE CYCLE



In 2012 the global quality of service and customer satisfaction indices continued to evolve positively, reflecting CGD's focus on systematically providing the best customer experience with high loyalty and customer recommendation levels.

CONVERGENCE BETWEEN COMMERCIAL STRATEGY AND SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Caixa continues to maintain a close link between its business objectives and its renewed commitment to sustainability and social responsibility.

Mechanisms designed to facilitate and encourage savings were reinforced in 2012 while, in parallel, the focus on support for entrepreneurship, training of young people and the merit of academic communities was intensified. The policy of encouraging household and corporate investment in renewable energies was also pursued. Reference should be made to the already referred to Automatic Savings Mechanisms, provision of Minimum Banking Services, and Zero Pack and reformulation of the offer of personal loans at discounted spreads, for training, health and renewable energies.

Close links between business objectives and renewed commitment to sustainability and social responsibility

Caixa provides the following **Entrepreneurship/ /Microfinance** investment solutions

- **Caixa Jovem Empreendedor (Caixa Young Entrepreneur) –** acquisition of equipment/other components for the launch of small businesses or for business modernisation purposes, or companies which have been recently or are being formed and most of whose capital is held by young people up to the age of 40;

- **ANJE microfinance (ANJE Protocol) –** as for Caixa Young Entrepreneur;

- **ANDC microcredit (ANDC Protocol) –** acquisition of equipment or other components for projects in any area of activity, promoted by individual customers or the individual self-employed;

- **Microinvest and Invest+** exclusively for the formation of new companies by unemployed citizens, with subsidised interest rates similar to those of the SME Invest lines for micro and small enterprises. The following chart shows the distribution by credit lines. Reference should be made to Caixa's high level of representativeness in seeking out and contracting for operations:

Credit Line	Market Share (external source)
Jovem Empreendedor	Caixa's Product
Invest+	17% (june/12)
Microinvest	28% (june/12)
Microcrédito ANDC	-
Microfinanciamento ANJE	-

- **Caixa Empreender+ Fund** for highly promising projects at their growth stage with innovation and sustainability dynamics, in the form of equity investments;

- **Caixa Empreender** card. A "current account" for new companies (all sectors corporates with less than 2 years of activity), whose main advantages are autonomy (using current accounts and POS terminals), flexibility – payments (monthly repayments) in full or part (with a minimum 5% of the balance used), with the possibility of splitting up as much as 25% of the credit limit on the card over 36 months – speed (supply of a credit line of up to €50 million for short term treasury function support) and communication (special statement).

  Exclusive benefits for cardholders are deposits (Caixa Empreender online term deposits of 7 and 15 days and Poupança Caixa Empreender (Caixa Entrepreneurship savings), with the same interest as on Caixa SME Leader deposits) and a discount of up to 15% and broader coverage for business insurance protection (Multicare SME and ActivCare card, Multirisks, Workman's Compensation, Group Life).

The above five examples bear specific, quantified witness to the adequate harmonisation between the business objectives of Caixa's core activity and its commitment to sustainability and social responsibility.

ELECTRONIC CHANNELS

The last few decades have witnessed greater approximation between CGD Group and its customers, in an endeavour to anticipate and provide a quality response to their multichannel expectations and convenience needs. This approximation has been achieved by designing and developing new channels and networks, adopting innovative service and business models business targeted at new customer needs, preferences and behaviour.

In light of market challenges, electronic channels have helped to transform CGD's business and operating model, based on the optimization of cost to profitability equilibrium, operating in various areas:

- Financial innovation, to provide for an increasingly more competitive market open to new, notably non–financial players;

- New forms of access, intensifying Caixa's multichannel strategy, centred on customers' needs – mobile banking, SMS, Caixadirecta APP for Windows 8, and based on new communication technologies;

- Distribution model with the launch of innovative service models (distance branches for specific segments – university students, non–residents, Caixadirecta mais and microcredit);

- Technological infrastructure with the development of new channels and network management platforms.

Proximity to customers through new channels, networks and forms of access based on an informational–transactional–relational approach

Paradigm shifts have occurred in this innovative movement, characterised by greater sophistication in the interaction between customers and CGD which have gradually changed from informational to informational–transactional, with a strong bias on the automating of counter transactions. Channels are currently characterised by their informational transactional–relational dimension, which is strongly leveraged on new, more sophisticated accesses to develop the multichannel strategy. Customers use the different channels in accordance with their specific needs, location and more convenient access – PC, fixed or mobile phones, smartphones or PDAs.

SELF–SERVICE

The self–service network comprises the management of CGD's Multibanco ATMs and Caixautomática service as its private ATS (in–house) service and network and bankbook updaters for customers only. At the end of 2012, Caixa had 4 843 automatic equipments which performed 272 million operations totalling movements of €16.6 billion.

The Caixautomática network, made up of 1 496 ATS and 1 012 bankbook updaters was responsible for 137 million operations totalling €9 billion. Reference should be made to the ongoing endeavours to improve the level of service with the supply of new functionalities.

Caixa had 2 335 ATM Multibanco network machines (AT Multibanco), accounting for a market share of 17.4%. It processed 135 million operations and €7.5 billion in movements.

NETCAIXA

Caixa provides a full acquiring service under its netcaixa brand[4], enabling merchants to accept electronic payments with national Multibanco cards and the international VISA and MasterCard brands, for debit and credit operations, both national and foreign cards, using automatic payment terminals (APTs).

The netcaixa solution provides a 24 hours per day 365 days per annum service on 707 24 24 77.

Acquiring activities were negatively affected, in 2012, by the slowdown of domestic demand. Evolution of market share, however, shows that Caixa outperformed the market. This activity represented more than €10 million per day.

In conformity with the strategic plan for 2012, the netcaixa service was responsible for the following initiatives:

- The development of the netcaixa on-line service (virtual APT);

- netcaixa MB – Only and multibrand campaign offer;

- Consolidation of the Premium installation and assistance service designed to improve customer satisfaction/loyalty levels;

4 Acquiring consists of the activity enabling traders to accept cards with the brands represented by the acquirer. The latter contracts for the acceptance conditions with the former and guarantees payment of the purchases.

- Ongoing innovation dynamics for the development and supply of new solutions such as contactless systems and private networks;
- Improvement of operational efficiency;
- Improvement of the efficiency of the total number of installations.

The alignment of netcaixa service management policies with Caixa strategy enabled profitability to be leveraged and leading customers in diverse sectors of activity to be secured, mitigate risk and increase commissions.

DISTANCE CHANNELS

Caixa, has the best security practice, provides better solutions, supported by innovation, convenience and usability, attributing greater value to its customer relationships.

Reference should be made to the start of production of the Caixadirecta App for Windows 8 and a new platform for distance channels for individual customers, which supports the Caixadirecta service telephone, online, mobile and SMS channel operations, guaranteeing uniformity and coherence in dealing with customers whatever the channel used and improving the efficiency of new functionalities and services.

The Caixadirecta App was elected as "The Best Mobile Banking App" for the international financial sector by EFMA (European Financial Management Association).

CAIXADIRECTA SERVICE

The contact centre area is responsible for incoming contacts and operations, provision of services and performance of outbound actions as well as for information to customers and non-customers, in addition to securing business on the basis of up and cross-selling strategies. It performs telemarketing, loyalty, promotion and direct sales campaigns with customers and non-customers, for products and services, which are also supplied on the personal customers' network, carrying out surveys as well as credit recovery actions.

The main contact lines provided by Caixa's contact centre platform process Caixadirecta operations (informational and transactional) and Caixa e-Banking, customer support lines – credit card and authorisations centre, Caixautomática, netcaixa and the National Association of Pharmacies.

The Caixadirecta telephone channel is available 24 hours per day and enables direct access to Caixa by customers or non-customers, ensuring the user-friendly, secure processing of operations and balance views (only after entering a contract number and access code), information on banking products and communications regarding the robbery or misplacements of payments media as well as providing credit simulations.

It also provides an automatic multilingual interaction (Portuguese, English, French and Spanish) voice guide (IVR) and operator assistance on landline 707 24 24 24 and mobile numbers 91 405 24 24, 93 200 24 24 and 96 200 24 24.

The telephone channel received a highly positive 11% increase in subscriptions during the period, to more than 1.65 million contracts. There were more than 2 million incoming calls, including informational and transactional lines. Around 1.8 million outgoing calls were made and around 154 thousand customers were contacted.

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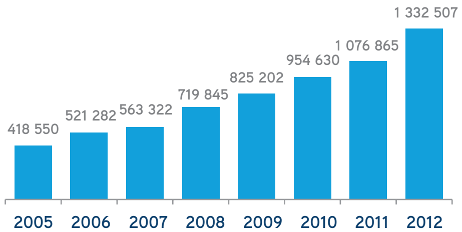
Leadership of homebanking services

Caixadirecta on-line: the most visited site

In the internet banking sphere, Caixa provides its individual customers with Caixadirecta on-line, Caixadirecta invest, Caixadirecta sms, Caixadirecta mobile and the Caixadirecta App for Windows 8 services and its corporate and institutional customers with Caixa e-banking and Caixa e-banking mobile services.

CAIXADIRECTA ON-LINE – ACTIVE CONTRACTS



Caixa is the market leader for homebanking services (Marktest survey for the period January-November 2012) and Caixadirecta on-line is the site with the highest number of page views (405 million) and time spent (2.3 million hours), in addition to its leading position in terms of its 1 445 million unique users, coming immediately after the public www.cgd.pt site, with 1 778 million in the same period.

The Caixadirecta on-line service enables customers, at no cost, and in the case of paid services, at a lower than branch office cost, to access and view their accounts, make transfers (national and international) and payments, order cheques, subscribe for financial products, apply for cards, perform stock market operations, schedule payments, manage their funds portfolio, view documents (copies of cheques), access Caixadirecta invest, their online manager, the online store and MB DOX service from an internet-enabled device.

The service maintained its growth trend in the number of customers with an active online channel, with a highly significant increase of around 24% over 2011. In terms of usage, an average daily total of around 1 million operations was performed.

At the invitation of Microsoft, Caixa Geral de Depósitos developed a Caixadirecta service App for Windows 8 and was associated with the worldwide launch of this new system, available on tablets and computers. This App provides two distinct areas:

- Non-authenticated for any user of the operating system downloading the App;
- Authenticated for customers subscribing for the Caixadirecta service.

The former, in addition to promoting the bank's offer of products and services, provides information on the location of branches and a demonstration of the App's main functionalities. It is also in this area that subscribing customers validate their access to the Caixadirecta service.

As regards the authenticated area, customers enjoy user-friendly access to the most common transactions in addition to innovative functionalities such as the online account manager and ASP (Automatic Savings Plan).

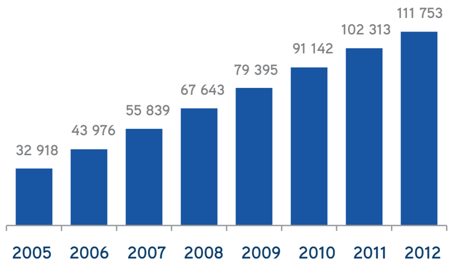
Customers using the App may view their accounts and perform banking operations related with transfers, payments, cards and business alerts.

The "online manager" facilitates access to personal assistance from the manager or contact centre, either on the basis of a call-back request or in the form of secure messages. This service also provides various selected business opportunities in accordance with customer's profile.

CAIXA E-BANKING

Caixa e-Banking is the internet banking service for companies and institutional customers.

CAIXA E-BANKING – ACTIVE CONTRACTS



The service permits banking operations and online access to information on a PC or mobile phone, smartphone or internet-enabled PDA at https://m.caixaebanking.cgd.pt. To access this service by mobile phone is available to all Caixa e-Banking users.

2012 witnessed a continuation of the service's ongoing growth trend, measured either by the evolution of active contracts (up 9.2%) or volume of operations (up 9.8%) at around 240 thousand per day.

DISTANCE BANKING

Distance branches focusing on the monitoring and management of strategic customers (university students, recent graduates and residents abroad), already serve around 200 thousand customers.

CAIXADIRECTA IU SERVICE

The Caixadirecta IU service provides for the needs of university student customers who value distance services and the specialised services of a commercial team.

The Caixadirecta IU service provides financial support; personalised services on the telephone channel or homebanking; preferred access to specific products and services for university students and access to the service 24 hours a day/7 days a week.

Customers can access the service by:

- Telephone: 808 212 213 + Caixadirecta contract no. + access code;
- Online: Caixadirecta service + Caixadirecta contract number + access code;
- Reply2Me: sms – access to service available 24 hours a day/365 days a year (SMS to 3510 specifying reply2me [space] [contract number])

Customers also have a dedicated portal at: www.caixaiu.cgd.pt.

CAIXADIRECTA MAIS SERVICE

Launched in 2010, this distance management service has reached its consolidation stage. Currently is targeted at recent graduate customers embarking upon their professional lives.

Management activity for such customers, in 2012, focused on endeavours to get to know their preferences and needs, in the conviction that this favours long term management in a mutually beneficial sustained loyalty format.

Customers access the Caixadirecta Mais service on 707 24 24 24 + contact number. either automatically or with operator assistance, 24 hours a day, every day of the year.

CAIXADIRECTA INTERNACIONAL SERVICE

The Caixadirecta Internacional service is for resident abroad customers, notably Germany, Belgium, Spain, France, Holland, Luxembourg, United Kingdom, Switzerland, South Africa, Brazil, US, Canada and Venezuela.

The service is available 24 hours a day/7 days a week on six toll-free lines, exclusively for customers with a Caixadirecta contract, which are available at: www.cgd.pt.

MICROCREDIT

The Central Microcredit Branch has been created as part of the contact centre and is especially geared to microcredit and the funding of entrepreneurship programmes and job creation, under protocols entered into with ANDC (National Association for the Right to Credit), ANJE (National Association of Young Businesspeople) and IEFP (Institute of Employment and Professional Training). Its objective pursuant to its social responsibility role, is to consolidate Caixa's role in stimulating the economy through the creation of small businesses and self-employment.

A customer hotline is permanently available, 24/7, on 808 200 980 or email address: microcredito@cgd.pt.

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Central Microcredit Branch:

Promotion of small businesses and self-employment

CARDS

In 2012, CGD maintained its lead in the issue of debit, deferred debit, prepaid and credit cards, notwithstanding the difficult environment and lower consumption levels.

The defined objectives, expansion of the customer base holding CGD's credit and deferred debit cards and consequent increase in the amount of the respective billing, were globally achieved.

The environment of an across-the-board increase in default levels required a continued need to make significant investments in risk and costs control and maintain/increase billing.

Under the scope of the prevention of the risk of default:

- Investments were made in the characterisation of and operating limits of several products, improvement of information disclosure, risk alerts and training actions;
- Solutions to facilitate the payment of debt for customers in a difficult financial situation and at risk of default were created;
- Adjustments were made to the automatic decision-making table for cards based on a customer's level of risk as defined by the scoring model (online channel).

Under the scope of overdue credit control:

- Solutions to facilitate the payment of overdue debt for customers in financial difficulties were created;
- Adjustments were made to the framework of exclusive solutions for defaults on cards in line with the new legal framework – Instruction 18/2012 and BdP Official Notice 17/2012 and Decree Law 227/2012;
- The scope of the external recovery of overdue credit on cards, which now includes Caixaworks cards, was expanded.

Detailed list of actions performed and developed in 2012:

- Contactless payments – certification processes for Visa and MasterCard contactless payment systems were completed. Under the domestic roll-out promoted by Visa, Caixa initiated its strategy of issuing contactless cards, providing an innovative functionality which also enables high value contactless payments to be made by entering a PIN;

- Mobile payments (Caixa Mobile and Pilot NFC) – In terms of the dynamics of innovation to fuel means of payment, further investments were made in securing new business areas, notably payments of minor items, using new technologies with the aim of eliminating cards as a physical object, with the transfer of all functionalities to mobile phones;

- Caixa Mobile – During the course of 2012 the pilot scheme enabling Caixa employees to use their mobile phones for making payments, using SMS technologies and 2D Codes, in several of the automatic food and drink dispensing machines at CGD's headquarters building, was strengthened and consolidated;

- NFC (SIBS) pilot project – In 2012, Caixa was a member of the taskforce set up by SIBS and the banks, for defining the technical and operational model of the implementation of the NFC mobile payments solution;

- New products for individual customers – Technical characteristics were developed and parameterisations implemented for new products, several of which following new available functionalities, deriving from the new release of CAMSII (card support application);

- Work continued on setting up and developing strategic partnerships with companies associated with other sectors of activity, both from within CGD Group or external, in support of the issue of new cards and optimisation of current cards;

- New prepaid cards for companies – as part of the new trends and market opportunities, the necessary development work was performed on the supply of a new electronic management operating system for prepaid cards enabling corporate and institutional customers to transfer/manage funds, in the sphere of payments to their employees and beneficiaries, respectively;

- The Partnerships Portal at www.vantagenscaixa.com the Loja Vantagens (online store) and Facebook profile, continued to be used as instruments for knowledge of and improved relationships with customers in terms of their personal preferences and the offer available to satisfy these interests both on a level of partnerships and of improved partner relationship and also in securing new subscriptions and increasing sales;

- Campaigns plan – Proactive communication and development campaigns were developed to promote subscriptions for and the intensification of the selective use of cards and use of credit, in endeavours to secure new customers, define new attributes, in new segments and new functionalities, with differentiation in terms of supply and channels.

Campaigns for the launch of new products/functionalities particularly included:

- The Caixa Platinum Card – a credit card (dual in ATM), issued to premium customers based on direct marketing actions;

- TUB (Braga City Urban Transport) – a pilot project associated with the ticket function and a credit card (Classic) for use on Braga's city transport network;

- Made by – a solution enabling customers to "customise" their card was provided by the Caixadirecta on-line service, on a self-service basis;

- Instant issuing – (pre-issued cards) – This solution was developed for the convenience of the customers, in addition to the needs of a constantly evolving business, with obvious advantages in terms of sales and service efficiency. This service required the installation of machines at a restricted number of branches, (13). permitting the automatic in-branch issue of cards for immediate delivery to their customers;

- Rounding-up functionality. To encourage savings using CGD means of payment, credit cards (excluding Made By), have an associated rounding-up functionality on purchases which is transfered authomaticaly into associated savings accounts. This rounding-up functionality, beginning with credit cards, was also expanded to deferred debit cards;

- Cashback payments on Caixa Classic card are paid into a savings account as a savings incentive;

- A split payments functionality in which Caixa's credit card customers making purchases from subscriber partners can split up their purchases, at no extra cost, improving the payment facility;

- 3D-Secure – Secure Code – is a service which enables online payments to be made with enhanced security, both on domestic and foreign sites. It is only available, at this stage, for Maestro network cards;

  3D-Secure is subscribed for on the Caixadirecta on-line service and consists of the creation of a secret alphanumeric code required to make secure payments on secure domestic or foreign websites.

- Digital Statements – CGD customers using the CDOL service have been able to view their card statement since 2012.

  Printed statements have been eliminated, except for customers who specifically request them.

Transversal campaigns particularly included Visa and MasterCard network cards, in an endeavour to promote synergies with international networks.

EXTERNAL RECOGNITION OF CAIXA'S ACTIVITY

In 2012, as in the preceding two years, CGD was a finalist in domestic and international competitions with its cards.

Based on the spontaneous recognition survey, Marcas que Marcam ("Brands which make a Difference") carried out by QSP – Consultoria de Marketing, in partnership with Diário Economico, which distinguished Portugal's major brands, Caixa was the winner in the "Credit and Debit Cards" category.

Caixa Geral de Depósitos was also a finalist in five Card & Payments Trailblazer Awards 2012 categories. This is a European-wide event promoted by VRL, which distinguishes the best companies competing in the cards and means of payment industry:

- Best Credit card: Caixa Platinum Card

  This card is targeted at Caixazul customers and habitual users of credit cards, with high economic-financial potential. It offers higher credit limits and Concierge & Life Style Management services designed to optimise customers' time management.

- Best Debit Card: Caixautomática card (Visa or Mastercard)

  This is a deferred debit card for purchases made on APTs, with ATM and ATS (Caixautomática) transactions being immediately debited to current deposit accounts.

- Best Prepaid Card: the "My Baby" card

  "My Baby" is a prepaid card for customers subscribing for the pre-natal credit line or who have a current account with Caixa. The card facilitates the management of payments related with the birth of a child.

- Best co-branded or loyalty programme card: Caixa Vitória card

  Caixa's Vitória card is a credit card which values and embodies the affinity of members and fans of the Vitória de Guimarães football club and their relationship with Caixa. In addition to being a universal means of payment, its use provides members and club with a cash-back function based on the use of the card and the club's sporting results.

- Best marketing initiative of the year: Lugar de Ouro ("Golden Seat")

  This is a partnership between Caixa Geral de Depósitos and Sport Lisboa and Benfica (SLB), providing Benfica and/or SLB members credit cardholders with journeys to accompany their team in European competitions, based on their "seat" in the stadium.

- Caixa was the winner in the "Best Debit Card" category

|01.6.2.2. SPECIALISED CREDIT

The financial leasing sector[5], down 38% year-on-year, reflected the 21% and 45% decreases in the real estate and equipment leasing subsectors, respectively. Factoring sector sales were also down 17% over 2011. Consumer credit was down 22%.

SALES FOR SECTOR IN THE YEAR

(EUR thousand)

	Dec/11	Dec/12	Change
Property leasing	653 605	517 751	-21%
Equipment leasing	1 756 546	973 506	-45%
Factoring	27 559 309	22 948 089	-17%
Consumer credit	4 419 782	3 467 482	-22%

CAIXA LEASING E FACTORING

Caixa Leasing e Factoring, Instituição Financeira de Crédito, S. A. (CLF) represents CGD Group in the specialised credit sector. It operates in the financial leasing (real estate and equipment), factoring and consumer credit sectors.

CAIXA LEASING E FACTORING – SALES AND ARKET SHARE

(EUR thousand)

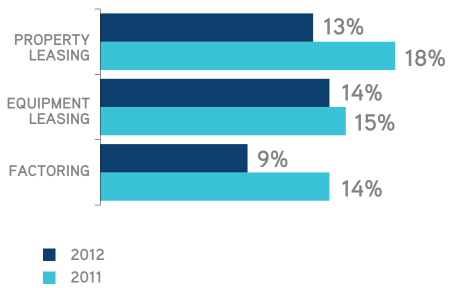
Product	CLF Sales			CLF Market Share			
	2011	2012	(%)	2011		2012	
				Ranking	%	Ranking	%
Property leasing	120 389	65 778	-45%	3rd	18%	3rd	13%
Equipment leasing	262 466	135 688	-48%	1st	15%	1st	14%
Total Leasing	**382 855**	**201 466**	**-47%**				
Factoring	**4 033 212**	**2 150 848**	**-47%**	**4th**	**14%**	**5th**	**9%**
Consumer credit	**13 124**	**4 169**	**-68%**		**0.30%**		**0.12%**
Vehicle finance							
Property leasing (light vehicles)	94 740	39 268	-59%				
Consumer credit	8 279	3 404	-59%				

5 Source: ALF (Portuguese Leasing and Factoring. Association).

The company kept pace with the sector trend, with an overall decline of 47%, comprising 45% and 48% in real estate and equipment leasing operations, respectively. In light of the slowdown in real estate activity, CLF's market share was down from 18% in 2011 to 13% in 2012. Although the company's share of the equipment leasing area was slightly down, it continued to come top in the subsector ranking. The company came fifth in the factoring sector ranking with a market share of 9% (14% in 2011). The company's sales of €1,814 million ranked it in third position in the domestic factoring segment (first in 2011).

Reduction of leasing, factoring and consumer credit activity, in line with market

CLF MARKET SHARE



Caixa Leasing e Factoring's net assets were down 15.2%, owing to the 16.7% reduction in the loans and advances to customers (net) portfolio.

CAIXA LEASING E FACTORING – INDICATORS

(EUR thousand)

	Dec/11	Dec/12
Net assets	3 163 272	2 682 797
Loans and advances to customers	3 177 609	2 722 853
Provisions for overdue credit, doubtful loans and foreign loans (balances)	-120 960	-175 277
Shareholders' equity	126 979	87 574
Net income	-11 402	-39 405
Share capital	10 000	10 000
Group %	51%	51%
Employees	191	190

Net interest income and net operating income were up 5.8% and 1.2%, respectively.

The company posted negative net income of €39.4 million at 31 December 2012, particularly deriving from growth of 72.9% in provisions and impairment appropriations.

|01.6.2.3. INTERNATIONAL ACTIVITY

In its awareness of the crucial role played by foreign trade and international business for revitalising the Portuguese economy, Caixa Geral de Depósitos Group remained profoundly committed to supporting and monitoring the internationalisation actions and strategies of Portuguese companies, using its extensive, diversified international platform, as a fundamental, unique lever in the Portuguese financial sector.

In pursuing its strategic focus of supporting the internationalisation of the Portuguese economy, support for Portugal's emigrant communities and the development of CGD's presence in countries with a historical, cultural and linguistic affinity with Portugal, CGD Group is present in almost all Portuguese speaking countries which have had ties with Portugal for some 500 years.

Support for internationalisation: a strategic CGD Group thrust

Seamless international platform on the Portuguese financial scene, Present in the most dynamic zones of the world

CGD Group's main presences are in several high growth economies such as Mozambique, Angola, Brazil and the Middle East. They also cover the main international trading corridors.

CGD's international presence takes different forms, either direct or on the basis of equity investments or management participation. Caixa Geral de Depósitos Group is either present or represented by branches, subsidiaries, associated companies or representative offices in Africa, in Angola, Mozambique, Cape Verde, South Africa and São Tomé e Príncipe; in Europe, in Spain, France, Luxembourg, Belgium, Germany, Switzerland and London; in the Americas in New York, Canada, Brazil, Venezuela, Mexico and the Cayman Islands and lastly, in Asia, in China, Macau, Zhuhai and Shanghai, India and East Timor.

CGD has promoted partnerships and diverse initiatives via its overseas branches and subsidiaries, in the framework of the development and consolidation of the Group's international network.

International operations:

- Net interest income up 4.9%
- Non-interest income up 25.4%
- Gross operating income up 1.7%
- Negative contribution to consolidated net income owing to non-recurring factors, particularly impairment and deleveraging

Excluding the operation in Spain consolidated net income from the international area would have been up 35.1% (€118.1 million)

BRANCHES AND SUBSIDIARIES

Resulting from several, non-recurring factors particularly associated with the high level of impairment and the global deleveraging plan the Group has committed to implement in 2011 and 2012, the contribution made to consolidated net income by the Group's international activity was negative for the amount of €41 million.

Net interest income from the international area was up 4.9%, to €478 million. Non-interest income was also positive and up 25.4% over 2011 to €216 million.

In operating terms, the contribution to consolidated gross operating income was up 1.7% year-on-year to €261 million. Structure costs in the international area were up by around 16.3% and reflected in an increase of cost-to-income from 59.4% in 2011 to 62.6% in 2012. This evolution particularly derived from the Group's expansion process in several strategic priority markets.

Resources taken in the international network continued to increase. Customer resources were up 15.7% to €13 409 million, with loans and advances to customers (net) down 2.7% over the end of 2011 to €13 280 million.

Positive performance particularly in Africa and Asia

Results in Europe penalised by impairment and, in Spain, also by non-recurring costs associated with the restructuring of the Group's Iberian presence

INTERNACIONAL ACTIVITY[(a)]

(EUR million)

BRANCH OFFICES	Dec/11	Dec/12	Change	
			Total	(%)
Loans and adv. to customers (net)	5 553	5 160	-393	-7.1%
Loans and adv. to customers (gross)	5 921	5 613	-308	-5.2%
of which: overdue credit	181	373	192	106.1%
Credit impairment	368	453	86	23.3%
Customer resources	2 857	3 375	518	18.1%
Net income	-41	-82	-41	100.6%
Branch offices	61	62	1	1.6%
Employees	694	695	1	0.1%
Subsidiaries				
Loans and adv. to customers (net)	8 098	8 120	22	0.3%
Loans and adv. to customers (gross)	8 347	8 348	1	0.0%
of which: overdue credit	319	360	41	12.9%
Credit impairment	249	228	-21	-8.4%
Customer resources	8 859	10 034	1 174	13.3%
Net income	52	41	-11	-21.2%
Branch offices	440	412	-28	-6.4%
Employees	4 757	4 784	27	0.6%
Total				
Loans and adv. to customers (net)	13 651	13 280	-371	-2.7%
Loans and adv. to customers (gross)	14 268	13 961	-307	-2.2%
of which: overdue credit	500	733	233	46.2%
Credit impairment	617	681	64	10.3%
Customer resources	11 716	13 409	1 693	14.4%
Net income	11	-41	-51	-
Branch offices	501	474	-27	-5.4%
Employees	5 451	5 479	28	0.5%

(a) Does not include Madeira Offshore Branch, Representative Offices and Banco Internacional de S. Tomé e Príncipe

ANGOLA

The Angolan economy has grown by an average 9.2% p.a. over the last 5 years, with the non-oil economy posting average annual growth of 12%.

According to the government's latest estimates, Angola's economy is likely to post real GDP growth of around 7.4%, in 2012, with the oil sector expanding by 4.3% and the non-oil sector by 9.1%. The non-oil sector's overall contribution to GDP is more significant each year. In 2012, the oil sector is likely to represent no more than 39% of GDP, as opposed to 2002 when it was 56%. This shows the diversification of Angola's economy and a reduction of the country's reliance on the oil sector.

The sectors with the largest contribution to the expansion of non-oil economic activity were agriculture, energy, construction, commerce and manufacturing.

Inflation (CPI for Luanda Province) down from 11.3% in 2011 to 9.0% in 2012, reflected a series of economic policy measures designed to create a macroeconomic environment able to moderate the impact of external shocks and ensure the economy's sustainable, balanced growth. The M3 aggregate grew 15.7% (State Budget for 2013), with total deposits up by around 10% and lending to the economy of around 20%. In the primary foreign exchange market, the Kwanza's average exchange rate to the US dollar was 95 826, depreciating by no more than 0.571%.

Angola's banking network continues to expand and now comprises 1 155 branches and extensions. Banco Nacional de Angola has stated that the sector remained sound with a solvency ratio of 18.6%.

Banco Caixa Geral Totta de Angola has furthered its activity with a strategic focus on corporate banking and premium individual customers and accompanying the business affairs of Caixa Group customers, both in terms of its funding of investment in Angola as well as in foreign trade between Portugal and Angola and other geographies in which the Group operates.

Caixa Totta is a subscriber to the "Angola Invest" programme and is able to provide a competitive, differentiated product in support of small and medium-sized Angolan enterprises.

Caixa Totta opened two new branches in 2012, under the scope of the implementation of its branch office network expansion policy over the last 3 years, to a total of 22 branches and 3 corporate centres.

!

Banco Caixa Geral Totta de Angola:

Strategic focus on corporate banking, premium individual customers and Portuguese companies

MOZAMBIQUE

The International Monetary Fund revised Mozambique's economic growth upwards, in 2012 and 2013 to 7.5% and 8.4%. Mozambique's economy has been resilient to the deceleration of world economic activity, maintaining a high rate of expansion as the result of the recent development of the mining sector and ever increasing FDI inflows. Notwithstanding having started from a small base, the country may well shortly become one of the economies with the highest economic growth rates, likelty to outperform China.

The fight against poverty and achievement of more inclusive growth continues to be one of the priorities of the government of Mozambique in its draft state budget for 2013. However, the expansionary status of current fiscal policy and the growing inflow of foreign capital into the country may create inflationary pressure and justifies the Bank of Mozambique's adoption of a cautious approach to monetary policy. Inflation at 2.6% at the end of the year remained under control, after having totalled 5.5% and 16.6%, in December 2011 and 2010, respectively.

The public debt to GDP ratio has remained relatively stable at 40% since 2006, the year in which the IMF approved the Multilateral Debt Relief Initiative. Although investment plans for public infrastructures and other priority sectors for the next few years should increase the nominal amounts of debt and the public deficit, their effect on the variables of these ratios to GDP should be mitigated by the high rates of economic growth.

In more recent years, Mozambique's banking sector has developed markedly owing to greater competition which has translated into the implementation of more aggressive deposit-taking policies, development of new financial products and market entrée of new players. The sector's modernisation sector is evidenced in investments in technological infrastructures (modernisation of ATMs and POS terminals) and the expansion and decentralisation of the branch office network into rural zones for the purpose of expanding banking services to a growing of the territory of Mozambique.

During the course of 2012 Banco Comercial e de Investimentos strengthened the strategic position of the BCI brand as a Mozambican bank which values national culture, tradition and the country's sustainable development.

The bank has developed a series of initiatives designed to improve its global performance and continues to invest heavily in training its workers and furthering is market expansion policy by opening an additional 8 branches to a total of 128 and reinforcing its BCI Exclusivo network (with an additional centre and 2 Exclusivo spaces, to ensure the best quality of service to the Affluent individuals and small business sectors)

On a business level, BCI has consolidated its market share: in December 2012, according to BdM data, BCI had market shares of around 30% for credit and 28.2% for deposits, thus consolidating its position as the second largest bank in the system.

Of equal relevance is the increase in the size of its customers base, reflecting investment made in its customer relationships translating into 155 000 new customers (increase of 38%).

On a level of electronic channels, work continued on the expansion and development of the network, with the number of ATMs and POS terminals having increased 9% and 57%, respectively.

In 2012 BCI was, for the 2nd consecutive time, considered the Best Commercial Bank in Mozambique by "World Finance" magazine, as well as the Best Bank in Mozambique by the "Banking and Finance Review" magazine.

In Mozambique, Banco Comercial e de Investimentos (BCI) opened its second Integrated Business Centre in Quelimane, in March 2012. This represents an entirely innovative concept in Mozambique as it houses a universal BCI branch, a BCI Corporate Centre and a BCI Exclusivo centre in the same space. This new concept improves the capacity to provide banking services to all of the main market segments, in a manner perfectly adjusted to the needs and specific expectations of each, providing a user-friendly experience and greater security while also guaranteeing a high level of operational efficiency.

In 2012, PMR.africa awarded two important prizes to BCI and to its Chief Executive Officer (CEO)BCI was awarded the prize as the Best Bank in Mozambique in the Leaders and Achievers, ceremony and its CEO Ibraimo Ibraimo, received the Diamond Arrow Award 2012 as the Most Influential Businessman for his contribution to Mozambique's economic growth and development.

BCI was also awarded the Best Regional Bank in Southern Africa prize by the African Banker Awards 2012 for the first time. This is the most prestigious distinction in the banking sector in Africa.

BCI was the leading bank in the South Africa Region as an outstanding member of the regional banking sector based on criteria such as the expansion of its services to new customers; innovation in its offer of new services; adoption of social inclusion practice in its contribution to increasing the level of the population's use of banking services; use of new technologies and a major contribution to strengthening and increasing the sector's credibility.

!

BCI (Mozambique):

- Market shares:
  - Deposits: 28.2%
  - Credit: 30%
- 128 branches
- 155 000 new customers
- Best Commercial Bank in Mozambique for the 2nd consecutive time (World Finance)
- Best Bank in Mozambique (Banking and Finance Review)
- Best Bank in Mozambique (PMR.africa)
- Diamond Arrow Award 2012 for Chairman of Executive Committee (PMR.africa)
- Best Regional Bank in Southern Africa (African Banker Awards 2012)

CAPE VERDE

Growth in Cape Verde slowed, in 2012, owing to the globally adverse environment, stagnation in the eurozone and low levels of domestic demand. Economic activity trend indicators pointed to a contraction of domestic demand and expansion of net external demand. According to the Bank of Cape Verde and the latest projections, GDP growth, in 2012, is likely to be in the region of 4% to 5% in comparison to 5.1% in 2011.

Notwithstanding the fact that the economic growth rate continued to slow in fourth quarter 2012, tourism and construction have showed signs of a certain upturn. The economic climate indicator evolved negatively in comparison to the same period 2011 and the environment is unfavourable according to the National Statistics Institute's economic diagnosis.

The fiscal deficit of 8.5% of GDP up to September 2012 was up 3.3 pp over September 2011. The reduction of fiscal revenues and donations, respectively of 5.2% and 79%, in a context of a marked growth of 16.8% in investment expenditure explains the deterioration ofthe public accounts up to 3rd quarter 2012.

In accumulated terms, emigrants' remittances were up 2.6% year-on-year in November 2012, against 30.6% in 2011. The exceptional growth in the preceding year as well as the worst economic and financial environment in the main host countries (particularly Portugal, Spain and France) explain the less favourable performance of remittances.

Monetary expansion remains moderate, conditioned by the evolution of domestic credit. In November 2012, M2, up 3.1% year-on-year and 2.9% over December 2011 was fuelled by the growth in the central bank's net international reserves. The increase in Cape Verde's net external assets (notwithstanding the increase in the commercial banks' short term external liabilities) was, however, counterbalanced by the reduction of net credit to general government and the marked slowdown of credit to the Cape Verdean economy.

In Cape Verde, the Financial Times Group's The Banker Magazine selected Banco Comercial do Atlântico – BCA – as "The Best Commercial Bank 2011 – Cape Verde".

This distinction reflects the success of the bank's growth and development strategy both nationwide and as regards Cape Verde's Diaspora, focusing clearly on customers, with innovative financial products and services, in a permanent critical assessment of its methods, processes and procedures, aiming to increase productivity and efficiency levels relying on merit of its workers as decisive factors for wealth creation and positive differentiation in terms of its market competitors.

In 2012, Banco Comercial do Atlântico continued to top the brand recognition ranking in the banking sector and was, for the third consecutive year, elected by most Cape Verdeans, in an independent study performed by Afrosondagem, as the Trustworthy Brand in the banking sector.

!

BCA:

Leads the Brand Awareness and Trustworthy Brand in the Banking Sector rankings

In terms of commercial development and offers, BCA furthered its innovation and improvement strategy on the quality of its services to customers, maintaining resource-taking and retention as areas of strategic importance.

In this context, as the bank prides its performance on effectiveness and innovation on behalf of households and companies, several initiatives designed to permit BCA's market participation was implemented to promote the loyalty of current customers and find new ones. The various initiatives, in this domain, particularly include the promotion of already existing products which continue to be exclusive market offers, notably, inter alia, BCA Leasing and BCA Factoring.

The networkexpansion policy and harmonisation and modernisation of its branches, was pursued with the opening of the new Avenida branch premises in Praia and the re-opening of the Maio branch.

Investment in human capital was and continues to be one of BCA's strategic objectives of empowering its workers, who were involved in continuous training activities under it's Assessment Programme in addition to the start-up of the VALORh project.

Notwithstanding the persistence of the crisis and consequent economic slowdown, Banco Interatlântico achieved globally positive performance levels, especially in terms of commercial activity and commitment to resource-taking, based on its development of the supply of savings products for individual customers and treasury function management products for companies. As a result, the bank succeeded in inverting the declining deposits trend starting 2011 and stabilised its credit portfolio.

!

Banco Interatlântico:

Growth of 13.3% in total customer resources

Garantia:

Morabeza seal – Cape Verdeans' favourite insurance company for the third consecutive time

Total customer resources were up 13.3%, particularly in the corporate segment with growth of 16.5%. The individual customers segment posted growth of 10.5%. Emigrants' deposits continued to grow markedly by 12.3%.

Garantia is the leader of Cape Verde's insurance market and specialises in life and non-life insurance with a diversified range of solutions for the protection of professionals, companies and the professions.

This insurance company, has, for many years occupied a leading position in Cape Verde's economy, with a strong market presence and high levels of financial strength achieved on the basis of its continuous provision of a high , quality service in line with the needs of the market and ensuring its customers' satisfaction.

The company has 11 branches and 3 mediation outlets and operates on 7 of the archipelago's 9 inhabited islands, having succeeded in covering all domestic territory based on synergies with Banco Comercial do Atlântico, Banco Interatlântico and Correios de Cabo Verde.

The experience and trust achieved in 21 years of history, the quality of its products and services, financial rigour, multichannel strategy in product distribution terms and constant quest for new solutions contributed to the fact that Garantia was, for the third consecutive time awarded the "Morabeza Seal", distinguishing it as Cape Verdeans' favourite insurance company.

The company, in 2012, was engaged in internal reorganisation with the reformulation of its internet and intranet websites. Its major conquest was the Certification of its Quality Management System to NP EN ISO 9001:2008.

SÃO TOMÉ E PRÍNCIPE

2012 was characterised by the liquidity shortage affecting financial institutions in the domestic and external markets. The worldwide financial crisis continued to be felt in the country, making the business climate uncertain and foreign investment almost negligible.

The central bank (BCSTP), in its capacity as the regulatory and inspection body for São Tomé's financial system, continues to focuse on price stability and particularly in protecting its currency reserves as a means of ensuring the sustainability of the fixed parity between the dobra and the euro, in force since 1 January 2010.

In 2012, BCSTP reduced its key reference rate by 1 percentage point from 15% to 14%, in line with the fall in the inflation rate, from 11.9% in 2011 to 10% in 2012.

The level of penetration of "Dobra 24", debit cards which were implemented in October 2011, was highly satisfactory. This had a particularly encouraging effect on the card management entity's decision to introduce POS terminals in 2012.

Banco Internacional de S. Tomé e Príncipe (BISTP) is the largest and oldest commercial bank. It benefited from a monopoly status in São Tomé e Príncipe up to the revision of the Banking Law, in 2003. Eight commercial banks currently operate in this market of around 180 thousand inhabitants.

Notwithstanding the smallness of the market and its liquidity shortages over the last few years, discouraging private investment, BISTP continues to lead São Tomé's financial system with highest asset levels, credit and deposit volumes, largest branch office network, ATMs and POS terminals spread out nationwide and the largest number of customers.

BISTP's aggressive commercial policy, designed to achieve customer loyalty and attract new customers, based on the creation of new products and other commercial offers enabled it to sustain the growth of its deposits portfolio over the course of 2012.

BISTP's furtherance of an expansionary policy for its branch office network, comprising a marketing action particularly targeted at a younger public, has enabled it to improve its level of market penetration, as well as to achieve a significant increase in number of customers.

BISTP:

Leader of São Tomé's financial system:

- highest asset levels
- highest volume of credit
- highest volume of deposits
- largest branch office network, number of ATMs and POS terminals
- largest number of customers

SOUTH AFRICA

The nominal GDP growth rate in South Africa, at the end of 2012, was 2.8%. The largest contributor with 18% of the total continues to be financial services sector.

With an estimated population of around 52 million and unemployment currently at 25.5%, job creation remains the key challenge for the state, whose dominant political party continues to be the African National Council with around 60% of the seats in parliament.

Private investment remains relatively low and the highest level of expenditure is related to government infrastructure projects.

The South African financial system, whose maturity and level of sophistication are comparable with those of developed countries, continues to be dominated by the four largest banking groups operating in the market.

As a niche bank, Mercantile continues to focus on the SME segment, differentiated from its peers on the basis of a personalised service model and its offer of customised financial solutions based on a range of products which includes a collection of loans for investment and treasury functions, transactional products and services tailored to the specific needs of each company and their partners/owners.

In first half 2012, as the result of an offer made to its non-controlling interests shareholders, the CGD Group repurchased the full amount of third party investments in Mercantile Bank Limited (Mercantile Bank Holdings, Ltd subsidiary) and is now the direct and indirect owner of the full amount of its equity capital.

Mercantile:

- Niche bank with tailor-made solutions
- Contribution of €14.0 million to consolidated net income:
- Rating: Baa3.za/P-3.za (Moody's)

BRAZIL

Brazil experienced a year of poor economic growth, in 2012, partly deriving from the international crisis, notwithstanding its launch of a series of measures designed to boost consumption.

The GDP growth estimate evolved over the course of the year (between an initial 3.5% and a closing 0.9%) affected by its loss of industrial competitiveness, as a consequence of higher labour costs which were not adequately offset by productivity gains and by the decline in external demand owing to lower growth in import markets.

BCG Brazil had a positive 2012, marked by moderate growth in its credit portfolio, impact of the drop of the of SELIC on capital returns and the behaviour of resource-taking particularly from companies. The bank was involved in relevant project finance, capital market and financial consultancy operations.

Special reference should also be made to the completion of BCG Brazil's acquisition of 50% of Banif Corretora de Valores e Câmbio S.A. which was renamed as CGD Investimentos, Corretora de Valores e Câmbio S.A. being the remaining 50% held by Caixa – Banco de Investimento S.A..

In December 2012, FitchRatings maintained its A+ rating on BCG Brazil. The bank was allocated its first local risk rating at the beginning of 2011, AA (bra) and on 25/11/2011 saw its rating downgraded to A+ (bra), as a consequence of the downgrading of the rating on the Portuguese Republic and CGD itself.

By asset volume, BCG Brazil succeeded in improving its position in the ranking from 101st in March 2012 to 97th in September 2012.

BCG Brazil came 37th in the foreign exchange ranking at 30/9/2012, 10 places up over the end of 2011.

BCG Brazil:

- Contribution of €6.6 million to consolidated net income:
- Rating: A+ (Fitch)

NEW YORK AND CAYMAN ISLANDS

In North and Central America, CGD Group has a presence in the form of two branches (New York and Cayman Islands). These branches operate in close coordination with CGD's headquarters, other CGD Group units, particularly Banco Caixa Geral Brazil and Caixa – Banco de Investimento.

The New York Branch is specialised in wholesale business. It mainly operates in the capital market, import and export finance and syndicated operations, recently, taking in USD resources for the Group, notably via its management of the CGD Group's commercial paper programme in US dollars.

In 2012, owing to the high level of uncertainty underpinning the negative sentiment characterising worldwide financial markets, particularly in the eurozone, the New York and Cayman Islands branches furthered their policy of monitoring liquidity and funding needs with a series of preventative measures beginning 2010.

UNITED KINGDOM

The London branch's activity is mainly geared to the creation of structured financial products for different Group entities and respective risk hedge management for investors and financial institutions. It is the prime contact between the Group and the city of London.

The major changes in the overall market framework have brought a certain pressure to bear on the branch's activity since 2011, given CGD's reduction in its placements of structured products, in addition to the progressive closure of wholesale markets to Portuguese counterparties, owing to continued rating downgrades. Notwithstanding the environment of financial crisis, in 2012, the branch continued to create innovative products for Group structures in diverse regions of the globe, such as guaranteed and non-

–guaranteed capital products offered by Banco Caixa Geral in Spain.

The branch also provides information services to the Portuguese community in the United Kingdom and to British and Irish citizens with interests in Portugal who wish to invest resources or apply for mortgage loans in Portugal, as exemplified by the Live in Portugal campaign, specifically targeted at English speaking customers.

FRANCE

The France branch, is an important Group operation in the international area. It is fundamentally geared to providing for the needs of Portuguese residents In France (first and second generations), in addition to the recent wave of new emigrants. Notwithstanding, the France branch has expanded its operations to other populations, particularly Lusophone and other proximity customers.

The France branch furthered its consolidation and expansion strategy on its presence in the local community, in 2012, maintaining a highly successful resource–taking policy by enhancing its range of savings and investment products.

There has been a certain decline in lending on account of the difficult macroeconomic context and the need to be more selective in terms of operations.

To reinforce its position in the construction sector, the France branch joined forces with the Franco–Portuguese Chamber of Commerce and Industry to hold the 1st edition of the Portuguese Real Estate Exhibition in Paris, where it presented its offer of real estate and property services while also providing assistance to the sale of Caixa Group properties, by presenting the market with investment opportunities together with a collection of exclusive advantages for the completion of property deals.

This initiative was part of a proximity approach by Caixa Group with its non–resident customers and the external development and promotion of real estate investment opportunities in Portugal.

Equally relevant was the branch's role in transferring €315.2 million in remittances to Portugal.

France branch:

Focusing on the Portuguese population, particularly the 2nd and 3rd generations and expansion to other sectors of the population

LUXEMBOURG

Luxembourg has the highest per capita GDP of the whole of the European Union, (almost 3 times the average of the 27 countries) and has succeeded in avoiding the worst part of the worldwide and European crisis. GDP is expected to be around 1.1% in 2012, and is likely to exceed 3% from 2014.

Luxembourg's economy is dominated by services, particularly In the financial sector. It is one of the world's 10 most important financial markets and the leading international centre for private banks in the eurozone.

CGD's Luxembourg branch is currently the Portuguese community's bank of preference (representing 18% of the resident population).

The branch provided continuity to its individual customers and SME support banking services in 2012.

SPAIN

The Spanish economy, in addition to constraints imposed by the unfavourable external environment, faced various internal challenges, in 2012, forcing it to implement broad structural reforms. The Spanish government implemented diverse legislative changes to the fiscal system, labour market, pensions system, health, education and, no less importantly, the financial sector, which was extremely weakened by the high level of exposure to the real estate sector. On 20 July 2012, eurozone finance ministers approved a maximum €100 billion assistance programme for the Spanish banks for the recovery of the system's credibility and recapitalisation of financial institutions.

Financial sector reform involved, inter alia, the creation of a SAREB ("Management Company for Assets received from Banking Restructuring Operations), to foster the acquisition of property assets held by financial institutions and the expansion of the powers of the FROB ("Orderly Bank Restructuring Fund"). The new rules also provide for more demanding bank solvency requirements and consider a broad range of measures translating into additional regulation. The restructuring of the Spanish financial system is likely to lead to the closure of thousands of branches, which trend was already in evidence during the course of the year.

In 2012, Banco Caixa Geral (BCG), in line with transversal concerns over solvency and financial system returns in Spain, downsized its network and reduced staff to provide for competitive changes. The restructuring plan, implemented over the last quarter of the year, entailed the exit of 175 workers and the closure of 36 branches. BCG, at 31 December, had 797 employees and 173 counters and continued to operate in the main economic and social development zones of Madrid, Catalonia, the Valencian Community, Andalusia, Basque Country, Asturias, Cantabria, Navarre and La Rioja and particularly the communities bordering Portugal of Galicia, Estremadura and Castile–León.

The bank remains committed to maintaining specialised commercial teams both for wealthy Individual customers and companies with Iberian business.

As regards liabilities, the bank has geared its commercial offer to a range of deposits with market adjusted returns and maturities. These deposits, in providing attractive returns with 100% guaranteed capital and the possibility of contracting for different maturities were warmly received by customers and translated into a significant growth of customer resources, in 2012. This was accompanied by a decline in the loans portfolio, which significantly improved the bank's loans–to–deposits ratio together with a more favourable evolution of its funding needs.

Banco Caixa Geral defined the need to monitor and facilitate the expansion of the activities of Spanish and Portuguese businesspeople in the Iberian Peninsula as its main objective during the year, BCG was the entity commercialising Via Verde transponders, in Spain, as a means of boosting mobility in the Iberian Peninsula.

CGD Spain branch's activity has always complemented the activity of Banco Caixa Geral and the CaixaBI branch in the Spanish market, as an operating platform for larger operations.

BCG Spain:

Branch office network restructuring process and redefinition of its business model

MACAU – CHINA

Macau's economy is highly dependent on gambling and tourism. As the only part of China in which gambling is legal, Macau, each year, attracts a large number of visitors from the mainland, making Macau's economy highly reliant on China. On account of this and its major reliance on overseas sources, the slowdown of the Chinese economy, in 2012, had an impact on Macau's economic growth.

Notwithstanding, the gambling and tourism sectors and their associated activities, are likely to achieve sustained growth, albeit at a slower rate than in past years. The sector, this year, achieved a favourable level of performance, with gross gambling revenues up 13.5%, mainly on account of the 0.5% increase in the number of visitors to the Territory.

Albeit having posted a slower rate of growth than in the preceding year, Macau's economy continued to perform well, in 2012, with a growth estimate of 9.8% in real terms, mainly boosted by exports of services, investment and private consumption, in a context in which interest rates continued at historically low levels.

Unemployment was estimated to be 1.9% at the end of 2012, making the labour market practically one of full employment and bringing pressure to bear on wages and companies' greater difficulties in finding human resources. Inflation was 6.1%, notwithstanding signs of a slowdown in the last few months of the year.

In such a positive local economic context, the banking sector benefited from economic expansion, although returns from operations continued to be strongly pressured by the entrée of major banks from China, which are highly aggressive competitors, in their unrelenting quest for market share.

CGD Group has been present in Macau since 1902 as Banco Nacional Ultramarino, which operates as a universal bank and in conjunction with the Bank of China, is one of the two local mints for the Special Administrative Region of Macau. As the Treasury Bank for the government of Macau, it has a significant number of government and public sector entities accounts.

Notwithstanding increased competition in the banking sector, BNU continued to turn in high performance levels in turnover growth, benefiting from the good current economic climate in the economic region of Macau. Its turnover, in 2012, grew 19.3%, mainly on account of the preponderance of the growth of customer resources to credit, leading to a decline in the loans--to-deposits ratio to 45% in 2012. Resource-taking from customers achieved its most expressive growth of the last two years.

Banco Nacional Ultramarino BNU) was awarded the medal of Industrial and Commercial Merit for 2011, from the Special Administrative Region of Macau by Chief Executive Chui Sai On, at a ceremony held at the beginning of 2012.

BNU celebrated its 110th anniversary in Macau, following a long, distinguished history beginning in 1902 when it opened its first branch and the fact that it was appointed as the mint for Macau.

CGD also has a branch in Zhuhai, geared to servicing Group customers in the region, particularly BNU (Macau) customers, owing to the geographical proximity between the two units and for Group customers with commercial relationships and investment in the People's Republic of China.

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BNU Macau:

- Active in the Territory since 1902
- Turnover up 19.3%

EAST TIMOR

East Timor has maintained its young democracy's development and consolidation process, with the economic leverage represented by gas and oil exploration on its territory.

CGD's East Timor branch has been operating in a conservative context, geared to the individual customers with a stable income segment, in the form of the public sector and pensioners, with the CGD/BNU brand being associated with concepts of stability, rigour and security as a fundamental asset.

The branch has successfully maintained a specific credit line for fuel imports for the Hera power station thenew emblematic and strategic project inaugurated by the government at the end of 2011. It also retained the protocol with the Secretariat of State for Employment and Professional Training (SEFOPE) providing a credit line for young Timorese travelling to South Korea for on-the-job training in various structuring sectors for the future economy of Timor (fisheries, agriculture, several engineering areas).

Endeavours have been made to modernise the whole of the branch office network in the Territory, with the aim of providing more and better services to customers and the Timorese community, in line with the responsibilities of a 100 years old brand which is indissolubly linked with the history of East Timor.

Of particular importance in this modernisation programme was the supply of means of payment in the country (debit and credit cards), supporting and promoting the development of the banking sector.

In the year in which it celebrated its 100th birthday, the Timor branch and Caixa Geral de Depósitos were distinguished by the President of the Republic of Timor, José Ramos Horta. The commemorations of the centenary of the presence of Caixa Group BNU Timor were held between May and December on the theme: "Much past, more future".

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Timor branch:

- Present in the territory since 1912
- Modernisation of branch office network deploying pioneering payment systems

RESIDENTS ABROAD

On an individual customers level and deriving from the current domestic economic environment, a new increase in the mobility of new generations of Portuguese has been witnessed. This Is because they are either looking for better living conditions in other markets, as in the case of traditional emigration or because they have higher educational courses and better qualifications and cannot find jobs which value and use their competencies in Portugal.

Turnover in the individual customers resident abroad segment, in 2012, exceeded €5.8 billion with resource-taking of around 9% of total resources taken from CGD's individual customers, making a positive contribution to CGD's objectives.

Management of this segment therefore continues to be a strategic area within CGD Group which has devoted special attention to monitoring the new waves of emigration, continuing to reinforce ties with customers and its position as the main financial partner of people living outside Portugal.

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Management of the individual customers resident abroad segment continues to be a strategic thrust for CGD Group:

- Turnover in this segment exceeded €5 800 million
- Resource-taking accounted for around 9% of resources taken from CGD's individual customers

|01.6.2.4. INVESTMENT BANKING

2012 was a positive year for CaixaBI's activity. The furtherance of the bank's internationalisation strategy in the Brazilian and Lusophone Africa markets, greater focus on advisory and intermediation activities and cost containment, enabled it to achieve good results even in a year marked by a recessionary macroeconomic context and investors' high levels of risk aversion.

CaixaBI:

- More than €63 million in commissions from investment banking
- Significant increase in net income and net operating income
- Cost-to-income: 19.6%

CAIXA BANCO DE INVESTIMENTO – INDICATORS

(EUR thousand)

	Dec/11	Dec/12	Dec/12 (*)	Change Dec/12(*) – 11
Net interest income	29 052	32 156	28 166	-3.1%
Commissions (net)	61 793	63 267	58 551	-5.2%
Income from financial operations	-31 282	6 296	7 327	-
Other net operating income	-520	-129	2 012	-
Net operating income from banking	**59 043**	**101 589**	**96 055**	**62.7%**
Net operating income from banking (adjusted) (*)	**86 729**	**122 631**	**117 098**	**35.0%**
Provisions and impairment	-31 896	-30 676	-30 748	-3.6%
Structure costs	-24 774	-30 686	-23 387	-5.6%
Income before tax	**2 373**	**40 227**	**41 921**	**-**
Tax	6 220	-11 812	-12 229	-
Non-controlling interests	-40	-874	-874	-
Net Income	**8 553**	**27 541**	**28 817**	**236.9%**
Cost-to-income (adjusted) (**)	28.1%	24.7%	19.6%	-8.53 p.p.

(*) Excluding the consolidation of CGD Investimentos, for comparison purposes.
(**) Adjusted by financial assets impairment.

Its involvement in major advisory service operations contributed to its good performance in terms of net commissions which totalled €63.3 million for the year. CGD Investimentos[6], a brokerage company headquartered in São Paulo and purchased in the first half of the year, comprised an important step in the implementation of the bank's internationalisation strategy for Brazil and also made a contribution. Not considering the consolidation of this company (pro forma accounts), net commissions totalled €58.6 million.

Income from financial operations and equity instruments was also highly positive, at €27.3 million when corrected for the increase in impairment on financial assets, which, this year, totalled €21.0 million. On a pro forma basis income from financial operations adjusted for impairment was €28.4 million against losses of €3.6 million in 2011.

CaixaBI's adjusted net operating income totalled €122.6 million. Adjusted net operating income, in pro forma terms was up 35% year-on-year to €117.1 million.

The recessionary macroeconomic framework affecting the Portuguese and Spanish economies could not, however, but have a negative impact in results, which were strongly affected by higher impairment and provisions of €51.7 million for the year. The increase of impairment and provisions in pro forma terms was also €51.7 million, down by around 13% over the 2011 figure of €59.6 million.

CaixaBI had a cost-to-income ratio of 24.7%, when adjusted for impairment on financial assets, clearly below that of its peers. In pro forma terms CaixaBI's adjusted cost-to-income was 19.6% against 28.1% in 2011.

CaixaBI's good overall performance is reflected in its net income for the year of €27.5 million. The bank's net income of €28.8 million in pro forma terms was significantly up over the €8.6 million posted in 2011.

6 €63.3 million for the year. CGD Investimentos

CaixaBI once again reaffirmed its leadership of the domestic investment banking sector by participating in the most relevant transactions in Portugal, in 2012, leading the sector rankings and winning the most important international distinctions.

Best Investment Bank in Portugal
Euromoney Award for Excellence

Best Investment Bank in Portugal
Global Finance

Best Investment Bank in Portugal
World Finance

Best Investment Bank
in Portugal
EMEA Finance

Highly Commended
Deal of the Year
The Banker

Best Cross-border
M&A Deal
EMEA Finance

- 1st bookrunner for euro bonds issued by Portuguese entities

  Bloomberg League Table – leader for the 6th consecutive year

- M&A league table

  Bloomberg[7] – 1st place in the Portuguese ranking and 12th in Brazil (1st Portuguese bank in this geography), in terms of volume of announced/ /completed transactions

- Project Finance league table

  Dealogic Project Finance Review – 1st place in the Project Finance Advisor ranking in Portugal

7 Data extraction - 3 January 2013.

PROJECT FINANCE

CGD Group, through CaixaBI, was involved in global operations for around €414 million coming 1st in Dealogic's ranking for its MLA role in project finance operations in Portugal and as the best positioned Portuguese bank in all geographies where it operated.

On an international level, reference should be made to the progressive geographical expansion of the bank's activity for operations in Angola and Mozambique and together with BCG – Brazil, for structuring and/ /or financial advisory operations for a diverse range of projects in Brazil.

In terms of operations structured on a project finance basis reference should be made to the successful completion of the refinancing process for five of EuroWatt's windfarms in France, the completion of the Tagusgás refinancing process following the change in the respective concession contract and the financial close of the financing of Luanda Shopping, in Angola.

CaixaBI:
Geographical expansion of activity notably in Angola, Mozambique and Brazil

STRUCTURED FINANCE

As regards structured operations on a corporate basis, reference should be made to financial advisory services to Tagus for the structuring and organisation of financing for the takeover bid on Brisa shares and participation in the structuring and organisation of financing for Semapa's acquisition of Supremo Cimentos, in Brazil.

CORPORATE DEBT FINANCE

CaixaBI led 13 primary market bond issues and according to the Bloomberg ranking, continues for the sixth consecutive year, to be the 1st bookrunner for domestic bond issues denominated in euros.

CaixaBI acted as the bookrunner for 3 of the 5 issues in 2012 in Portuguese issuers' return to the Eurobonds market:

- Brisa: Joint lead and bookrunner for a €300 million notes issue maturing in 2018.
- Portugal Telecom: Joint lead and bookrunner for a €750 million notes issue maturing in 2018.
- CGD: Joint lead and bookrunner for a €500 million notes issue maturing in 2015.

Reference should also be made in the primary debt market to participation in CGD's tender offer for two covered bonds issues, in addition to the public offerings on Brisa, Galp Energia, Portugal Telecom, SONAE Investimentos, Efanor Investimentos, Mota-Engil and Futebol Clube do Porto bonds. CaixaBI was also sole lead manager for the issue of notes and joint lead for the public offering on REN bonds.

CaixaBI also maintained a relevant position in the commercial paper segment, having during the course of 2012, organised and led 16 new commercial paper programmes totalling €935 million of which reference should be made to the Galp Energia (€550 million) and Zon Multimédia (€100 million) programmes.

CAPITAL MARKET – SHARES

Reference should be made to the already referred to advisory services for Tagus's takeover on Brisa shares and advisory services for Caixa Geral de Depósitos's disposal of its 1% equity investment in Galp Energia in accelerated bookbuilding format.

Reference should also be made to CaixaBI's organisation, in conjunction with NYSE Euronext Lisbon, of the 2012 edition of Portuguese Day, at the emblematic New York Stock Exchange, in Wall Street with the presence of the Assistant Secretary of State to the Prime Minister and President of IGCP in a panel on the Economy and Portuguese Public Debt and various CEOs from the largest listed firms on NYSE Euronext Lisbon.

The objective of the event – to disclose information to the US financial community on Portuguese listed companies, investment opportunities in Portugal and the country itself – was broadly achieved and comprised more than two hundred and fifty meetings attended by around one hundred investors whose immediate result was an awareness of investors' growing interest in Portuguese assets.

CORPORATE FINANCE – ADVISORY

CaixaBI once again came first in Portugal in Bloomberg's M&A rankings, based on its involvement in 15 operations with an aggregate value of around €15.6 billion. In Brazil CaixaBI, in conjunction with BCG Brazil, came 12th in the investment banks' ranking in terms of announced/completed M&A operations and was the best placed Portuguese bank with an aggregate amount of around €8.0 billion.

Reference should be made to the advisory services to SGC Group for its disposal of Pargim Empreendimentos e Participações (real estate business focusing on shopping centres in Brazil) to the Brazilian Aliansce, a project comprising yet another example of CaixaBI's successful implementation of its cross–border strategy between Portugal and Brazil.

Note should also be taken of financial advisory services to Parpública for REN's 2nd reprivatisation stage in the form of the disposal of a 40% equity investment in REN of which 25% to the State Grid China Corporation and 15% to the Oman Oil Company.

Also noteworthy were the financial advisory services to CGD for the disposal of investments in Zon Multimédia and Cimpor, as well as financial advisory services to Caixa Seguros e Saúde for the disposal of the full amount of the share capital of HPP Saúde to Amil.

SYNDICATION AND SALES

CaixaBI was dealer manager and financial intermediary for the tender offer launched by CGD and was also the joint lead manager for the issue of eurobonds by Brisa, Portugal Telecom and CGD. It also placed 342 commercial paper issues totalling €7 946 million.

FINANCIAL INTERMEDIATION

2012 was characterised by the fact that there were no share issues in the primary market in Portugal, except for the share capital increases in the banking sector. According to CMVM data, CGD Group came 3rd in the Portuguese financial intermediaries ranking in 2012, with a market share of 12%.

Reference should also be made to the already referred to completion in 2012 of the acquisition of CGD Investimentos Corretora de Valores e Câmbio, S.A., an important brokerage firm operating in the Brazilian capital market. This operation will strengthen CGD Group's presence in the Brazilian market, particularly in terms of investment banking activity and will represent an important step for the implementation of the bank's strategy for Brazil.

CORPORATE ADVISORY AND RISK MANAGEMENT SERVICES

During the course of 2012 CaixaBI continued to operate as a liquidity provider for various Euronext Lisboa listed securities, including Cofina, Orey Antunes, Altri, Inapa, Ibersol and SAG Gest. Euronext recognised CaixaBI's good performance by allocating its maximum "A" rating on all securities and categories in which it operates.

According to IGCP, CaixaBI came 2nd in its overall performance ranking, in 2012 and 4th out of the 18 primary dealers in the specialised Treasury Bonds operators' global ranking.

VENTURE CAPITAL

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- 3rd place in the financial intermediaries ranking according to CMVM
- 2nd place in the global specialist treasury securities trader ranking

In the framework of the priority allocation of CGD Group resources to financing the economy, the venture capital area specialises in strengthening domestic companies' competitiveness in wider markets, fuelling the formation or development of companies with prospects of added value and return on capital invested. Activity in this field has naturally been conditioned by the recessionary, uncertain context which prevents companies from adopting more daring growth strategies.

Caixa Geral de Depósitos has allocated resources of around €720 million to venture capital in its capacity as a direct operator, in the form of its own vehicles managed by Caixa Capital, complemented by its activity as an investor in funds managed by third parties which are clearly specialised or particularly suited to a certain activity.

Caixa Capital has four venture capital funds providing transversal coverage of different target segments over the course of corporate life cycles: Caixa Empreender+, Caixa Mezzanine, Grupo CGD and Desenvolvimento e Reorganização Empresarial. Caixa Capital has also, since 2012, had the largest network of partnerships with benchmark European operators in the sector, used to promote the international integration of companies and domestic investors, providing combined research and investment dynamics.

The only fund with a sectoral focus (Renewable Energies Venture Capital Fund) was liquidated in 2012 with several of its investments having been transferred to CGD Group's Venture Capital Fund.

133 investment opportunities were analysed during the course of the year. 23 operations totalling €91 million were approved. 34 investments made (7 new and 27 additional) for an amount of €13 million and 9 disinvestments with a realisation price of €31 million.

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Venture Capital:

Caixa Empreender+, Caixa Mezzanine, Grupo CGD, Desenvolvimento e Reorganização Empresarial (CGD Group and Development and Corporate Reorganisation)

|01.6.2.5. ASSET MANAGEMENT

2012 witnessed growth in the volume of assets under CGD management, as the result of renewed interest from individual customers in property funds and owing to the valuation of institutional portfolios.

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Asset management:

Growth in the volume of assets under CGD management and of income

AMOUNTS UNDER MANAGEMENT AND ADVISORY

(EUR million)

	Dec/11	Dec/12
Securities funds	2 490	3 071
Wealth management	14 884	17 524
Wealth advisory	307	392
Property funds	1 565	1 517
Pension funds	2 115	2 306
Total	**21 361**	**24 810**

COMMISSIONS

Income from CGD Group's asset management business, in 2012, was up 3.2% over the preceding year to €47.5 million, owing to the growth of commissions from wealth management and propertyfunds.

(EUR thousand)

	Dec/11	Dec/12
Securities funds	17 251	16 332
Property funds	17 373	17 979
Pension funds	3 177	3 115
Wealth management	8 256	10 118
Total	**46 056**	**47 543**

SECURITIES FUNDS – CAIXAGEST

The trend on securities funds over the course of 2012 was upwards, notwithstanding the fact that their average value was still down in comparison to 2011.

In articulation with CGD's branch office and marketing network, Caixagest promoted sales of treasury and money market funds, which were warmly welcome by customers with a highly positive balance of €1 billion in subscriptions for these fund categories.

FUNDS UNDER MANAGEMENT

At the end of December, Caixagest managed €3 071 million, split up into 46 securities investment funds with a diversified product portfolio in various international financial markets.

(EUR million)

	Dec/11	Dec/12
Treasury funds	504	1 010
Bond funds	307	349
Funds of funds and mixed funds	73	71
Share funds	170	181
Special investment funds	502	476
Protected capital funds	934	983
Total	**2 490**	**3 071**

Although commissions, in 2012, at €16.3 million, were slightly below the preceding year, they have strong growth potential in 2013, based on current trends.

WEALTH MANAGEMENT – CAIXAGEST

Caixagest continued to develop its wealth management service based on a proximity approach between CGD's branch office network and respective portfolio customers. Service proposals were adjusted to the new environment with the aim of securing new customers. Consultancy and investment services continued to enjoy success.

The assets of institutional portfolios, which are more exposed to national public debt appreciated strongly over the course of the year and, in April, Caixagest took on the management of another new institutional portfolio for the amount of €100 million. Wealth under management and advisory services were up 17% to €19 862 million at the end of the year.

PORTFOLIOS UNDER MANAGEMENT

(EUR million)

	Dec/11	Dec/12
Insurance portfolios	10 883	11 935
Institutional	3 788	5 425
Pension funds	1 797	1 946
Individual and corporate customers	214	165
Advisory	307	392
Total	**16 988**	**19 862**

The increase in value of institutional customers' assets contributed positively to a 23% growth in commissions from the portfolio management service, to €10.1 million.

PROPERTY FUNDS – FUNDGER

The 26 property funds managed by Fundger, totalled €1 517 million at the end of December.

The Fundimo open-ended fund recorded a negative volume of subscriptions over the course of the year owing to competitive interest rates on Portuguese banking products.

There was a certain slowdown in the activity of closed end funds managed by Fundger as they are mainly allocated to propertydevelopment and promotion.

PROPERTY FUNDS MANAGEMENT

(EUR million)

	Dec/11	Dec/12
Fundimo open-ended fund	922	914
Closed end funds	643	604
Total	**1 565**	**1 517**

Commissions from property funds were up 3% year-on-year to almost €18 million.

PENSION FUNDS – CGD PENSÕES

The amount managed by CGD Pensões, at the end of 2012, was up 9% over the start of the year to €2 306 million.

FUNDS UNDER MANAGEMENT

(EUR million)

	Dec/11	Dec/12
Open-ended funds	2 010	2 194
Closed end funds	105	112
Total	**2 115**	**2 306**

There was an across-the-board increase in the value of pension fund portfolios over the course of the year and growing receptivity to prudently managed open-ended funds.

Commissions, in 2012, were down 2% year-on-year, to €3.1 million.

|01.6.2.6. INSURANCE AND HEALTHCARE ACTIVITY

CONTRIBUTION TO CGD'S NET INCOME

Caixa Seguros e Saúde, SGPS, earned income of €90.9 million in its statutory accounts for 2012 (€2.9 million in 2011), up €88.1 million year-on-year. The insurance area contributed with €96.6 million and hospital activities recorded losses of €5.7 million (against losses of €29.9 million in 2011).

According to CGD GAAP rules, consolidated net income was up € 86.7 million, from €3.0 million over 2011 to €89.7 million in 2012.

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According to CGD GAAP rules, consolidated net income of Caixa Seguros e Saúde, SGPS was up from €3.0 million over 2011 to €89.7 million in 2012

CAIXA SEGUROS E SAÚDE, SGPS, S.A.

(EUR million)

SUMMARY OF CONSOLIDATED BALANCE SHEET	Dec/11	Dec/12
Assets (net)		
Securities portfolio, deposits and cash	11 554.5	11 690.1
Investment properties and investment in associated companies	335.8	324.8
Non-current assets held for sale	0.0	87.6
Other tangible and intangible assets	479.6	419.8
Current and deferred tax assets	271.2	188.0
Technical provisions for outwards reinsurance	220.0	192.4
Other assets	596.3	642.0
Total assets	**13 457.6**	**13 544.8**
Liabilities		
Financial liabilities (investment contracts)	6 854.8	6 749.1
Technical provisions (insurance contracts)	4 596.5	4 214.4
Other provisions	99.5	89.2
Non-current liabilities held for sale	0.0	100.7
Current and deferred tax liabilities	25.9	137.5
Subordinated liabilities	436.5	0.0
Other liabilities	700.2	765.4
Total liabilities	**12 713.5**	**12 056.3**
Shareholders' equity		
Capital	448.4	799.9
Share premiums	184.4	184.4
Reserves	88.5	396.3
Net Income	3.0	89.7
Non-controlling interest	19.8	18.2
Total Shareholders' equity	**744.1**	**1 488.5**
Total liabilities and Shareholders' equity	**13 457.6**	**13 544.8**
Consolidated summary of gains and losses		
Net operating income	236.6	73.1
Technical margin on Insurance operations	494.6	494.2
Operating costs	-481.0	-329.9
Change in provisions	-30.0	-0.3
Impairment	-197.4	-93.4
Income generated by associated companies	1.3	0.5
Income before tax and minority shareholders' Interests	**24.0**	**144.2**
Income tax	-19.8	-55.3
Non-controlling interest	-1.1	0.8
Net Income attributable to CGD's shareholders'	**3.0**	**89.7**

(a) The amounts set out in this table comply with the financial statements in IAS/IFRS (CGD Group) and correspond to the consolidated accounts.

The hospital business was sold off, during the course of the year, with the respective sales agreement having been completed in 2012 (for more detailed information, see section 1.4.4.).

Caixa Seguros e Saúde contributed €567.3 million (down €163.9 million over 2011) to CGD Group's net operating income of which amount €494.2 derived from technical income from insurance operations and €73.1 million from financial activity.

The year-on-year decline derived from financial activity (down €163.9 million), which fundamentally reflected the change of accounting policy on the consolidation of HPP whose reduction was naturally offset on a structural costs level.

Caixa Seguros e Saúde had consolidated net assets of €13.3 billion, with shareholders' equity, including non-controlling interests up 91.4% to €1.6 billion, particularly deriving from the transfer of the subordinated liability of €351.5 million to share capital and the positive evolution of the fair value reserve.

There was an improvement in shareholders' equity, resulting from the positive evolution of the fair value reserve, net income and the increase in share capital – the latter deriving from the conversion of €351.5 million in subordinated liabilities.

CAIXA SEGUROS E SAÚDE, SGPS, S.A.

(EUR million)

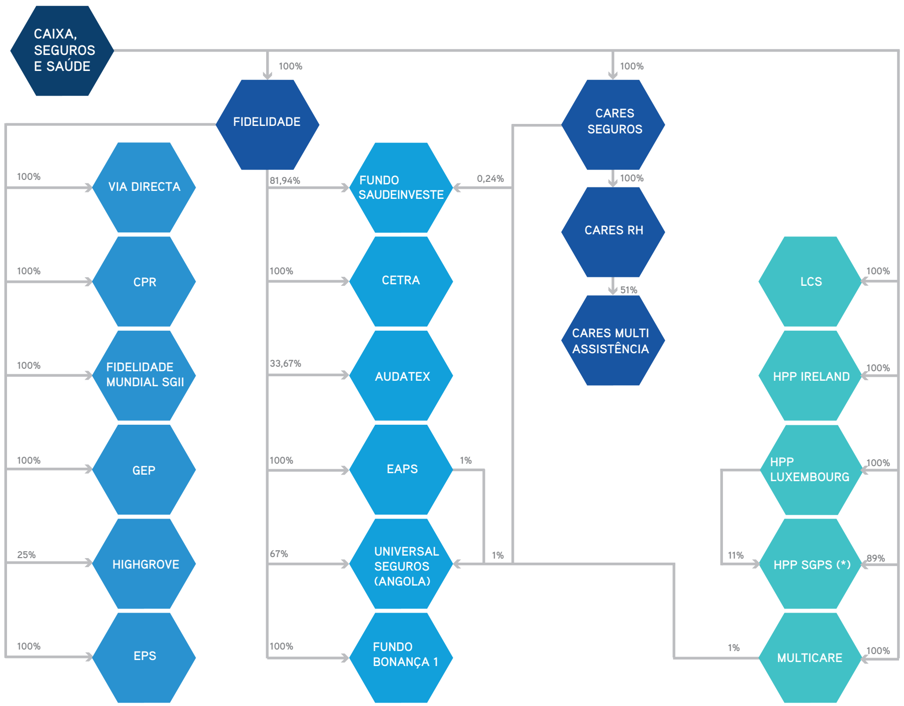
CAIXA SEGUROS E SAÚDE, SGPS INDICATORS [a]	Dec/11 (*)	Dec/12
Assets (net)	**13 329.8**	**13 283.1**
Shareholders' equity and minority shareholders' interests	**834.8**	**1 597.9**
Liabilities	**12 494.9**	**11 685.1**
of which: Subordinated liabilities	436.5	0.0
Insurance contracts liabilities	**11 416.5**	**10 922.8**
Direct insurance technical and inwards reinsurance provisions	4 555.4	4 173.7
Liabilities for financial instruments	6 861.1	6 749.1
Combined Ratio – net of reinsurance (non-life)	**99.9%**	**98.5%**
Loss Ratio	73.2%	70.1%
Expense Ratio	26.7%	28.4%
Net income	**2.9**	**90.9**
of which: Insurance activity	32.8	96.6
Hospital activity	-29.9	-5.7
Profitability		
ROE (net)	0.3%	7.5%
Number of employees	**5 618**	**5 639**
Insurance companies	3 369	3 318
Instrumental companies	221	228
HPP (consolidated)	2 028	2 093
INSURANCE COMPANIES INDICATORS		
Direct insurance premiums	**3 963.4**	**3 269.9**
Life insurance	267.7	261.2
Investment contracts (financial instruments)	2 567.7	1 909.7
Non-life insurance	1 128.0	1 099.0
Market shares (activity in Portugal)	**33.4%**	**29.3%**
Life insurance (including investment contracts)	37.2%	31.0%
Non-life insurance	26.6%	26.4%
Solvency (Local GAAP)		
A. Solvency margin (Total)	961.0	1 321.0
B. Solvency margin (mandatory)	660.9	637.9
Solvency margin cover (A/B)	145.4%	207.1%
Number of branch offices	**149**	**145**
Number of exclusive mediators	**2 695**	**2 725**

(a) Consolidated statutory accounts
(*) pro forma accounts

DIMENSION/STATUS OF CAIXA SEGUROS E SAÚDE

Caixa Seguros e Saúde is a global insurance market operator with sales of products in all insurance areas, based on a multibrand strategy on the largest and most diversified branch office insurance network in the domestic market.

As regards international activity, Caixa Seguros e Saúde's insurance area focused on CGD's operating markets, without prejudice to more autonomous operations and diversification of sales channels such as in Angola and Spain.

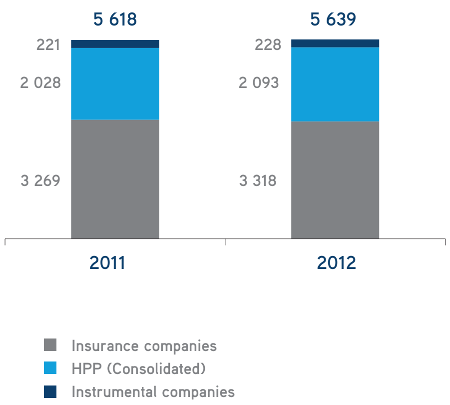


(*) Assets, Liabilities and Gains and Losses classified as non-current assets held for sale

HUMAN RESOURCES

In quantitative terms, there was a year-on-year increase of 21 workers in Caixa Seguros e Saúde companies as a whole. Its insurance companies shed 51 employees.

NUMBER OF EMPLOYEES EVOLUTION



CONSOLIDATED FINANCIAL ANALYSIS

TECHNICAL INCOME

Consolidated technical income, in 2012, was up €191 million year-on-year to €195.7 million. This evolution particularly reflects an improvement in financial activity which, in 2011, was negatively influenced by impairment on exposure to Greek sovereign debt.

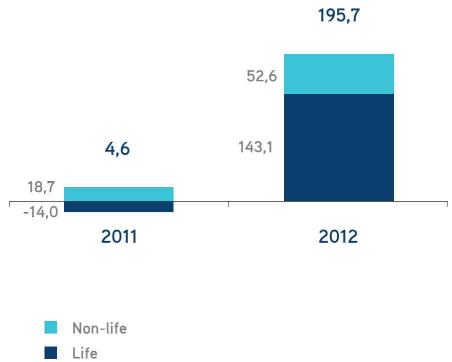
An analysis of the main consolidated technical accounts indicates the following:

- Technical income from non-life insurance was up €33.9 million year-on-year to €52.6 million owing to the effect of the improvement of the claims rate, financial activity and operating costs containment. In technical terms, the combined ratio net of reinsurance (excluding technical income from mathematical provisions on workman's compensation and increases in provisions in 2012 in the same area) totalled 98.5%, down 1.4 pp over the preceding year, having benefited from the 3.1 pp reduction of the loss ratio as a result of the good overall behaviour of the current claims rate plus an increase deriving from the 1.7 pp rise in the expense ratio which incorporates non-recurring costs on adjustments to the staff complement;

- Technical income from life insurance up €157.1 million over 2011, particularly derived from the improvement in financial activity.

TECHNICAL INCOME EVOLUTION

(EUR million)



Caixa Seguros e Saúde:

Consolidated technical income of €195.7 million, in 2012, up €191 million year-on-year, of which:

- Non-life insurance of: €52.6 million
- Life insurance of €143.1 million

LIFE INSURANCE

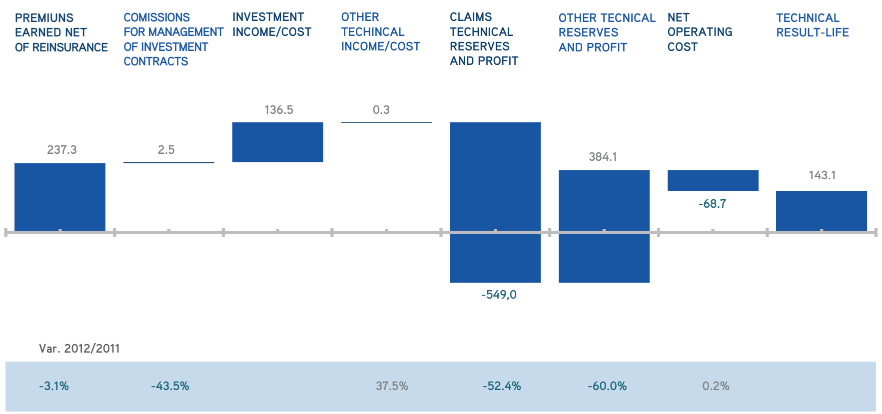
Caixa Seguros e Saúde performs its life insurance activities through Fidelidade, which has adopted a multichannel approach based on traditional, banking and CTT channels.

In 2012 the amount of direct life insurance premiums, including resources taken under investment contracts was € 2 171 million, down 23.4% year-on-year. This essentially derived from a decline in resources taken from financial insurance in the context of an across-the-board decline in disposable income and savers' greater appetite for banking products.

Technical income of €143.1 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):

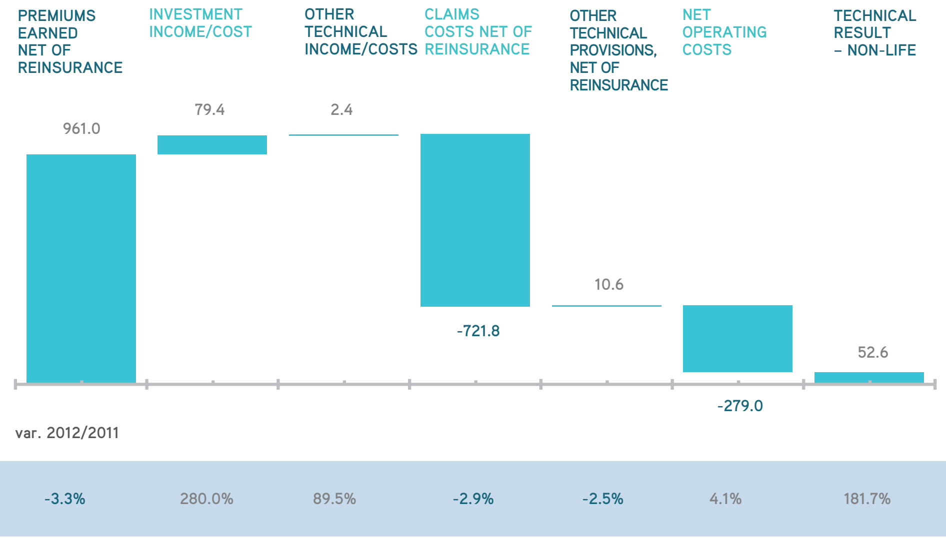
BREAK DOWN OF TECHNICAL RESULT – LIFE

(EUR million)



BREAK DOWN OF TECHNICAL RESULT – NON-LIFE

(EUR million)



This result was influenced by an improvement in investment income/costs which, in 2011, were penalised by impairment and the reduction of claims costs over the preceding year.

NON-LIFE INSURANCE

In the case of non-life insurance and in addition to Fidelidade, Caixa Seguros e Saúde also operates through Ok!teleseguros, 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, albeit essentially in reinsurance.

In 2012, Caixa Seguros e Saúde earned non-life direct insurance premium income of €1 099 million, down 2.6% over the preceding year.

The loss ratio, down 3.1 pp to 70.1% (excluding technical income from mathematical provisions on workman's compensation and extraordinary provisions increases in the same area) contributed towards the reduction of the combined ratio to 98.5% at year end.

Details on technical income of €52.6 million, up 181.7% over 2011, are set out in the following chart.

NET INCOME AND SHAREHOLDERS' EQUITY

In 2012, income before tax was €146.5 million, up €141.2 million year-on-year, owing to the favourable performance of financial activity and the claims rate in comparison to 2011.

Net income, in turn, after non-controlling interests, was up €88.1 million over 2011 to €90.9 million.

Shareholders' equity, including non-controlling interests, was up €763 million to €1.6 billion owing to the positive evolution of the fair value reserve, net income and increase in share capital – the latter deriving from the conversion of €351.5 million in subordinated liabilities.

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Shareholders' equity, including non--controlling interests, was up €763 million to €1 600 million

TECHNICAL PROVISIONS AND SOLVENCY

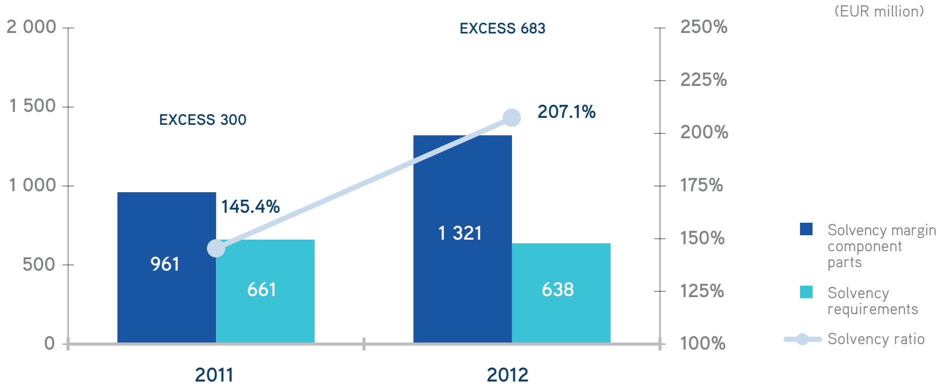
Technical provisions of €10.9 billion on direct insurance and inwards reinsurance, down €493.7 million over the preceding year, particularly reflected the reduction of sales of life insurance financial products.

TECHNICAL PROVISIONS NET OF REINSURANCE – GLOBAL ACTIVITY

(EUR million)

	Dec/11	Dec/12
Provision for unearned premiums	290 352	276 401
Mathematical provision – Life	2 267 893	1 900 871
Provision for claims	1 890 729	1 844 987
Life	137 938	116 526
Workman's compensation	721 310	770 733
Other	1 031 481	957 729
Provision for profit sharing	31 645	83 484
Other technical provisions	74 798	67 985
Financial liabilities	6 861 072	6 749 113
TOTAL TECHNICAL PROVISIONS	**11 416 489**	**10 922 841**
Technical provisions for outwards reinsurance	220 024	192 398
Technical provisions net of reinsurance	**11 196 465**	**10 730 443**

SOLVENCY MARGIN



The amount of the solvency margin required of Caixa Seguros e Saúde, in 2012, was €638 million, whereas its component parts totalled €1 321 million. This translates into a solvency margin cover ratio of 207.1% (145.4% in 2011) that represents a high safety 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.

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Strenghten of the solvency margin with a cover ratio of 207.1%

Growth in sales of insurance linked investment funds

ANALYSIS OF INSURANCE AREA

OVERVIEW

The main operating thrust of the Group's insurance area remained geared to strengthening the relationship with commercial networks, tailoring products to customers' needs, constant care over the balance of its technical operation and improved organisational efficiency.

The development of franchising and exclusive mediation, commercial growth of the major mediators and increasing the professional attributes of the mediation network in general, continue to be the main thrust of the Group's insurance companies.

With the objective of achieving better organisational efficiency, 2012 witnessed the implementation of a substantial change in subscription areas which now have a greater level of interconnection with product areas.

The retirement savings area continued to be the strategic objective in terms of life insurance with the commercialisation of an innovative retirement savings plan under the 'Leve' brand.

Reference should also be made to the marked growth of commercialisation of "ICAEs" ("structured savings instruments"), in comparison to previous years with end of contract and event of death guarantees, mainly comprising Portuguese public debt, banking channel, postal channel and network in general.

Improvements continued to be made to diverse non–life products, adjusting them to market conditions and customers' needs.

Also on a level of the relationship with branch office networks and to guarantee effective communication with the mediation network, a newsletter continued to be published with useful information on activities, notably product news, operating and commercial guidelines, information on insurance activity and institutional news.

COMPETITIVE FRAMEWORK IN THE INSURANCE AREA

The domestic insurance market was once again conditioned by an unfavourable economic environment, in 2012, with a 6.4% reduction to €11 billion in premiums (around 7% of GDP), as a consequence of the evolution of life (down 8.2%, to €7 billion) and non–life (down 3.0%, to €4 billion) insurance.

The decline in life insurance activity continued to reflect the across–the–board decline of disposable income and the fact that PPRs (retirement plans) were less fiscally attractive although the decline was considerably smaller than the change recorded in 2011 (down 38.1%) particularly as a consequence of the changes in resource–taking policies by the main financial groups.

This business area witnessed the maintenance of concentration levels, notwithstanding the occurrence of substantial changes in the market shares of several insurance companies, particularly those favouring the use of the banking channel.

The non-life activity insurance premium portfolio was more stable and its evolution was strongly associated with macroeconomic evolution whose 3% decline was in line with GDP. Year-on-year values for Caixa Seguros relative to 2011 incorporate the favourable effect of the extraordinary cancellation of returns which had a positive impact of €12.5 million on the non-life portfolio, for which, in pro forma terms, the drop in sales was 2.6%, i.e. a better than average market performance not including Caixa Seguros (down 2.8%), comprising a 0.1 pp increase in market share over the preceding year.

An analysis of the main insurance areas shows a sharper reduction in workman's compensation and motor insurance and increase in health and multirisk housing premiums.

As in past years and as a consequence of the high levels of competitiveness, the insurance market evidenced declines in concentration levels in non-life insurance activity with an increase in the market share of the smaller insurance companies.

POSITION IN THE INSURANCE MARKET

In terms of insurance activity, Caixa Seguros e Saúde recorded in 2012 a volume of direct insurance premiums (including resources taken under investment contracts) of 3270 million, corresponding to a decrease of 17.5% which derived mainly from 23.4% reduction of the life insurance activity.

The activity in Portugal responsible for most of the production has reached a volume of direct insurance premiums of €3 195 million, corresponding to a decrease of 18%. Caixa Seguros e Saúde continues to lead in national insurance sector, with a global share of 29.3%, a situation which occurs both in life insurance (31.0%) and in non-life insurance (26.4%) activity.

There was an overall reduction of 4.2 pp in Caixa Seguros insurance companies, in 2012, with the same trend in life (down 6.2 pp) and non-life (down 0.2 pp) insurance.

!

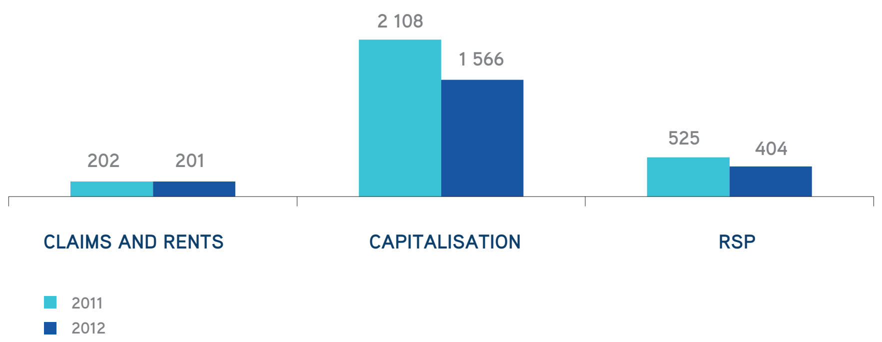
Caixa Seguros e Saúde is the market leader with an overall share of 29.3%:

- Life insurance: 31%
- Non-life insurance: 26.4%

The amount of premiums abroad, remained in line with the 2011 figures. Caixa Seguros, continues to be responsible for more than 90% of domestic insurance companies' sales in other markets.

DIRECT INSURANCE PREMIUMS – LIFE – TOTAL ACTIVITY

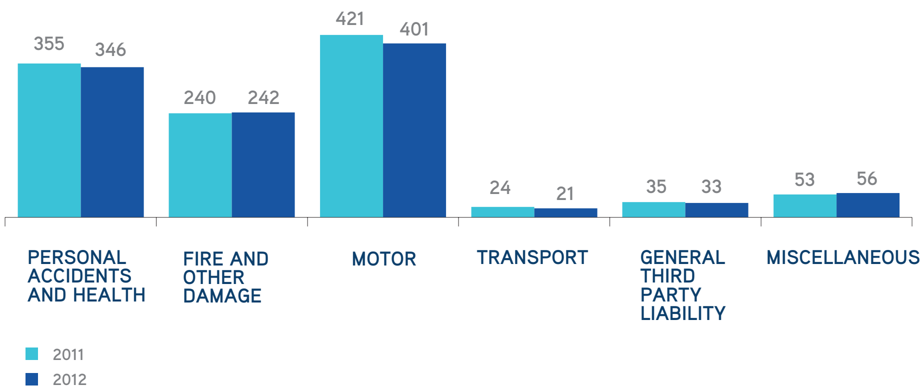
(EUR million)



Life insurance operations, in Portugal, recorded €2 143 million in direct insurance premiums (including resources taken under investment contracts), down 23.5% over 2011 and deriving from capitalisation products and retirement savings plans. They continue to represent an across-the-board decline in disposable income together with readjustments to resource-taking policies by the main financial groups.

DIRECT INSURANCE PREMIUMS – NON-LIFE – TOTAL ACTIVITY

(EUR million)



Caixa Seguros e Saúde's non-life insurance sales, in Portugal, were €1 052 million, down 3.7% over 2011, centred on motor, workman's compensation, personal accidents, transport and civil liability, particularly as a consequence of the economic slowdown.

Caixa Seguros e Saúde continued to be the undisputed leader in non-life insurance as a whole with a market share of 26.4% (more than double the figure of its closest competitors), in addition to all of the main insurance areas.

SUMMARY OF SUBSIDIARIES UNDER INSURANCE AREA MANAGEMENT

2012 witnessed the completion of the merger between Fidelidade Mundial and Império Bonança, with a name change to Fidelidade – Companhia de Seguros, S.A..

This process, from a legal viewpoint, formalised the operational and functional integration which had already taken place, to maximise efficiency in the management of Group capital as well as the more efficient use of resources. The Fidelidade Mundial and Império Bonança brands continue to exist in the commercial sphere.

Fidelidade continues to be the undisputed insurance sector leader, with a market share of 28.9% (down 4.2 pp over 2011) with €3 150 million in premium income from domestic operations (including resources taken under investment contracts) down 18.2% over the preceding year, essentially on account of the life insurance area's performance in terms of financial products.

The company led the life insurance market with a market share of 31.0% (37.2% in 2011) and non-life insurance market with 25.2% (25.5% in 2011).

Foreign operations accounted for sales of €67 million (including resources taken under investment contracts), in line with last year's figures.

Net income for 2012 was up 74.8 million over 2011, to €98.5 million.

Completion of merger between Fidelidade Mundial and Império Bonança

OK! teleseguros is the motor insurance brand of Via Directa – Companhia de Seguros, S.A.. Formed in 1998, this CGD insurance company specialises in motor insurance sales by phone and internet.

It retained its leadership of the motor insurance market in 2012, on telephone and internet channels, with direct insurance premium income of €42.6 million, up 2.4% over the preceding year.

Ok! teleseguros earned net income of €1.0 million, in 2012, up 334.3% over the preceding year.

OK! teleseguros is the market leader for motor insurance on telephone and internet channels

Multicare consolidated its lead of the healthcare insurance market, in 2012, with a market share of more than 33.1%, in its management of the Fidelidade – - Companhia de Seguros, S.A, portfolio which includes the Fidelidade Mundial and Império Bonança brands, on a reinsurance basis.

It ended the year with inwards reinsurance premiums of €181 million and net income of €5.3 million (up €4.8 million over 2011), with a portfolio of more than 647 thousand customers.

Multicare leads the healthcare insurance market with a market share of more than 33%

Cares operates in the insurance market basing its business on the inwards reinsurance of assistance and legal expenses insurance. Most of its billing derives from Caixa Seguros e Saúde insurance companies.

The company earned premium income of €41.2 million in 2012, up 14.8% over the preceding year.

Net income was up 57.2% over 2011 to €7.1 million.

The company consolidated its risk acceptance strategy on Group companies in 2012.

It has also continued to manage the run-off portfolio since the end of 2003, in order to effectively extinguish this technical liability by entering into agreements with assignors holders of business already terminated but with liabilities in suspension.

The impact of this activity is less and less visible as years go by given the progressive reduction of the number of situations pending.

Net income was up €302 thousand against last year's €265 thousand, representing growth of 13.9% in technical operations.

CARES RH specialises in representing and providing legal assistance to foreign insurance companies as well as providing claims management services to domestic and foreign insurance companies.

In 2012, Cares RH increased its turnover by 73.4% over the preceding year, to €1.1 million, earning net income of €944 thousand.

Cares Multiassistance's main activity is to provide repair, restoration, assembly, structural and improvement works to property and respective contents under housing insurance polices.

Its turnover, in 2012, was €9.7 million, as a consequence of its commercial relationships with its current customer portfolio. Its net income of €1.5 million was similar to last year's.

Cetra is a car repair company which operates in the collisions segment (panel beating and painting). It is a modern company with adequate technical equipment and skilled workers and is therefore well placed to respond positively to the challenges involved in providing the high standards of quality of service expected by our shareholders and other customers.

Operating activity, in 2012, measured by the number of repairs initiated, was down 17.6% over the preceding year, mainly as a reflection of lower accident rates. Operating income, at €2.0 million, was down 13.0% over the preceding year with net income for the year down 27.1% over 2011 to €132 thousand.

SAFEMODE is certified by NP EN ISO 9001:2000 and has been authorised by the "Autoridade das Condições do Trabalho" (Conditions in the Workplace Authority) 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 services as well as training in the prevention, protection and safety of persons, property and the environmental sphere.

SAFEMODE achieved turnover of €2.0 million and net income of €75 thousand in 2012. 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, having begun work on environmental risks analyses.

EPS, in 2012 continued to provide management services to insurance companies in the healthcare market, having made net losses of €73 thousand, in 2012.

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 2012, was €3.7 million, with net income of €838 thousand.

GEP, responsible for loss adjustments on motor vehicles and property and inspections of Group insurance companies achieved turnover of €18 million in 2011 and net income of €78 thousand.

LCS is a public limited liability company formed in March 2006. Its corporate object is the design, planning, establishing, financing, operating and latter transfer 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.

LCS's net income of €2.8 million, in 2012, was up €1.2 million over the preceding year. It continues to enjoy a high level brand recognition factor, which it has sustained at more than 90%.

!

CGD Group:

Strategic framework geared to:

- Increase in savings-taking
- Higher solvency and liquidity ratios
- Financing of the economy
- Ongoing efficiency improvements

|01.7. FINANCIAL ANALYSIS

|01.7.1. CONSOLIDATED ACTIVITY

|01.7.1.1. RESULTS AND PROFITABILITY

Caixa Geral de Depósitos Group continued to operate, in 2012, in a strategic framework which remained geared to promoting savings, improving efficiency levels, solvency and liquidity and no less importantly, meeting the economy's borrowing requirements. In such circumstances and notwithstanding the fact that the economy continues to be affected by persistent difficulties and uncertainties, CGD's banking operations continued to enjoy high performance levels, translating into a slightly positive EUR 25.7 million evolution of net operating income from banking and insurance operations over the preceding year. This was accompanied by a new, visible 3.3% decline of EUR 57.8 million in operating costs enabling gross operating income to achieve a marked 7.3% growth to EUR 1 221.1 million in December.

INCOME STATEMENT (CONSOLIDATED)

(EUR thousand)

	Dec/11 (*)	Dec/12	Change	
			Total	(%)
Net interest income incl. income from equity inv. (1)	**1 832 218**	**1 462 957**	**-369 260**	**-20.2%**
Interest and similar income	5 367 805	5 074 298	-293 507	-5.5%
Interest and similar costs	3 682 312	3 730 283	47 971	1.3%
Net interest income	1 685 493	1 344 015	-341 478	-20.3%
Income from equity instruments	146 724	118 942	-27 782	-18.9%
Non-interest income (2)	611 332	962 933	351 602	57.5%
Income from services and commissions (net)	504 980	508 643	3 663	0.7%
Income from financial operations	-24 762	362 999	387 762	-
Other operating income	131 114	91 291	-39 823	-30.4%
Technical margin on insurance operations (3)	**469 803**	**513 113**	**43 310**	**9.2%**
Premiums net of reinsurance	1 243 666	1 202 831	-40 835	-3.3%
Income from investments allocated to insurance contracts	143 388	179 572	36 184	25.2%
Claims costs net of reinsurance	823 924	783 043	-40 881	-5.0%
Commissions and other associated income and costs	-93 326	-86 247	7 080	-
Net operating income from banking and insurance operations (4) = (1) + (2) + (3)	**2 913 352**	**2 939 004**	**25 652**	**0.9%**
Operating costs (5)	**1 775 658**	**1 717 894**	**-57 764**	**-3.3%**
Employee costs	939 253	909 118	-30 135	-3.2%
External supplies and services	638 533	623 266	-15 267	-2.4%
Depreciation and amortisation	197 872	185 510	-12 362	-6.2%
Gross operating income (6) = (4) - (5)	**1 137 695**	**1 221 110**	**83 416**	**7.3%**
Provisions and impairment (7)	**1 653 496**	**1 570 248**	**-83 248**	**-5.0%**
Credit impairment, net of cancellations and reversals	825 940	1 010 304	184 364	22.3%
Provisions and impairment of other assets, net	827 556	559 944	-267 613	-32.3%
Income generated by subsidiaries held for sale (8)	**-37 953**	**-22 643**	**15 310**	**-**
Income generated by associated companies (9)	**8 669**	**4 284**	**-4 385**	**-50.6%**
Income before tax and non controlling interest (10) = (6) - (7) + (8) + (9)	**-545 085**	**-367 496**	**177 589**	**-**
Tax (11)	**-115 896**	**-21 525**	**94 371**	**-**
Current	68 691	158 761	90 070	131.1%
Deferred, net	-213 986	-210 038	3 948	-
Extraordinary banking sector contribution	29 398	29 752	354	1.2%
Consolidated net income for period (12) = (10) - (11)	**-429 189**	**-345 971**	**83 218**	**-**
Attributable to non controlling interest (13)	59 236	48 744	-10 492	-17.7%
Attributable to CGD shareholder (14) = (12) - (13)	**-488 425**	**-394 715**	**93 709**	**-**

(*) Pro forma accounts, considering the figures involving Caixa Seguros e Saúde, SA's healthcare area as a non-current asset held for sale.

For gross operating income the national commercial banking activity contributed with 648.8 million euros, the international area with 260.8 million, and insurance and health activity with 259.7 million.

GROSS OPERATING INCOME OF CGD GROUP'S MAIN BUSINESS AREAS

(EUR million)

	Dec/11	Dec/12	Change
Domestic commercial banking	585.8	648.8	10.8%
International operations	256.5	260.8	1.7%
Insurance operations	260.8	259.7	-0.4%
Investment banking	34.6	51.9	50.0%
Gross operating income	**1 137.7**	**1 221.1**	**7.3%**

Reference should be made to the good performance of non-interest income, in which financial operations contributed € 363.0 million at the end of December.

!

Gross operating income up 7.3% on account of:

- A marked increase in financial operations
- A slight increase in net operating income from banking and insurance operations
- A significant reduction in operating costs

Negative consolidated net income of €394.7 million

The combined effects of the persistent adversity of economic and financial circumstances and prudent risk management policy, required a marked need to concentrate on provisions which attained €1 010.3 million. Provisions and net impairment of other assets totalled €559.9 million. The recognition of impairment associated with the depreciation of the equity investments still held by CGD, exposure to securities in the Group's insurance area portfolio and a highly significant increase in amounts associated with non-current assets held for sale, particularly property, contributed to this latter amount which was down €267.6 million over 2011.

Notwithstanding the positive behaviour of banking operations, recognition of the referred to costs was reflected, in 2012, in consolidated net losses of €394.7 million, although such losses still represented an improvement of €93.7 million over 2011.

Owing to the fact that the divestiture of Caixa de Seguros e Saúde, SA's healthcare area ("HPP") is still in progress, the consolidated accounts under analysis as well as the respective comparisons have been restated to present HPP's accounts in the form of a non-current asset held for sale under "IFRS 5 – Non-current assets held for sale and discontinued operations".

Net interest income was down 20.2% over the preceding year to €1 463.0 million, deriving both from net interest income (down 20.3% by €341.5 million) and income from equity instruments (down 18.9% by €27.8 million).

Net interest income continued to be penalised by Euribor rates which particularly affected Caixa owing to the composition of its respective balance sheet in which variable rate mortgage loans with reduced spreads continue to account for a large proportion. Euribor rates continued their downwards path during the course of the year and more markedly so in the 3rd quarter. Another contributory factor to the unfavourable evolution of this margin was 2nd half recognition of the cost of Coco bonds.

NET INTEREST INCOME INCLUDING INCOME FROM EQUITY INSTRUMENTS

(EUR million)

Income from equity instruments, particularly influenced by the reduction of Portugal Telecom dividends, was down 18.9% by €27.8 million over 2011 to €118.9 million.

!

Reduction of net interest income particularly deriving from:

- Continued fall in Euribor rates
- Reduction of income from equity instruments
- Payment of Coco costs

INCOME FROM EQUITY INSTRUMENTS

(EUR million)

	Dec/11	Dec/12
Portugal Telecom, SGPS, SA	85.3	34.8
ZON Multimédia, SGPS, SA	5.3	5.3
ADP – Águas de Portugal, SA	5.1	2.9
EDP – Energias de Portugal, SA	4.2	6.2
Brisa – Autoestradas de Portugal, SA	2.8	–
GALP Energia, SGPS, SA	2.0	4.5
Income distributed by Unit Trust Investment Funds	32.7	57.1
Other	9.4	8.2
Total	**146.7**	**118.9**

Commissions earnings (net) were up 0.7% to €508.6 million, similar to 2011. Particularly noticeable in terms of change was the 13.1% increase in commissions from international operations.

NET COMMISSIONS – BY BUSINESS AREAS

(EUR million)

	Dec/11	Dec/12	Change
CGD Portugal	307.5	299.0	-2.8%
International operations	116.3	131.5	13.1%
Investment banking	49.8	47.1	-5.5%
Asset Managment	31.6	31.5	-0.2%
Other	-0.3	-0.5	-
Total	**505.0**	**508.6**	**0.7%**

Commissions on means of payment were up 1.5% by €139.0 million and loan operations up 2.1% by €141.9 million.

Income from financial operations was highly expressive, €363.0 million in 2012, against last year's losses of €24.8 million.

A decisive contribution to such income was made by the continuation of the own debt repurchase strategy in the form of covered bonds, bonds on the public sector and EMTN, which, as a whole generated proceeds of €192.2 million (around €120 million last year). This was accompanied by the better performance of Portuguese public debt in the markets which enabled significant capital gains to be made. Reference should also be made to the good performance of regular trading activities in a context of an across–the–board improvement in the market's financial conditions, expressed in a reduction of volatility and easing of pressures on the liquidity and the debt of the "peripheral" countries.

!

€363 million in income from financial operations

Other operating income totalled €91.3 million in comparison to €131.1 million in 2011.

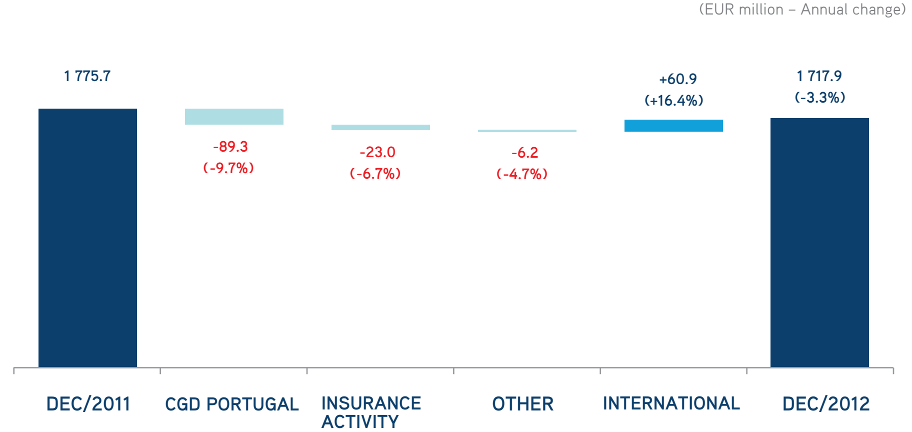
Technical income from insurance operations deriving from the 25.2% increase of €36.2 million in income from investments allocated to insurance contracts was up 9.2% by €43.3 million to €513.1 million. The fall in earned premiums net of reinsurance (down €40.8 million by 3.3%) was offset by the reduction of claims costs net of reinsurance for a similar amount (down €40.9 million by 5.0%).

As a result of the above, net operating income from banking and insurance operations was slightly up by 0.9% over the preceding year to €2 939.0 million.

Furthering its cost containment and efficiency gains policy, beginning in past years, operating costs were down 3.3% over 2011 to €1 717.9 million. Staff and external supplies and services costs were down 3.2% by €30.1 million and 2.4% by €15.3 million respectively.

The evolution of costs was not, naturally, uniform in different operating segments, with favourable evolution having been recorded in the case of CGD Portugal (staff costs down 12.7% and other administrative expenditure down 2.4%) and in the case of insurance operations whose operating costs were down 6.7%. In turn, the international operations segment witnessed a 16.4% increase. This is explained by the Group's expansion strategy in countries with highly dynamic growth paths and increasingly more competitive banking systems. These geographies, particularly Macau, Mozambique and Angola, are of crucial strategic importance to the Group owing to their growing business potential.

OPERATING COSTS – CONTRIBUTION BY BUSINESS AREAS



CGD Group staff was down to 23 028 employees, a reduction of 177 individuals during 2012. Such decrease was more pronounced in CGD (Portugal), and in BCG (Spain). In a similar vein, the branch network in Portugal included 812 offices and 36 "Caixa Empresas" (specialized offices for corporates), with a decrease of 10 offices in 2012.

The main costs and respective changes in external supplies and services were:

EXTERNAL SUPPLIES AND SERVICES

(EUR million)

	Dec/11	Dec/12	Change
Total	**638.5**	**623.3**	**-2.4%**
Of which:			
Water, energy and fuel	25.6	29.5	15.5%
Rents and leases	93.4	94.6	1.3%
Communications	51.1	53.4	4.4%
Advertising and publications	44.0	41.1	-6.6%
Maintenance and repair of material	43.6	42.1	-3.4%
IT	95.0	93.8	-1.3%
Studies and consultancy	22.9	25.1	9.5%

The significant reduction of operating costs had the effect of improving efficiency ratios, particularly cost-to-income, down from 60.8% in December 2011 within CGD Group to 58.4%.

The ratio, in the case of banking operations, declined from 60.7% to 58.5%.

EFFICIENCY RATIOS

(%)

	Dec/11	Dec/12
Cost-to-Income (consolidated operations) (1)	60.8%	58.4%
Cost-to-Income (separate operations) (1)	55.7%	57.1%
Employee costs / net operating income (1)	32.1%	30.9%
External supplies and services / net operating income	21.9%	21.2%
Operating costs / average net assets	1.44%	1.45%

(1) Calculated in accordance with Bank of Portugal Instruction 23/2012

!

Improvement in efficiency indicators:
Cost-to-Income down from 60.8% to 58.4%

Credit impairment for the year, net of cancellations and reversals, totalled EUR 1 010.3 million.

Provisions and net impairment of other assets for the year totalled EUR 559.9 million of which a significant part provided for the depreciation of CGD's equity investments in Portugal Telecom, the Discovery Fund and La Seda Barcelona, its exposure to the securities held by the Group's insurance area and increase in amounts associated with non-current assets held for sale, particularly property.

PROVISIONS AND IMPAIRMENT FOR PERIOD

(EUR million)

	Dec/11	Dec/12	Change	
			Total	(%)
Provisions (net)	**146.1**	**75.9**	**-70.2**	**-48.0%**
Credit impairment	**825.9**	**1 010.3**	**184.4**	**22.3%**
Impairment losses net of reversals	862.4	1 043.7	181.3	21.0%
Credit recovery	36.5	33.4	-3.1	-8.5%
Impairment of other assets	**681.5**	**484.0**	**-197.5**	**-29.0%**
Loans and advances to credit institutions	1.4	-0.2	-1.6	-114.3%
Debtors and other loans and advances	37.9	50.5	12.6	33.4%
Securities	613.1	273.9	-339.2	-55.3%
Investments in subsidiaries excluded from the consolidation	-0.3	0.0	0.3	-
Non-current assets held for sale	33.5	156.5	123.0	367.2%
Non-financial and other assets	-4.1	3.3	7.4	-
Provisions and Impairment for period	**1 653.5**	**1 570.2**	**-83.3**	**-5.0%**

Current and deferred tax plus the Extraordinary Banking Sector Contribution of €29.8 million, totalled -€21.5 million.

Owing to negative net income, in 2012, gross return on shareholders' equity (ROE) was minus 5.67% and gross return on assets (ROA) minus 0.31%.

!

Provisions and impairment levels reduced but still very high at €1 600 million)

PROFIT RATIOS

(%)

	Dec/11	Dec/12
Gross return on equity - ROE (1)(2)	-8.1%	-5.7%
Net return on equity - ROE (2)	-6.4%	-5.3%
Gross return on assets - ROA (1)(2)	-0.44%	-0.31%
Net return on assets - ROA (2)	-0.35%	-0.29%
Net operating income (3) / average net assets (1)(2)	2.36%	2.49%

(1) Calculated in accordance with Bank of Portugal Instruction 23/2012
(2) Considering average shareholders' equity and net assets values (13 observations)
(3) Includes income from associated companies.

|01.7.1.2. BALANCE SHEET

A comparative analysis of this chapter was made regarding the pro forma balance sheet at 31/12/2011, which is different from the consolidated balance sheet of chapter 1.13, separate and consolidated financial statements in considering that HPP's accounts (Caixa Seguros e Saúde, SA's healthcare area) as a non-current asset held for sale.

CGD Group's consolidated net assets were down 3.1% by €3.8 billion to €116.9 billion at the end of 2012, compared to the preceding year, owing to the effect of the current deleveraging policy on the balance sheet.

!

Reduction of 3.1% in consolidated net assets to €116 900 million at the end of 2012

CONSOLIDATED BALANCE SHEET (AT 31 DECEMBER 2012)

(EUR million)

	Dec/11	Dec/11(*) (1)	Dec/12 (2)	Change (2)-(1)	
				Total	Dec/11
Assets					
Cash and cash equivalents with central banks	2 704	2 704	1 603	-1 101	-40.7%
Loans and advances to credit institutions	5 942	5 944	3 823	-2 121	-35.7%
Loans and advances to customers	78 248	78 248	74 713	-3 535	-4.5%
Securities investments	24 398	24 398	28 191	3 794	15.5%
Assets with repurchase agreement	778	778	504	-274	-35.2%
Non-current assets held for sale	473	571	678	106	18.6%
Investment properties	459	459	534	75	16.4%
Intangible and tangible assets	1 556	1 516	1 459	-58	-3.8%
Current and Deferred tax assets	2 017	2 002	1 530	-472	-23.6%
Technical provisions for outwards reinsurance	226	226	197	-29	-12.7%
Other assets	3 765	3 796	3 624	-172	-4.5%
Total	**120 565**	**120 642**	**116 857**	**-3 786**	**-3.1%**
Liabilities					
Central banks' and credit institutions' resources	15 861	15 860	12 243	-3 616	-22.8%
Customer resources	70 587	70 587	71 404	817	1.2%
Financial liabilities	1 918	1 918	2 218	300	15.6%
Debt securities	14 923	14 923	10 591	-4 333	-29.0%
Provisions	887	886	973	87	9.8%
Technical provisions for insurance operations	4 608	4 611	4 224	-387	-8.4%
Subordinated liabilities	2 075	2 075	2 889	814	39.2%
Other liabilities	4 368	4 457	5 034	577	13.0%
Sub-Total	**115 228**	**115 318**	**109 576**	**-5 742**	**-5.0%**
Shareholders' Equity	**5 337**	**5 324**	**7 280**	**1 956**	**36.7%**
Total	**120 565**	**120 642**	**116 857**	**-3 786**	**-3.1%**

(*) Pro forma accounts, considering the figures involving Caixa Seguros e Saúde, SA's healthcare area as a non-current asset held for sale

There were reductions in the balances of claims on and investments in credit institutions (down 37.3% by €3.2 billion) and loans and advances to customers (down 4.5% by €3.5 billion) and a 14.0% increase of €3.5 billion in the securities portfolio (including assets with repo agreements).

On the liabilities side, reference should be made to the 29.0% decrease of €4.3 billion and 22.8% decrease of €3.6 billion in debt securities and central banks' and credit institutions' resources, respectively, over December 2011. The latter change reflects the reduction of CGD's borrowings from the ECB from €9 billion at the end of 2011 to EUR 6.95 billion at the end of 2012, in line with the objectives established in this domain.

Particularly significant contributions were made to the Group's net assets by CGD's separate operations with 72.9% of the total (74.4% in 2011), Caixa Seguros e Saúde with 9.2%, Banco Caixa Geral in Spain with 4.7%, Caixa Leasing e Factoring with 2.2%, and BNU (Macau) with 2.6%.

CGD'S GROUP NET ASSET CONSOLIDATED (AT 31 DECEMBER 2012)

(EUR million)

	Dec/11		Dec/12	
	Total	Structure	Total	Structure
CGD's Group				
Caixa Geral de Depósitos [a]	89 767	74.4%	85 152	72.9%
Caixa Seguros e Saúde	10 684	8.9%	10 772	9.2%
Banco Caixa Geral (Spain)	5 488	4.5%	5 503	4.7%
Banco Nacional Ultramarino, S.A. (Macau)	2 730	2.3%	3 029	2.6%
Caixa Banco de Investimento	1 980	1.6%	2 093	1.8%
Caixa Leasing e Factoring	3 066	2.5%	2 618	2.2%
Banco Comercial Investimento (Mozambique)	1 367	1.1%	1 654	1.4%
Banco Comercial do Atlântico (Cape Verde)	604	0.5%	616	0.5%
Mercantile Lisbon Bank Holdings (South of Africa)	590	0.5%	644	0.6%
BCG Totta Angola	1 085	0.9%	1 160	1.0%
Other companies [b]	3 282	2.7%	3 615	3.1%
Consolidated net assets	**120 642**	**100.0%**	**116 857**	**100.0%**

(a) Separate operations
(b) Includes companies consolidated by the equity accounting method

CASH BALANCES AND INVESTMENTS AND RESOURCES IN CREDIT INSTITUTIONS

Cash balances and investments in credit institutions at the end of December 2012 totalled €5.4 billion as opposed to €12.2 billion in resources obtained from the same entities of which €6.95 billion comprised funding obtained by CGD from the ECB, in comparison to €9.0 billion at the end of 2011.

CGD's total assets eligible for financing operations with the ECB were up from €14.4 billion at the end of 2011, to €16.8 billion.

LOANS AND ADVANCES TO CUSTOMERS

Gross loans and advances to customers, were down 3.3% over the preceding year to €78.9 billion in December 2012.

Loans and advances to companies and institutionals and to individual customers, were down 3.7% by €1.4 billion and 3.8% by €1.5 billion, respectively, with lending to general government up 3.3% over the preceding year.

!

Loans and advances to customers total €78.9 million

Lending to companies and institutionals down 3.7%

GROSS LOANS AND ADVANCES TO CUSTOMERS [(a)] BY CUSTOMER SEGMENT – BALANCES AT 31 DECEMBER

(EUR million)

	Dec/11 (b)	Dec/12	Change		Structure	
			Total	(%)	Dec/11	Dec/12
Companies and Institutionals	37 092	35 729	-1 363	-3.7%	45.4%	45.3%
General Government	4 390	4 534	144	3.3%	5.4%	5.7%
Individual customers	40 149	38 639	-1 509	-3.8%	49.2%	49.0%
Total	**81 631**	**78 902**	**-2 728**	**-3.3%**	**100.0%**	**100.0%**

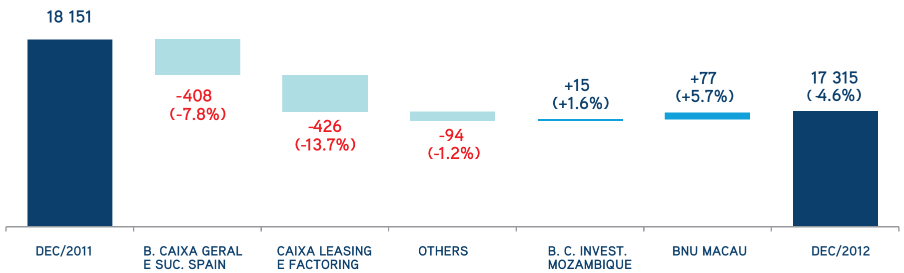
(a) Before impairment and excluding repos operations.
(b) For comparison purposes, in Dec 2011 this includes an amount of EUR 1 billion relative to BPN's commercial paper which was transferred to Parvalorem.

Around 78% of loans and advances to customers derived from CGD's activity in Portugal.

Lending to the individual customers segment, most of which comprising mortgage loans, continued to account for a preponderant proportion of total credit, with 49% of the total balance. In turn, lending to companies and institutionals continued to represent more than 45% of the total.

LOANS AND ADVANCES TO CUSTOMERS – OTHER GROUP COMPANIES

(EUR million – annual change)



Loans made by other Group companies comprised 22% of total credit.

The Group's banks in Africa, as a region in which economic expansion has tended to slow, continued to implement an active but more prudent lending policy, with 11% growth in this account heading to €2.4 billion in December 2012.

Reference should be made to the dynamism of the Angolan economy in which credit grew by €194.8 million over December 2011, translating CGD's commitment to energising Angola's economic growth.

CGD's companies in Europe continue to post reductions in their lending, with Spain posting a negative change of €427.1 million (down 7.7% over December 2011). This was also the case of the France Branch with a negative change of €189.7 million (down 4.6%).

Caixa Leasing e Factoring posted a 13.7% drop of €426.2 million.

Overall market share of loans and advances to customers, at the end of 2012, was up from 20.9% to 21.3%, reflecting the increase in the market share of lending to companies from 16.4% to 17.3%.

Credit portfolio of Group banks in Africa up 11.0% over 2011 to €2 400 million

European branches continue to post reductions in lending levels

LOANS AND ADVANCES TO CUSTOMERS – MARKET SHARES [(a)]

(%)

	Dec/11	Dec/12
Corporate	16.4%	17.3%
General government	35.1%	34.5%
Individual customers	23.5%	23.6%
Mortgage loans	26.6%	26.6%
Other	9.0%	9.1%
Total	**20.9%**	**21.3%**

(a) Operations in Portugal including securitised credit

Lending to companies and institutionals by sectors of activity was particularly down in the mining and manufacturing sectors (12.3% by €594 million) and construction and public works (8.1% by €492 million), the latter reflecting the contraction of activity and policy of reducing the Group's exposure to this sector.

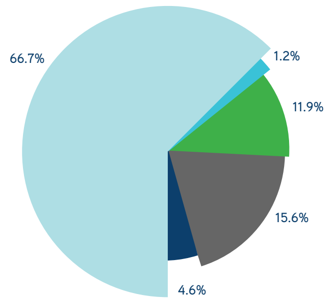
LOANS AND ADVANCES TO CORPORATE AND INSTITUTIONAL SECTORS – BY SECTORS OF ACTIVITY [a] (AT 31 DECEMBER 2012)

(EUR million)

	Dec/11	Dec/12	Change	
			Total	(%)
Agriculture and fisheries	438	445	8	1.8%
Mining and manufacturing	4 844	4 249	-594	-12.3%
Construction and public works	6 064	5 573	-492	-8.1%
Electricity, gas and water	1 712	1 638	-73	-4.3%
Services	24 035	23 823	-212	-0.9%
Total	**37 092**	**35 729**	**-1 363**	**-3.7%**

(a) Consolidated activity

LOANS AND ADVANCES TO CORPORATE AND INSTITUTIONAL SECTORS – DECEMBER 2012



The balance on lending to the services sector particularly comprised the "financial activities" with €8.1 billion, "property activities" with €3.8 billion and "wholesale and retail" with €3.3 billion sub-sectors.

The end of year balance on loans and advances to individual customers was down 3.8% by €1.5 billion to €38.6 billion, originating both from mortgage loans (down 3.2%) and "other" (down 11.6%).

LOANS AND ADVANCES TO INDIVIDUAL CUSTOMERS [a] OUTSTANDING BALANCES AT 31 DE DECEMBER

(EUR million)

	Dec/11	Dec/12	Change	
			Total	(%)
Mortgages	**37 602**	**36 387**	**-1 215**	**-3.2%**
Other	**2 547**	**2 253**	**-294**	**-11.6%**
Of which:				
Credicaixa (consumer) [b]	1 038	912	-126	-12.1%
Credit cards [b]	346	317	-29	-8.4%
Total	**40 149**	**38 639**	**-1 509**	**-3.8%**
New Operations				
Mortgages				
Number of contracts	14 191	5 772	-8 419	-59.3%
Amount	1 189	434	-755	-63.5%

(a) Consolidated operations
(b) Operations in Portugal

Mortgage loans in Portugal were down 3.7%, to around 40.6% of the total portfolio at the end of December 2012.

The rate of and conditions attached to CGD's new mortgage loan operations in Portugal, in 2012, reflect a new approach to this business segment (see chapter 6 – Retail Banking - Branch Office Network in Portugal) notably expressed as a smaller number and lower volume of new contracts (5 772 operations totalling €434 million) and an increase in the respective spread compared to the portfolio average.

The decrease in loans and advances to customers, in conjunction with an increase in resource-taking translated into a further reduction of the loans-to-deposits rate to 114.0% at the end of 2012. Caixa, in September last, had already achieved the ratio of 120% recommended for Portuguese banks by 2014.

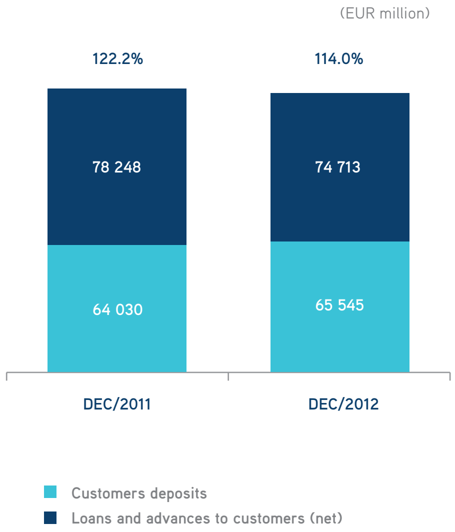
!

Loans to househlods decreased 3,8%, with mortgage credit down 3,2%

New mortages totaled €434 milhões corresponding to 5 772 contracts

Loans to deposits ratio at 114%

LOANS-TO-DEPOSITS RATIO



INDICATORS

(EUR million)

	Dec/11	Dec/12
Total credit	**81 631**	**78 902**
Loans and advances to customers (outstanding)	78 409	74 389
Overdue credit and interest	3 222	4 513
Of which: more than 90 days overdue	2 905	4 165
Credit impairment	**3 383**	**4 189**
Credit net of impairment	**78 248**	**74 713**
Ratios		
Non-performing credit ratio (a)	4.3%	6.4%
Non-performing credit net/total credit net (a)	0.2%	1.1%
Credit at risk ratio (a)	6.9%	9.4%
Credit at risk ratio net/total credit net (a)	2.9%	4.4%
Overdue credit/total credit	3.9%	5.7%
Credit overdue for more than 90 days/total credit	3.6%	5.3%
Accumulated impairment/non-performing credit	95.7%	83.0%
Accumulated impairment/overdue credit	105.0%	92.8%
Accumulated impairment/credit overdue for than 90 days	116.5%	100.6%
Credit impairment (IS)/total credit (average)	0.97%	1.24%

(a) Indicators calculated in accordance with Instruction n.º 23/2012 of the Bank of Portugal

ASSET QUALITY

The deterioration in the economic and financial situation has not, as yet, enabled credit quality to be stabilised and has been reflected in a worsening of the respective indicators, with a total overdue credit ratio of 5.7% at the end of 2012, compared to 3.9% in December 2011. The credit more than 90 days overdue ratio was 5.3% in December 2012, against 3.6% at the end of 2011.

!

Overdue credit of more than 90 days up to 5.3% penalized by the adverse economic environment

Continuous follow-up of companies in more challenging sectors of the economy

The credit at risk and non-performing credit ratios, calculated in accordance with Bank of Portugal "Instruction" 23/2012, were 9.4% and 6.4% respectively at the end of 2012, against 6.9% and 4.3% respectively at the end of 2011.

Credit impairment, net of cancellations and reversals, during the period under analysis at 1.24% of the average credit portfolio, was up 0.27 p.p. over the end of 2011.

The amount of accumulated impairment on loans and advances to customers (regular and overdue) was up 23.8% by €806.1 million to €4 189.4 million at the end of 2012 compared to the same date in 2011, resulting in a coverage level of credit more than 90 days overdue of 100.6% against 116.5% at the end of 2011.

Caixa has, in this context, been adopting a new approach to the business sector in the form of the creation of its Corporate Monitoring Division ("DAE"). The object of this unit is to identify management solutions and monitor and recover loans to companies and their respective corporate groups whose involvement with CGD exceeds EUR 5 million, with impairment of 10% or more and companies belonging to sectors of activity at risk (construction, property development, inter alia).

SECURITIES INVESTMENTS

Securities investments (including assets with repo agreements) were up 14.0% at the end of the year, compared to December 2011, partly as a reflection of the market recovery of the value of Portuguese public debt. The balance achieved, however, is still lower than at the end of 2010, as a sign of the deleveraging operations in 2011.

SECURITIES INVESTMENTS (CONSOLIDATED) [(a)]
OUTSTANDING BALANCES AT 31 DECEMBER

(EUR million)

	Dec/11	Dec/12	Change	
			Total	(%)
Banking	**16 226**	**19 605**	**3 379**	**20.8%**
Financial assets at fair value through profit or loss	4 044	3 941	–103	–2.5%
Available for sale financial assets	12 182	15 664	3 482	28.6%
Insurance	**8 950**	**9 091**	**141**	**1.6%**
Financial assets at fair value through profit or loss	87	56	–31	–35.7%
Available for sale financial assets	5 440	5 417	–23	–0.4%
Investments associated with unit linked products	585	1 148	563	96.3%
Investments held to maturity	2 837	2 469	–368	–13.0%
Total	**25 176**	**28 696**	**3 520**	**14.0%**

(a) After impairment and includes assets with repo agreements.

FUNDING AND LIQUIDITY MANAGEMENT

CGD's liquidity situation improved progressively, in 2012, owing to the highly favourable evolution of the commercial gap as well as an easing of tensions in the financial markets.

A more interventionist approach by the ECB with its 1st quarter LTRO and reduction of the minimum reserves requirement ratio was reinforced by the adoption of expansionary measures for assets eligible as collateral and, more recently, the eventual possibility of unli-mited intervention in public debt markets. This helped to create a sentiment of confidence, easing tensions in interbank markets.

Simultaneously, the State's implementation of CGD's €1 650 million Recapitalisation Plan, in subscribing for a €750 million increase in capital and the issue of €900 million in debt eligible as shareholders' equity, ensured conformity with the European Banking Authority's (EBA's) recommendations on capital increases and the solvency of banking institutions.

This inflow of funds, along with growth in deposit-taking and an active balance sheet management policy made it possible to accommodate the maturity of €4,177 million in debt issues and early repurchases of own debt, both in the form of private and public issues, via the launch of public offer in the international markets, which resulted in relevant capital gains.

!

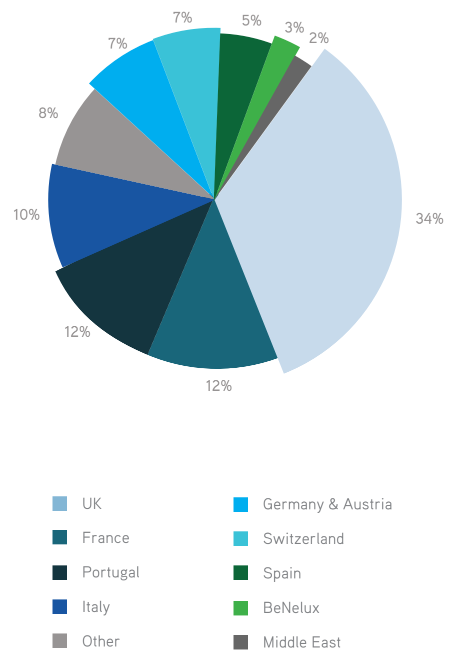
Continued liquidity improvement

Growth in deposit taking and proactive Balance management enabled the maturing and the repurchase of own debt

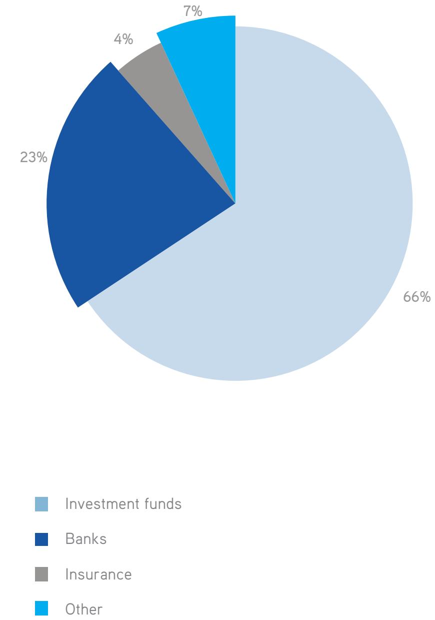
On the other hand, the significant narrowing of spreads on Portuguese sovereign debt over the course of the year, as a sign of growing confidence in compliance with the Adjustment Programme, enabled CGD to return to the international capital markets after an absence of almost three years.

CGD accordingly launched an unsecured senior debt issue under the EMTN programme for the amount of EUR 500 million with a maturity of 3 years at a coupon rate of 5.625%, in November. The fact that the operation was heavily oversubscribed by international investors, confirms their willingness to accept the quality of CGD's credit and confidence in its solvency and sustainability.

ALLOCATION BY GEOGRAPHY

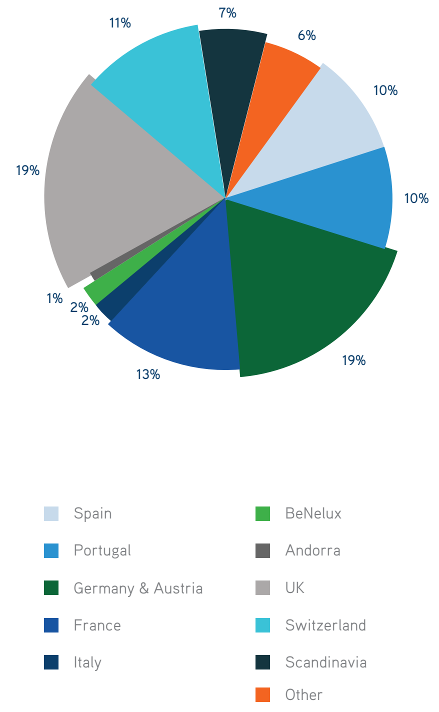


ALLOCATION BY TYPE OF INVESTOR

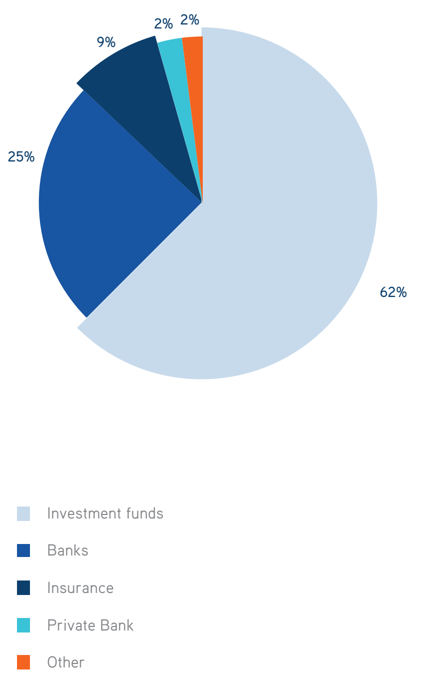


Caixa returned to the market, in January 2012 with a €750 million issue of covered bonds with a maturity of 5 years and a fixed coupon rate of 3.75%. In launching this operation, which was warmly welcomed and oversubscribed by 5 times by around 200 investors, 90% of which foreign, Caixa reopened the covered bonds market which, up to 2010, had represented an important source of medium and long term funding for Portuguese issuers.

ALLOCATION BY GEOGRAPHY



ALLOCATION BY TYPE OFINVESTOR



CGD returned to international capital markets pricing 3-year, €500 millions of senior unsecured debt at a coupon rate of 5.625%

CGD reopened the covered bond market to portuguese issuers, pricing a 5-year deal of €750 million at 3.75% coupon rate

Reduction of ECB borrowings from €9 000 million to 6 950 million

Eligible pool more than twice the 2011 value

As a corollary to such factors, CGD reduced its borrowings from the ECB from €9 billion at the end of 2011 to €6.95 billion in December 2012, accompanied by a structural improvement in the profile of maturities, substituting a part of its short term financing requirements by resources with a maturity of 3 years.

The asset pool eligible for ECB financing operations increased to €16 754 million at the end of 2012 compared to €14 399 million in December of the preceding year, in which a contributory factor was the July issue of €1.5 billion of covered bonds with a maturity of 10 years for the bond portfolio. The amount of unused eligible assets at year close, at €9 755 million, was almost twice the December 2011 amount of €5 391 million.

The balance of total resources taken by the Group (excluding the interbank money market) was down 0.1% over the end of 2011 to €100.2 billion. However, not considering funding from institutional investors and the Portuguese State, there would have been an increase of around 3.8% in the ba-lance of resources compared to December last year to €89.3 billion.

RESOURCES TAKEN BY GROUP – BALANCES AT 31 DECEMBER

(EUR million)

	Dec/11	Dec/12	Change	
			Total	(%)
Balance sheet	**90 209**	**87 767**	**-2 442**	**-2.7%**
Retail	**75 910**	**76 872**	**962**	**1.3%**
Customer deposits	64 030	65 545	1 515	2.4%
Other customer resources	11 880	11 328	-553	-4.7%
Institutional investors	14 299	9 995	-4 305	-30.1%
EMTN	7 128	5 357	-1 771	-24.8%
Covered bonds	5 806	3 042	-2 764	-47.6%
Other	1 365	1 596	231	16.9%
Portuguese State (CoCos)	**0**	**900**	**900**	**–**
Off-balance sheet	**10 141**	**12 444**	**2 303**	**22.7%**
Investment units in unit trust investment funds	4 055	4 588	533	13.1%
Pension funds	2 095	2 267	172	8.2%
Wealth management (a)	3 991	5 589	1 598	40.0%
Total	**100 351**	**100 212**	**-139**	**-0.1%**
Total (excl. instit. inv. and Portuguese state)	**86 051**	**89 317**	**3 266**	**3.8%**

(a) Does not include CGD companies' insurance portfolios .

The customer deposits balance was up 2.4% by €1 515 million to 65.5 billion since the start of the year.

Individual customers' deposits in the branch office network, in Portugal, were up year-on-year by 2.2%, to €44 294 million at the end of 2012.

72.4% of the global customer deposits balance for the amount of €47.4 billion comprised term and savings deposits, which were up 3.4% by €1.6 billion since the start of the year, reflecting the active promotion of deposit-taking from customers and contributing towards a decline of CGD Group's borrowing requirements in the wholesale market.

Notwithstanding a more receptive market towards the end of the year, the balance of resources taken from institutional investors in the form of own issues was down 30.1% by €4.3 billion to €10.0 billion.

Off-balance sheet resources at the end of December 2012 were, at €12.4 billion, up by an annual 22.7% and translated the strong progression of the wealth management balance.

Deposits from customers up 2.4% and off-balance sheet resources up 22.7%

CUSTOMER RESOURCES

Customer resources with a 1.2% increase of €817 million to €71.4 billion were sustained by a 2.4% increase of €1.5 billion in customer deposits

The customer deposits balance totalled €65.5 billion, of which €47.4 billion (72.4% of the total) comprised term and savings deposits, up 3.4% by €1.6 billion since the start of the year.

CUSTOMER RESOURCES (CONSOLIDATED) – BALANCES AT 31 DECEMBER

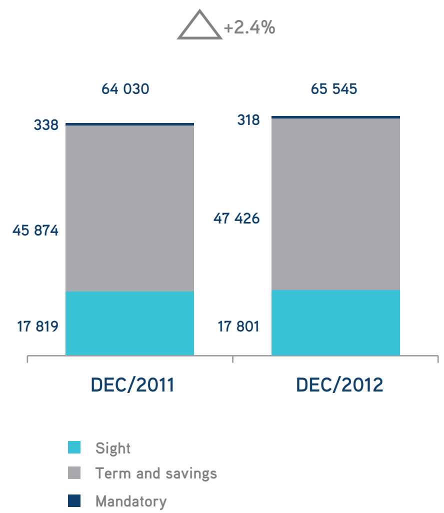
(EUR million)

	Dec/11	Dec/12	Change	
			Total	(%)
Deposits	**64 030**	**65 545**	**1 515**	**2.4%**
Sight	17 819	17 801	-18	-0.1%
Term and savings	45 874	47 426	1 552	3.4%
Mandatory	338	318	-19	-5.7%
Other Resources [(a)]	**6 558**	**5 859**	**-698**	**-10.7%**
Total	**70 587**	**71 404**	**817**	**1.2%**

(a) Includes fixed rate insurance products

EVOLUTION OF CUSTOMER DEPOSITS

(EUR million)



The deposits balance of €52.2 billion referred to CGD's domestic operations, i.e. around 80% of the consolidated total. CGD Group branches and subsidiaries also particularly included balances with BNU Macau with €3.2 billion (up 23.1%), Banco Caixa Geral (€2.6 billion, up 6.5%), France branch (€2.4 billion, up 24.3%) and BCI Moçambique (€1.3 billion, up 19.5%).

The increase in term and savings deposits derived from individual customers (up €2.5 billion by 6.6%). The total corporate deposits balance contracted by 6.6%.

CUSTOMER DEPOSITS (CONSOLIDATED) – BALANCES AT 31 DECEMBER

(EUR million)

	Dec/11	Dec/12	Change	
			Total	(%)
Individual customers	**50 543**	**53 126**	**2 583**	**5.1%**
Sight deposits	12 491	12 557	66	0.5%
Term and savings deposits	38 052	40 569	2 517	6.6%
Corporate	**10 093**	**9 429**	**-664**	**-6.6%**
Sight deposits	4 223	4 285	62	1.5%
Term deposits	5 870	5 144	-726	-12.4%
Public sector	**3 056**	**2 671**	**-384**	**-12.6%**
Sight deposits	1 104	959	-145	-13.1%
Term deposits	1 952	1 713	-240	-12.3%
Mandatory deposits	**338**	**318**	**-19**	**-5.7%**
Total	**64 030**	**65 545**	**1 515**	**2.4%**

Caixa increased its market share of customer deposits, in 2012, from 27.6% to 28.1%, reaffirming its leading position in Portugal. Reference should be made to its market share of the individual customers segment, up from 32.0% to 32.7%.

CUSTOMER DEPOSITS – MARKET SHARES [(a)]

(%)

	Dec/11	Dec/12
Corporate	11.2%	10.8%
General government	25.5%	19.3%
Individual customers	32.0%	32.7%
Emigrants	37.7%	40.6%
Mandatory	95.8%	96.8%
Total	**27.6%**	**28.1%**

(a) Operations in Portugal

DEBT SECURITIES

Debt securities, down 29.0% over the preceding year to €10.6 billion at the end of 2012, translated the continuation of access restrictions to wholesale markets. Reference should be made to the 47.6% reduction of €2.8 billion in the covered bonds balance and 23.4% reduction of €1.8 billion in EMTN programme securities.

DEBT SECURITIES – BALANCES AT 31 DECEMBER

(EUR million)

	Dec/11	Dec/12	Change	
			Total	(%)
EMTN programme issues [(a)]	7 576	5 801	-1 775	-23.4%
ECP programme issues	0	636	636	-
Nostrum Mortgages	403	343	-60	-14.9%
Covered bonds	5 806	3 042	-2 764	-47.6%
Bonds on the public sector	962	617	-345	-35.9%
Cash bonds and certificates of deposit	176	151	-25	-14.0%
Total	**14 923**	**10 591**	**-4 333**	**-29.0%**

(a) Does not include issues classified as debt securities

SUBORDINATED LIABILITIES

Caixa took in an amount of €2.9 billion in subordinated liabilities (up 39.2% by €814 million, over the preceding year), translating its €900 million issue of CoCo bonds under its end of June recapitalisation plan. The remaining €853 billion comprised subordinated cash bonds sold to retail banking customers.

SUBORDINATED LIABILITIES - BALANCES AT 31 DECEMBER

(EUR million)

	Dec/11	Dec/12	Change	
			Total	(%)
EMTN programme issues[a]	1 123	1 136	13	1.2%
Contingent convertible (CoCo) bonds	0	900	900	-
Other	952	853	-99	-10.4%
Total	**2 075**	**2 889**	**814**	**39.2%**

(a) Does not include issues classified as debt securities

|01.7.1.3. EQUITY MANAGEMENT

SHAREHOLDERS' EQUITY

The Group's shareholders' equity at the end of 2012 totalled €7 280.0 million, owing to a substantial 36.7% increase of €1 956.2 million over 2011.

The increase in shareholders' equity over December 2011 comprised a €750 million increase in CGD's share capital to €5.9 billion, pursuant to CGD's Recapitalisation Plan last June, hereinafter referred to, in addition to the marked EUR 1 895.7 million improvement of fair value reserves.

SHAREHOLDERS' EQUITY

(EUR million)

	Dec/11	Dec/12	Change	
			Total	(%)
Share capital	5 150	5 900	750	14.6%
Fair value reserves	-2 085	-190	1 896	90.9%
Other reserves and retained earnings	1 703	979	-724	-42.5%
Non controlling interest	1 045	985	-60	-5.7%
Net income	-488	-395	94	-19.2%
Total	**5 324**	**7 280**	**1 956**	**36.7%**

RECAPITALISATION PLAN AND CORE TIER 1 RATIO

To comply with the goals set out in the Economic and Financial Assistance Programme and European Banking Authority (EBA) requirements for the Core Tier 1 capital ratio the Portuguese state, as CGD's sole shareholder, approved the bank's recapitalisation plan for a total amount of €1 650 million, on 27 June 2012, comprising:

- A €750 million increase in CGD's share capital;
- Issue of €900 million in hybrid financial instruments, eligible as Core Tier 1 own funds, fully subscribed for by the Portuguese state.

The Core Tier 1 ratio, on a consolidated basis, including retained earnings was accordingly increased from 9.5% in December 2011 to 11.6% at the end of 2012, value above the 10% defined by the Bank of Portugal for 31 December 2012.

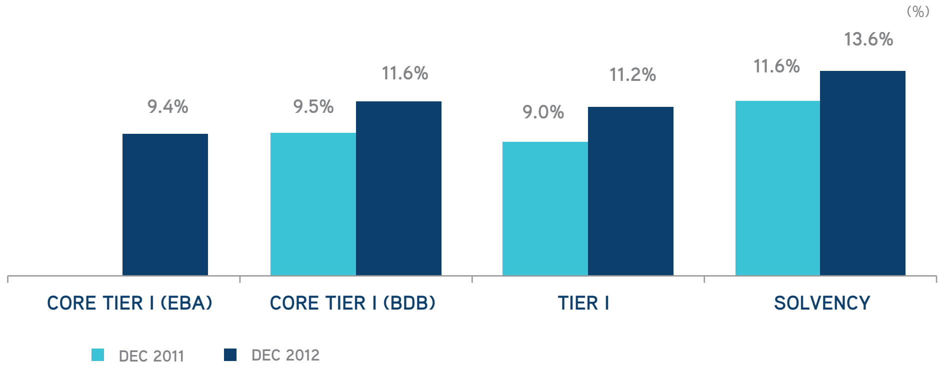
Under the terms defined by the European Banking Authority (EBA), the Core Tier 1 ratio of 9.4%, in December 2012, was higher than the 9% minimum required by the EBA for 30 June 2012.

In turn, the Tier 1 Ratio was up from 9.0% in December 2011 to 11.2%.

!

Visible increase in shareholders' equity – up 36.7% in period to €7 280 million

SHAREHOLDERS' EQUITY



SOLVENCY RATIO (a)

(EUR million)

	Dec/11	Dec/12
Shareholders' equity		
1. Core capital	6 543	7 926
Deduction of investments in credit institutions and insurance companies	-410	-392
Preference shares (Tier I)	96	96
2. Base – TIER I	6 229	7 629
3. Complementary – TIER II	1 820	1 749
4. Deductions from own funds	-42	-47
5. Total eligible own funds (2+3+4)	8 007	9 331
6. Total weighted positions	69 021	68 383
Ratios		
Core Tier 1 (BofP) (1./6.)	**9.5%**	**11.6%**
Core Tier 1 (EBA)	**–**	**9.4%**
Tier 1 (2./6.)	**9.0%**	**11.2%**
Solvency ratio (5./6.)	**11.6%**	**13.6%**

(a) Including net income for period

Recapitalisation plan:

- €750 million increase in share capital
- €900 million issue of CoCo bonds

Solvency Improvement with a Core Tier 1 (BdP) ratio of 11.6% and a solvency ratio of 13.6%

|01.7.1.4. CGD STAFF'S PENSION FUND AND HEALTHCARE PLAN

CGD set up its employees' pension fund on 31 December 1991.

Reference should be made to the following demographic and financial premises used to calculate pension and healthcare liabilities for 2012:

- Discount Rate – 4.50%
- Wages growth rate – 0.5% in 2013/2014 and 2.0% thereafter
- Pensions growth rate – 0% in 2013/2014 and 1.0% thereafter
- 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

At the end of December 2012, CGD reviewed its wages discount rate, setting it at 0.5% for 2013/2014 and 2.0% for following years, as well as its pensions growth rate to 0% in 2013/2014 and 1.0% for the following years, taking into account the proposal for the reduction of the global wage costs of public sector companies as set out in the State Budget Law for 2013. CGD also reduced its discount rate by 1 p.p. (from 5.5% to 4.5%).

Retirement pension liabilities for CGD staff were up €233.9 million, from €1 307.9 million at 31 December 2011 to €1 541.8 million at 31 December 2012.

PENSION FUNDS IN 2012 – FUND MOVEMENTS

(EUR thousand)

Value of Fund at 31.12.2011	**1 423 271**
Employees' contributions	22 865
Pensions paid	-35 079
Net yield of fund	149 922
Value of Fund at 31.12.2012	**1 560 979**

To the total value of CGD's pension fund, calculated by the CGD staff pension fund manager, at 31 December 2012, were added €5.5 million, relative to the adjustment deriving from the measurement of the fair value of public debt securities as fund assets at amortised cost.

The value of the fund fully covered its share of liabilities for current pension payments and the past services of current workers. Liabilities were funded to the amount of 101.2% by the pension fund at the end of the year.

An amount of €46 million was recognised as costs for the year, as was an amount of €10.6 million on the amortisation of deferred costs as a charge to retained earnings. Actuarial deviations at the end of the year totalled €109 million.

The yield on CGD's pension fund was 10.59%.

The following table shows that liabilities associated with CGD employees' post employment medical benefits were fully provisioned, for €452.2 million and €415.9 million, respectively, at 31 December 2012 and 2011:

HEALTHCARE PLAN IN 2012 – EVOLUTION OF PROVISION

(EUR thousand)

Value of provision at 31.12.2011	**415 857**
(+) Current cost for period	29 306
(–) Contributions for healthcare services (SS and SAMS)	20 272
(–) Actuarial losses	27 354
Value of provision at 31.12.2012	**452 245**

The actuarial losses for the year, essentially derive from changes in the assumptions used, including the discount rate as mentioned above. The accumulated actuarial deviations balance at 31 December 2012 was €58.4 million.

|01.7.1.5. GROUP RATING

The Standard & Poor's and DBRS international rating agencies downgraded their ratings on Portuguese banks, including CGD, in 1st half 2012, following their rating downgrades on Portuguese public debt.

	Short term		Long Term		
	CGD	Portugal	CGD	Portugal	
Standard & Poor's	B	B	BB–	BB	Jul/2012
FitchRatings	B	B	BB+	BB+	Jul/2012
Moody's	N/P	N/P	Ba3	Ba3	Dec/2012
DBRS	**R-2 (mid)**	**R-2 (mid)**	**BBB (low)**	**BBB (low)**	**Dec/2012**

Improvement in CGD's SACP (stand-alone credit profile) and viability rating allocated by S&P and FitchRatings, respectively in July

However, as a result of CGD's end of June recapitalisation operation, Standard & Poor's and FitchRatings upgraded CGD's Stand-Alone Credit Profile (SACP) and CGD's Viability Rating, respectively, in June 2012.

STANDARD & POOR'S

On 14 February 2012, following its downgrading of the ratings of nine euro area member countries, including Portugal, Standard & Poor's downgraded its long term rating on CGD from BB+ to BB– with a negative outlook, having reaffirmed its short term rating of B.

Standard & Poor's also upgraded CGD's SACP (stand-alone credit profile) from b+ to bb– on 11 July 2012, following the realisation of its recapitalisation plan, having reaffirmed its long and short term ratings of BB– and B, respectively, with a negative outlook.

The agency changed its outlook on CGD to stable in March 2013, following a similar change in the rating on the Portuguese Republic.

Change in S&P's outlook on CGD to stable in March 2013

FITCHRATINGS

On 18 June 2012, FitchRatings lowered its VR (Viability Rating) on four Portuguese banks, including CGD, from b+ to b.

On 17 July 2012, FitchRatings reviewed its referred to rating following the realisation of CGD's recapitalisation plan, upgrading its VR from b to bb–. The long term rating of BB+ with a negative outlook and short term B rating were also reaffirmed on the same date.

MOODY'S

On 28 March 2012, Moody's downgraded its ratings on several Portuguese banks, including CGD, following its 13 February 2012 downgrade on the long term rating of the Portuguese Republic from Ba2 to Ba3, with a negative outlook.

CGD's long term rating was therefore changed from Ba2 for Ba3 and its BFSR (Bank Financial Strength Rating) from D (Ba2) to E+ (B1), with a negative outlook.

DBRS

On 31 January 2012, following the downgrade of its long term rating on the Portuguese Republic, the DBRS rating agency, which initiated coverage of CGD in December 2011, allocating a BBB long term rating and an R-2 (high) short term rating, both with a negative trend, downgraded the ratings to BBB (low), with a negative trend (identical to the Portuguese Republic) and R-2 (mid), also with a negative trend.

On 24 May 2012, DBRS placed CGD's ratings under review with negative implications, in line with the long term rating of the Portuguese Republic of 22 May last, reflecting the impact of added systemic risks.

|01.7.2. SEPARATE ACTIVITY

|01.7.2.1. BALANCE SHEET

Caixa Geral de Depósitos's separate net assets, at the end of 2012, down 6.1% by €6.7 billion to €102.2 billion, in comparising with last year, translated the effect of the current deleveraging process. There was a 4.6% reduction of €3.1 billion in its loans and advances to customers portfolio and 38.8% reduction of €4.3 billion in its Loans and advances to credit institutions portfolio.

BALANCE SHEET (SEPARATE) – BALANCES AT 31 DECEMBER

(EUR million)

	Dec/11	Dec/12	Change	
			Total	(%)
Assets				
Cash and cash equivalents with central banks	1 888	924	– 964	–51.1%
Loans and advances to credit institutions	11 209	6 864	–4 345	–38.8%
Loans and advances to customers	67 075	64 002	–3 073	–4.6%
Securities investments	17 490	20 083	2 594	14.8%
Assets with repo agreements	1 917	1 500	–417	–21.8%
Investments in subsidiaries and associated companies	3 522	3 945	422	12.0%
Intangible and tangible assets	598	554	–44	–7.4%
Deferred tax assets	1 395	1 151	–244	–17.5%
Other assets	3 775	3 189	–585	–15.5%
Total	**108 869**	**102 213**	**–6 656**	**–6.1%**
Liabilities				
Central banks' and credit institutions' resources	16 786	13 103	3 682	–21.9%
Customer resources	57 856	58 248	392	0.7%
Financial liabilities	7 578	7 217	–361	–4.8%
Debt securities	16 131	11 549	–4 582	–28.4%
Provisions	1 060	1 145	86	8.1%
Subordinated liabilities	2 161	2 978	817	37.8%
Other liabilities	2 635	2 044	–591	–22.4%
Total	**104 205**	**96 284**	**–7 921**	**–7.6%**
Shareholders' equity	**4 664**	**5 929**	**1 266**	**27.1%**
Liabilities total and Equity	**108 869**	**102 213**	**–6 656**	**–6.1%**

On the liabilities side, reference should be made to the 28.4% reduction of €4.6 billion and 21.9% reduction of €3.7 billion in debt securities and central banks' and credit institutions' resources, respectively and a 37.8% increase of €817 million in subordinated liabilities, translating the €900 million CoCo bonds issue.

|01.7.2.2. EQUITY MANAGEMENT

Shareholders' equity was up 27.1% by €1 266 million over the end of 2011 to €5.9 billion at the end of 2012.

SHAREHOLDERS' EQUITY (SEPARATE) – BALANCES AT 31 DECEMBER

(EUR million)

	Dec/11	Dec/12	Change	
			Total	(%)
Capital	5 150	5 900	750	14.6%
Revaluation reserves	–1 353	–68	1 285	–
Other reserves and retained earnings	1 183	776	–407	–34.4%
Net income for the year	–316	–679	–363	–
Total	**4 664**	**5 929**	**1 266**	**27.1%**

The solvency ratio on CGD's separate activity, assessed under the Basel II regulatory framework and Bank of Portugal rules, including net income for the year was 14.1% at the end of 2012. The Tier I ratio, in turn, was 12.0%, in comparison to the preceding year's 10.1%.

|01.7.2.3. NET INCOME

CGD's separate operations in 2012 posted negative net income of €679.1 million. This particularly reflected the unfavourable evolution of net interest income, including income from equity instruments (down 30.7% over 2011) and provisions for credit (up 71.6%), notwithstanding the good performance of financial operations and containment of operating costs (down 8.7%).

INCOME STATEMENT (SEPARATE)

(EUR thousand)

	Dec/11	Dec/12	Change	
			Total	(%)
Net interest income including income from equity instruments (1)	**1 345 989**	**933 156**	**– 412 833**	**–30.7%**
Interest and similar income	5 443 580	4 810 923	– 632 657	–11.6%
Interest and similar costs	4 316 988	4 025 558	– 291 431	–6.8%
Net interest income	**1 126 592**	**785 365**	**–341 227**	**–30.3%**
Income from equity instruments	219 397	147 790	– 71 607	–32.6%
Non-interest income (2)	**546 242**	**752 295**	**206 053**	**37.7%**
Income from services and commissions (net)	375 497	374 361	– 1 136	–0.3%
Income from financial operations	–56 895	281 126	338 020	–
Income from the disposal of other assets	143 604	–2 945	–146 549	–
Other operating income	84 036	99 753	15 717	18.7%
Net operating income (3) = (1)+(2)	**1 892 231**	**1 685 450**	**–206 780**	**–10.9%**
Operating costs and amortisation (4)	**1 053 958**	**962 593**	**–91 365**	**–8.7%**
Employee costs	555 868	491 752	–64 116	–11.5%
External supplies and services	376 710	367 046	–9 664	–2.6%
Depreciation and amortisation	121 380	103 794	–17 585	–14.5%
Gross operating income (5) = (3) – (4)	**838 273**	**722 857**	**–115 415**	**–13.8%**
Provisions and impairment (net of reversals and cancellations) (6)	**1 271 732**	**1 594 087**	**322 356**	**25.3%**
Provisions for credit	675 024	1 158 034	483 010	71.6%
Impairement of other financial assets	415 890	175 316	–240 574	–57.8%
Impairement of other assets	180 818	260 737	79 919	44.2%
Income before tax (7) = (5) – (6)	**–433 459**	**–871 230**	**–437 771**	**–**
Tax (8)	**–117 204**	**–192 163**	**–74 959**	**–**
Current	25 853	13 009	–12 844	–49.7%
Deferred	–170 003	–232 690	–62 687	–
Extraordinary contribution on the banking sector	26 946	27 518	572	2.1%
Net income for year (9) = (7) – (8)	**–316 255**	**–679 067**	**–362 812**	**–**

|01.7.3. MAIN RISKS AND UNCERTAINTIES IN 2013

The financial system's adjustment process and the European banking model are still in progress and it is difficult to predict their future configuration following the completion of the changes provided for in the regulatory framework and, most importantly, the stabilising of the macroeconomic framework.

Notwithstanding the road still to be travelled, Portuguese banks have already made major changes to their business models while also endeavouring to capitalise and achieve a stable increase in liquidity, translating into a higher level of resilience to what is likely to remain a relatively difficult operational environment.

The lack of definition which still enshrouds the Basel III process and any additional respective capital requirements, are major conditioning factors on banks' overall performance. in Portugal this climate of uncertainty is even more marked by the fact that the Financial Assistance Programme is still underway.

Weak growth in the eurozone is likely to keep interest rates at very low levels with their naturally adverse effects on net interest income and profitability. Such effects are particularly felt by Caixa Geral de Depósitos whose lending portfolio still has a high level of mortgage loans with long maturities indexed to Euribor whose marked downwards trajectory is unlikely to be inverted over the course of the year.

In furthering its funding objectives for Portuguese companies, particularly in the tradables segment, Caixa will pursue its quest for credit solutions based on a prudent risk-adjusted pricing methodology.

Caixa's impairment policy (with an unfavourable impact on its respective profitability) should mitigate the effects of deteriorating credit quality which will continue to be felt over the course of the year.

The recessionary context and sharp fall of household disposable income may also translate into difficulties in Caixa's continuation of its successful endeavours to take in savings. Notwithstanding the fact that diversification of funding sources continues to be one of the Group's major objectives, Caixa continues to place value on household deposits which reflect a highly responsible attitude by the Portuguese population vis-à-vis the high levels of future uncertainty.

The reduction of funding from the ECB (a temporary need in abnormal market circumstances) will require greater discipline and the quest for a combination of funding sources leading to cost optimisation and the viability of financial intermediation activity.

Caixa has sensed greater confidence from various market players as a consequence of less reliance on official funding and the major contribution to overall funding needs made by the individual customers' deposits. Such a recovery of confidence was evident in the successful placement of Caixa's two recent debt issues in the international markets.

|01.8. RISK MANAGEMENT

Financial risk management is centralised and encompasses the assessment and control of CGD Group's credit, market and liquidity risks, based on the principle of the separation of functions between the commercial and risk management areas.

The risk management area is part of the support structure and is present:

1. In the assets and liabilities management committee (ALCO), in conjunction with business generating areas, support areas and members of the executive committee. Under the terms of an executive committee resolution, it 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 strategic guideline proposals on CGD Group's financing and liquidity policy;
   - The preparation of strategic guideline proposals on the risk management policy, defining indicators, limits and management rules;
   - The preparation of strategic guideline proposals on CGD Group's capital ratios.
2. In the expanded credit board, in conjunction with the business generating 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 credit policies strategy and respective risk.

RISK PROFILE RISK AND RESPECTIVE EVOLUTION

Although CGD Group's operations have consistently tended to adopt an adequate risk aversion approach 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.

Base risk management principles:
- Risk-weighted return
- Business growth and diversification
- Proactive management

|01.8.1. CREDIT RISK

Credit risk is associated with losses and level of uncertainty over a customer/counterparty's capacity to meet their obligations.

MAIN DEVELOPMENTS IN 2012

As a result of the assessment of CGD's candidature for the use of internal models for the calculation of own funds requirements for credit risk BdP issued a series of recommendations at the end of first half 2011 which CGD has been implementing since the start of 2012.

Endeavours were made, during the year, to provide for the implementation of the improvement recommendations identified under the scope of the Special Inspections Programme's first two workstreams, completed at the end of 2011. In these workstreams the Bank of Portugal, assisted 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 report.

In second half 2012 CGD Group was one of the eight Portuguese financial groups subject to a specific inspection on the quality of their respective assets related, directly or indirectly with construction and real estate development activity in Portugal and Spain, with reference to 30 June 2012 (On-Site Inspection Programme regarding Commercial and Real Estate – OIP CRE).

This inspection was carried out by independent auditors selected by the Bank of Portugal and focused on:

- The quality of the bank's assets in the segments in question;
- The internal procedures for the recognition of restructured operations concentrating on the implementation of Bank of Portugal Instruction 18/2012;
- Internal policies and procedures related with assets in kind.

As publicly announced: "The assessment concluded that there was a need to increase impairment for the amount of €138 million, comprising around 1.6% of the assessment of exposures.

!

BoP's Special Inspections Programme:

"Taking into account the amounts of the increase in impairment already planned by CGD Group for fourth quarter 2012, the impact of the results of the OPI (On site inspection programme) on the Core Tier 1 ratio for 31 December 2012 should be immaterial and not compromise compliance with the regulatory 10% minimum"

Identified increase in impairment fully charged at the end of 2012

€69 million of the €138 million resulted from the analysis of information and events such as new insolvencies/bankruptcies and collateral reassessments, occurring after the reference date,...".

"The increases in impairment made by CGD Group in the meantime, with reference to 30 September 2012, have already provided for a large part of the identified needs, reducing the respective amount from €138 million to €44 million, to be posted by 31 December 2012,...".

"Taking into consideration the amounts of the increase in impairment already planned by CGD Group for fourth quarter 2012, the impact of the OIP's results on the Core Tier 1 ratio for 31 December 2012 should be immaterial and not compromise compliance with the required regulatory minimum of 10%."

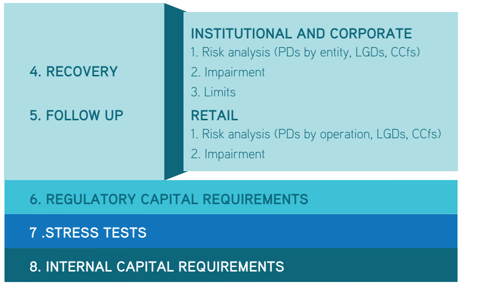
The increase identified was fully met by the end of 2012, without, as planned, compromising compliance with the minimum regulatory Core Tier 1 ratio of 10%.

!

Continuous assessment and control of credit portfolio risk from the date of the loan to the term of the operations

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 and financial Institutions, 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. This analysis is performed periodically and whenever there are any changes In 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) and a series of internal regulations which define objective criteria to be complied with when loans are being made.

2. The credit impairment model developed by CGD Group, under IAS 39, enables credit risks with objective evidence or signs of impairment and impaired credit to be identified and monitored.

   The risk factors used in the impairment model are updated annually

   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 are-as, 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.

A collective provision is determined on significant exposures with no objective signs of impairment, in conformity with the risk factors determined for credit with similar characteristics.

3. Limits – to increase the flexibility of the short term loans process for companies and harmonise the risk analysis on these operations, CGD Group has developed and implemented a model for defining short term exposure limits for companies, parameterised on the basis of economic-financial and sectoral indicators and ratings. The model is applied to companies both in the SME segment as in the case of small businesses and major enterprises.

Internal limits are approved for each institution in the case of the financial institutions segment. The definition of such limits is based on an entity's status in the financial sector and its peers, rating, VaR and other relevant elements. During 2012, CGD Group revised the methodology used to establish limits and to calculate the exposure of the financial institutions.

Compliance with limits, credit exposures and counterparty and group risk profile is regularly monitored. Under the scope of this monitoring exercise the economic groups were classified in the respective portfolios, in 2012.

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 ratio and portfolio rating are produced for the said purpose.

The monitoring of the performance of the risk classification models developed internally is also especially important. This monitoring exercise on the processing of the information from the use of the referred to models provides indications on their continued adequacy. They provide guidelines on eventual reassessment needs and information on their mode of use.

Higher risk companies and sectors are continuously monitored

5. Recovery – Adapting to a scenario of a continuous deterioration of default levels, CGD has been reformulating its approach to the corporate sector and particularly focusing on companies and the more vulnerable sectors.

This witnessed the creation of DAE (Companies Monitoring Division) with the mission of monitoring and recovering loans to companies and their respective Groups, with an involvement of more than €5 million with CGD and impairment of 10% or more notwithstanding the amount of the impairment, which operate in risk sectors (e.g. construction/real estate development, hotels/tourism).

DAE's main objectives are therefore:

1. To reduce exposure to sectors of activity and companies considered to be at greater risk;
2. To reinforce guarantees;
3. To find management solutions for companies with the objective of making them solvent.

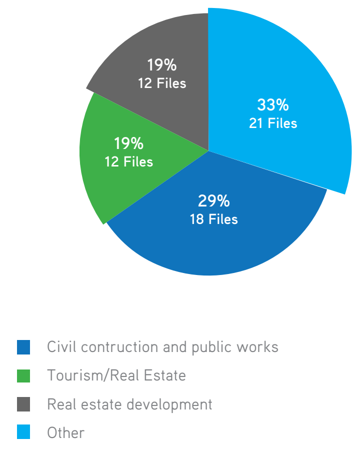
DAE has a commercial structure comprising three offices, two in Lisbon and one in Porto, in order to promote geographical proximity with customers and improve the incorporation of the regional specifics of the Portuguese business fabric.

At the end of 2012 and given the growing proportion of the relationship with investment funds, as relevant market vehicle for corporate recoveries, a hub with specific technical competencies was created to accompany these institutional relationships with corporate restructuring funds, promoting the control and monitoring of the evolution of portfolios in which CGD makes investments, as well as producing the reports as defined by regulation.

At 31 December 2012 DAE had a liabilities portfolio of €2.4 billion and a volume of deposits of €70 million, split up among 63 economic groups totalling 721 companies, with impairment of around €590 million, comprising 25% of total credit.

1. List of portfolio files by sectors of activity:

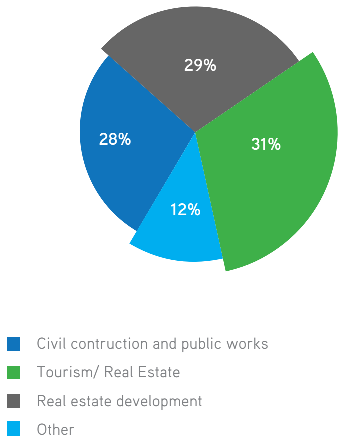
PORTFOLIO ASSESSMENT AT 31 DECEMBER 2012



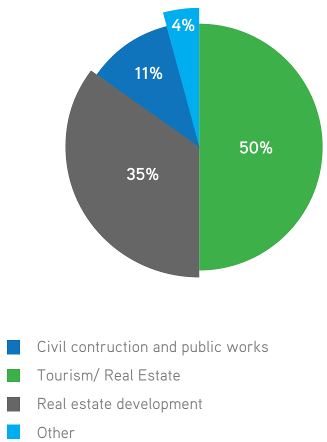
This shows that 67% of the customers allocated are in sectors of activity considered to be at greater risk, identified in the initial model approved for DAE.

2. Portfolio volume split into sectors of activity:

TURNOVER BREAKDOWN BY SECTOR



OVERDUE CREDIT BREAKDOWN BY SECTOR



An analysis of the above charts shows that 67% of the case files in the added risk activity sectors comprise 88% of DAE's turnover and 96% of overdue credit (€487 million).

In 2012 it was possible to submit a proposal and formalise operations on 80% of the business groups allocated up to October, with a balance sheet impact of €912 million. Of the said amount, reference should be made to €306 million (34%) on internally structured or syndicated operations and particularly the decreases of €234 million of extinguished customer liabilities.

Keeping pace with the market trend towards a strong contraction in the civil construction and public works sector which entails a new operating design for the sector, the assignment of asset transfer operations of €200 million in credit involving nine corporate groups was negotiated with recovery and real estate funds, in 2012.

DAE has been actively and increasingly involved in the "Special Procedure for Corporate Recovery" programme. In 2012 only four corporate groups in which the completion of the various negotiating processes led to situations of insolvency were registered, with strong prospects of liquidation (6% of the total corporate groups involved).

DRC (Credit Recovery Division) recorded an increase in its level of activity during the course of 2012 owing to a higher number of insolvency procedures both corporate and individual customers.

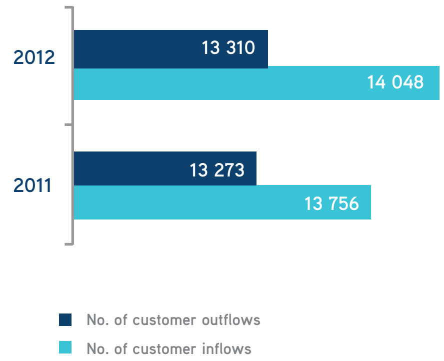
One of the immediate consequences of this fact was the deterioration in the mortgage loan and lending to the economy default rate index as a declaration of insolvency has the effect of making all borrowers' liabilities on the date of the insolvency overdue with a reclassification of outstanding to overdue credit.

There were 1 931 situations of insolvencies of individual customers, in 2012 comprising liabilities of €222.3 million and 1 750 corporate insolvencies comprising liabilities of €569.4 million.

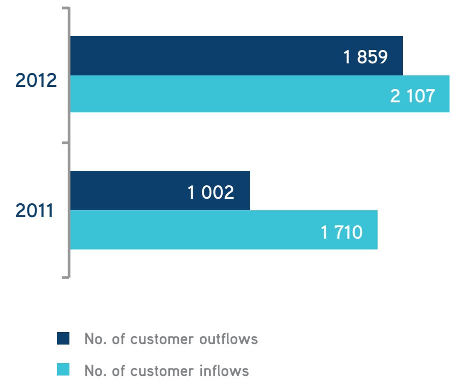
Insolvency negotiations are included under the scope of the respective legal procedures which prejudices DRC's guidelines of always preferring extrajudicial negotiations as a means of settling loans and thus avoiding corporate closures.

The appearance of the above referred to "Special Corporate Regeneration Fund" and the SIREVE ("Corporate Extrajudicial Recovery System") at the end of the year,may permit results to be achieved without the need for legal action. A significant number of companies has subscribed for these negotiating instruments with creditors.

INDIVIDUAL CUSTOMERS' NEGOTIATION AREA



CORPORATE NEGOTIATION AREA



Notwithstanding the referred to changes, the individual customers' negotiation area, in 2012, collected €50.4 million and restructured liabilities of €617.8 million. 13 700 customers were included in PERSI ("Extrajudicial Settlements of Default Situations") at 1 January 2013 and were being processed, for an amount of €998.9 million.

An amount of €63.8 million was collected in the corporate negotiations area, in 2012, with settlements of €232.1 million. 1 708 customers with liabilities of €548.1 million are currently at their processing stage.

€253.4 million were recovered in legal proceedings, with agreed mutual settlements of liabilities of €55.7 million, with the number of actions pending up 13% from 34 874 to 39 270 for an amount of €4 508.3 million (up 16% over 2011). 30 860 corporate and 36 920 individual customer credit operations for around €4 billion in credit liabilities are still at the judicial stage.

!

Quarterly stress tests for the assessment of the solvency situation in extreme situations as provided for in the Memorandum of Understanding

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 2012" document, scheduled for publication in first half 2013 will provide detailed information on the regulatory requirements for CGD Group capital.

7. The realisation of stress tests aims to provide an analytical vision of CGD Group's position in terms of solvency when subject to extreme scenarios. In 2012 in addition to the stress tests used for internal management, the quarterly stress tests required to complement the capital funding plan, under the memorandum of understanding were carried out.

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 equivalents – CCFs) estimated internally.

|01.8.2. MARKET RISK

This translates 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 indices and on the behaviour of the correlations between them.

The executive functions of market operations and control of the respective risk incurred are completely separate.

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 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.

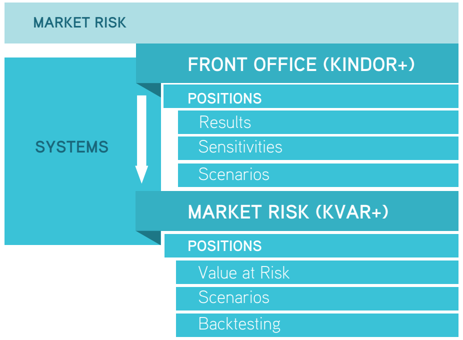
Market risk hedge operations are decided by portfolio managers or business units, on the basis of risk limits and authorised instruments, with the risk management area collaborating on an assessment of the impact of hedges on the total risk or change in authorised market risk levels, if recommended by the circumstances.

VaR values subject to limits are determined on CGD Group's foreign exchange position, as well as on the total open and open currency position.

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.

In several cases the analysis is complemented by tolerance to changes in risk factors – basis point value (bpv) for interest rates and other sensitivity indicators commonly applied to options portfolios. VaR is assessed for all types of market risk (interest rates, shares, exchange rates and volatility), using the historic simulation method, whose confidence levels are contingent upon the reasons for holding the portfolios.



Assessments of impact on net income have also been developed for extreme scenarios.

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 test structure, for all entities with market risk exposure in their balance sheet trading and currency portfolios

Foreign exchange risk control and their 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 on several portfolios.

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.

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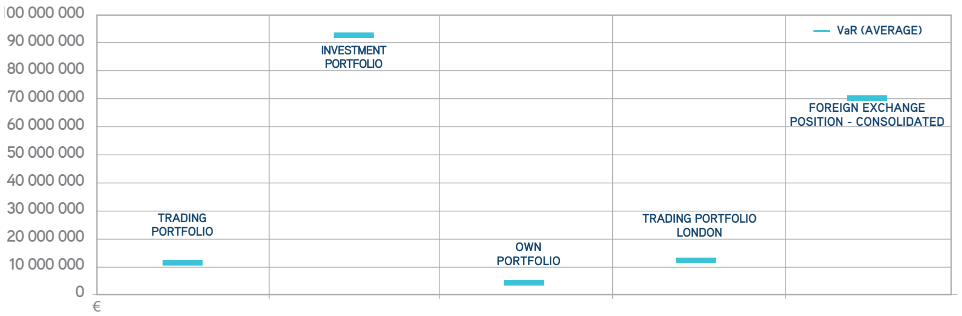
Daily calculation of VaR for all types of market risk, complemented by sensitivity to change in risk factors

Control and assessment of separate foreign exchange risk on a daily basis and fortnightly on a consolidated basis

The following measures for the main market risk indicators and most relevant perimeters have been extracted for 2012:



Trading Portofolio – Hq (Var 95% 1D);
Own Portofolio – Hq (Var 99% 10D);
Foreign Exchange Position – Consolidated (Var 99% 10D);
Investment Portofolio – Hq (Var 99% 10D);
Trading Portofolio – London (Var 95% 1D).

|01.8.3. INTEREST RATE RISK IN THE BALANCE SHEET

This is the risk incurred in the activity of a financial 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 interest rate refixing periods 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 into residual interest rate revision periods to obtain the corresponding interest rate gaps.

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Interest rate risk in balance sheet:

- Monthly calculation of interest rate and duration gaps
- Quarterly calculation of Economic Value at Risk and Earnings at Risk

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.

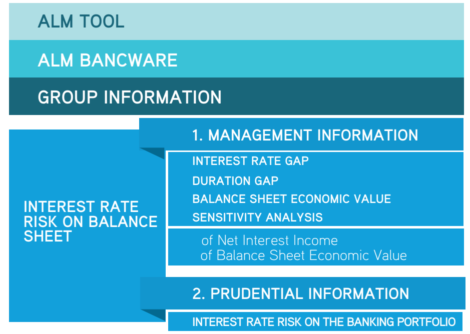
To monitor the effect of the gaps on net interest income, a regular quarterly forecast of the monthly evolution of sensitive assets and liabilities scenarios is produced.

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 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 bank's economic value, 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 interest rate management and control area the assets and liabilities management tool referred to as BancWare ALM, enables an assessment of the most materially relevant CGD Group entities to be made.

The output for each of the institutions, in consolidated terms, is set out below:



Monthly: contractual balance sheet, economic value of the balance sheet and interest rate and duration gaps.

Quarterly: balance sheet forecast for the desired simulation period and net interest income and the balance sheet's economic value, with sensitivity analyses on rate changes (up/down 200 bp, up/down 100 bp and up/down 50 bp).

The information is for the executive committee and is also provided to several Group companies under management on a separate basis. The indicators also provide overall information on interest rate risk to be considered at ALCO meetings.

Information on CGD Group's interest rate gap at the end of 2012 is set out in the following table.

INTEREST RATE GAP AT 31.12.2012 (*)

(EUR million)

	7D	1M	3M	6M	12M	3Y	>3Y
Total assets	4 502	18 179	31 383	20 321	7 150	3 918	3 268
Total liabilities + capital	3 108	7 156	14 563	12 894	8 220	36 898	6 386
Total interest rate swaps	6 241	-706	-2 714	-434	-1 000	-1 069	-276
Total futures and options interest	0	0	-604	477	-1 101	776	-189
Gap for period	7 635	10 317	13 503	7 470	-3 170	-33 273	-3 582
Accumulated gap	**7 635**	**17 952**	**31 455**	**38 925**	**35 755**	**2 482**	**-1 101**

(*) 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 use 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 19/2005). This information is sent half yearly to the Bank of Portugal, in addition to the result of the internal assessment models on CGD's interest rate. 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.

|01.8.4. 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 meet its commitments.

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.

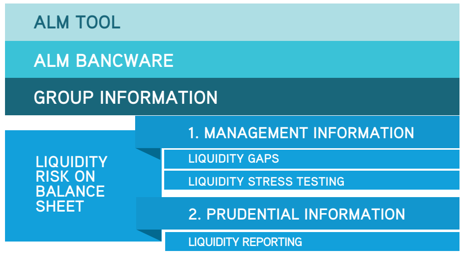
METHODOLOGY

Liquidity risk management in CGD uses an analysis of the periods to maturity of different balance sheet assets and liabilities. The respective liquidity gaps, both for the period and accumulated, are calculated for each of the defined timespans.

Liquidity risk:

- **Monthly calculation of liquidity gaps and quarterly assessment of exposure limits**
- **Stress tests**
- **Measurement of "survival period"**

The structural liquidity concept is used for the analysis and definition of exposure limits. It aims to incorporate the track record of depositors on a level of the management of their current, term and savings accounts splitting up their balances into the different time bands considered in the analysis In accordance with internal studies and models.



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 output for each Group entity in consolidated terms is 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 2012, were as follows:

LIQUIDITY GAP AT 31.12.2012 (*)

(EUR million)

	1M	3M	6M	12M	3Y	5Y	10Y	>10Y
Total assets	11 408	5 195	5 593	5 065	12 406	8 959	13 265	15 289
Total liabilities + capital	5 444	7 303	5 111	9 892	29 054	14 721	5 308	12 392
Total Swaps	2	0	2	0	27	-1	-2	15
Gap for period	5 966	-2 107	483	-4 827	-16 621	-5 762	7 956	2 913
Accumulated gap	5 966	3 859	4 342	-485	-17 105	-22 868	-14 912	-11 999

(*) 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 the 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.

To regularly monitor 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 various corrective measures needed for compliance, CGD calculated and permanently monitored the two referred to ratios in 2012.

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.

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 disturbances in financial markets, the Bank of Portugal continues to be entitled to ask for weekly liquidity information relative to wholesale markets.

OBJECTIVES FOR 2013

CGD will continue to implement BdP's recommendations, in 2013, for the purpose of obtaining the supervisory body's permission to use the internal models approach for the calculation of credit risk capital requirements.

The intention is to prepare, during the course of 2013, the submission of a formal candidature for the use of internal models for the calculation of own funds regulatory requirements for market risk.

CGD Group will continue to implement the recommendations identified by Bank of Porugal under the scope of the permanent inspection and extraordinary inspections in 2011 (SIP – Special Inspection Programme) and 2012 (OIP-CRE – On-Site Inspection Programme regarding Commercial and Real Estate).

The relevant actions for monitoring and integrating best practice and risk management principles, pertaining to the revision of the Basel II Capital Accord (Basel III) will also continue to be developed.

The self-assessment of the internal capital adequacy assessment process (ICAAP), risk aggregation and performance of stress test exercises will continue to be permanently revised to keep them in line with best available practice.

|01.8.5. 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 of the standard method, on a consolidated basis 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 also 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.

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Operational risk:

- Operational risk management principles and approaches originating in the Basel Committee
- Internal control methodologies proposed by COSO and defined under CobiT
- Approach underpinned by Risk Assessment Model implemented by the Bank of Portugal

For the calculation of own funds requirements to cover operational risk the Bank of Portugal approved CGD Group's adoption of the standard method, on a consolidated basis, in 2009, also including Caixa Geral de Depósitos, Caixa Banco de Investimento and Caixa Leasing e Factoring on a separate basis

The application of the standard method at 31/12/2012 on a consolidated basis results in own funds for hedging operational risk of €3 924.9 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, including the monitoring of defined tolerance limits;
- An area exclusively dedicated to operational risk management 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 level of Group entities;
- 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 as guarantors of their implementation), the Consultancy and Organisational Division (management of process documentation and management of Group's processes catalogue), Compliance 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, Security 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 along the four stages of the risk management cycle:

1. Identification
   - Group processes catalogue;
   - Documentation of 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 staff 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 other methodological components.

This methodology has been adopted by 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 Branch, 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 continuous operation, CGD has implemented its 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. Work began, at the end of 2012, on the adjustment project to Regulation ISO 22301:2012 – Business Continuity Management System, the current international standard on this issue with further development work being carried out on the project during 2013.

The adoption of the global business continuation strategy, is based on an integrated crises management approach and strengthening the response capacity to disruptive situations, in addition to CGD, it also includes other CGD companies such as Fidelidade Mundial, Império Bonança, Caixa Banco de Investimento, 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 practice to reinforce the management continuity of its foreign subsidiaries, currently in progress in Banco Comercial de Investimentos in Mozambique (BCI), France branch and Timor branch. This management is likely to include the remaining structures in question in the future.

|01.9. SUBSEQUENT EVENTS

In a letter dated 19 December 2012, António do Pranto Nogueira Leite resigned from his position as a member of the executive committee effective from the end of January 2013.

In January 2013 Caixa returned to the market with a €750 million covered bonds issue with a maturity of 5 years and fixed coupon rate of 3.75%.

In March 2013, CGD completed the sale of HPP Saúde (owner of six hospitals nationwide and manager of Cascais Hospital) to the Brazilian healthcare group Amil, following a full audit of the respective administrative and governmental conditions. The disposal comprised a global amount of €85.6 million, with the possibility of a potential increase of €6 million if certain objectives are met.

Standard & Poor's also changed its outlook on CGD to "stable" in March 2013, following a similar change in its rating on the Portuguese Republic.

|01.10. CONCLUDING REMARKS

Following the resignation of Pedro Manuel de Oliveira Cardoso and Jorge Humberto Correia Tomé from their positions as members of the board of directors, João Nuno de Oliveira Jorge Palma and José Pedro Cabral dos Santos, were appointed as members, effective from 2 January 2012 and 29 March 2012, respectively, to complete the three year term of office 2011 to 2013.

Member António do Pranto Nogueira Leite resigned from his position in a letter dated 19 December 2012, effective from the end of January 2013.

|01.11. PROPOSAL FOR THE APPROPRIATION OF NET INCOME

Pursuant to the terms of article 66 no. 5 sub-paragraph f) 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 679 066 823 for the year be included in the "other reserves and retained earnings" account heading in the balance sheet.

Lisbon, 26 March 2013

BOARD OF DIRECTORS

Chairman:

Fernando Manuel Barbosa Faria de Oliveira

Chief Executive Officer:

José Agostinho Martins de Matos

Members:

Norberto Emílio Sequeira da Rosa

Rodolfo Vasco Castro Gomes Mascarenhas Lavrador

Nuno Maria Pinto de Magalhães Fernandes Thomaz

João Nuno de Oliveira Jorge Palma

José Pedro Cabral dos Santos

Eduardo Manuel Hintze da Paz Ferreira

Pedro Miguel Duarte Rebelo de Sousa

Álvaro José Barrigas do Nascimento

|01.12. DECLARATION ON THE CONFORMITY OF THE PRESENTATION OF THE FINANCIAL INFORMATION

|01.12.1. 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 2012 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, S.A. 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, 26 March 2013

BOARD OF DIRECTORS

CHAIRMAN:

Fernando Manuel Barbosa Faria de Oliveira

CHIEF EXECUTIVE OFFICER:

José Agostinho Martins de Matos

MEMBERS:

Norberto Emílio Sequeira da Rosa

Rodolfo Vasco Castro Gomes Mascarenhas Lavrador

Nuno Maria Pinto de Magalhães Fernandes Thomaz

João Nuno de Oliveira Jorge Palma

José Pedro Cabral dos Santos

Eduardo Manuel Hintze da Paz Ferreira

Pedro Miguel Duarte Rebelo de Sousa

Álvaro José Barrigas do Nascimento

|01.12.2.
BONDS HELD BY MEMBERS OF THE BOARD OF DIRECTORS

ARTICLE 447 OF THE COMMERCIAL COMPANIES CODE

Bondholders Members of board of directors	Security	No. securities at 31/12/12
Fernando Faria de 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
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
José Pedro Cabal dos Santos	CGD Valor Nacional bonds 2010/2015	15
Spouse/Children (minors):		
Marina Maria Wolffensperger Faria de Oliveira	Mortgage covered bonds CGD 2012/2016	3
	CGD Valor Nacional bonds 2010/2015	25

|01.12.3.
INFORMATION ON CGD'S SHAREHOLDERS

(ARTICLE 448 OF COMMERCIAL COMPANIES CODE)

Shareholders	Share Capital at 31/12/12	% equity investment at 31/12/12
Portuguese State	EUR 5 900 000 000	100%

|01.13.
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

CAIXA GERAL DE DEPÓSITOS, S.A.

BALANCE SHEET (SEPARATE)

(EUR)

	31/12/2012			31/12/2011			
	Amounts before impairment, amortisation and depreciation	Provisions, impaiment and amortisation and depreciation	Net Assets	Net Assets		31/12/2012	31/12/2011
Assets					**Liabilities**		
Cash and cash equivalents at central banks	924 054 500	–	924 054 500	1 887 903 736	Resources of central banks	7 057 438 351	9 015 597 149
Cash balances at other credit institutions	424 550 958	–	424 550 958	451 016 174	Financial liabilities held for trading	2 296 505 227	2 510 065 118
Financial assets held for trading	2 609 075 904	–	2 609 075 904	3 034 281 122	Resources of other credit institutions	6 045 877 342	7 770 059 638
Other financial assets at fair value through profit or loss	113 180 017	–	113 180 017	440 709 825	Customer resources	58 247 843 317	57 856 002 055
Available-for-sale financial assets	17 978 198 435	(617 268 776)	17 360 929 659	14 014 580 794	Debt securities	11 548 674 576	16 130 621 745
Financial assets with repurchase agreement	1 502 559 190	(2 539 828)	1 500 019 362	1 917 007 235	Financial liabilities associated with transferred assets	4 920 333 545	5 067 876 208
Loans and advances to credit institutions	6 453 600 750	(13 900 928)	6 439 699 822	10 758 063 180	Hedging derivatives	84 478 780	93 071 712
Loans and advances to customers	67 441 790 484	(3 439 545 302)	64 002 245 182	67 074 988 393	Provisions	1 145 191 741	1 059 667 763
Hedging derivatives	97 193 263	–	97 193 263	106 887 443	Current tax liabilities	2 607 744	1 484 313
Non-current assets held for sale	371 792 005	(85 348 897)	286 443 108	263 059 935	Deferred tax liabilities	74 400 571	51 065 618
Investment property	3 600 156	–	3 600 156	3 600 156	Other subordinated liabilities	2 978 120 539	2 160 728 835
Other tangible assets	1 227 212 184	(776 277 968)	450 934 216	482 383 831	Other liabilities	1 882 357 223	2 489 026 652
Intangible assets	604 243 165	(501 241 133)	103 002 032	115 579 757	**Total Liabilities**	**96 283 828 956**	**104 205 266 806**
Investments in associates, subsidiaries and joint ventures	4 278 808 939	(333 979 396)	3 944 829 543	3 522 340 861			
Current tax assets	32 282 907	–	32 282 907	24 340 966			
Deferred tax assets	1 151 222 867	–	1 151 222 867	1 395 281 945	Share capital	5 900 000 000	5 150 000 000
Other assets	2 989 557 826	(219 732 145)	2 769 825 681	3 376 938 813	Revaluation reserves	(67 731 298)	(1 352 870 872)
					Other reserves and retained earnings	776 058 342	1 182 823 321
					Net income for the year	(679 066 823)	(316 255 089)
					Total Equity	**5 929 260 221**	**4 663 697 360**
Total Assets	**108 202 923 550**	**(5 989 834 373)**	**102 213 089 177**	**108 868 964 166**	**Total Liabilities and Equity**	**102 213 089 177**	**108 868 964 166**

(*) Including domestic activity and that of France, London, Spain, Luxembourg, NewYork, Grand Cayman, Eat Timor, Zhuhai and Madeira OffShore branches

Certified Public Accountant

Maria Fátima O. Melo F. Sanchas

BOARD OF DIRECTORS

Chairman:

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Deputy-Chairman:

José Agostinho Martins de Matos

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CAIXA GERAL DE DEPÓSITOS, S.A.

INCOME STATEMENT (SEPARATE)

(EUR)

	31/12/2012	31/12/2011
Interest and similar income	4 810 923 397	5 443 580 360
Interest and similar costs	(4 025 557 586)	(4 316 988 182)
NET INTEREST INCOME	**785 365 811**	**1 126 592 178**
Income from equity instruments	147 789 929	219 396 807
Income from services and commissions	488 768 091	478 743 562
Costs of services and commissions	(114 407 225)	(103 246 814)
Net results of assets and liabilities measured at fair value through profit or loss	150 381 856	(92 868 126)
Net gain on available-for-sale financial assets	103 549 586	46 668 560
Net foreign exchange revaluation gain	27 194 204	(10 695 154)
Net gain on the sale of other assets	(2 945 081)	143 603 906
Other operating income	99 753 150	84 035 749
NET OPERATING INCOME	**1 685 450 321**	**1 892 230 668**
Staff costs	(491 752 475)	(555 868 148)
Other administrative costs	(367 046 232)	(376 710 356)
Depreciation and amortisation	(103 794 189)	(121 379 598)
Provisions net of reversals	(56 632 149)	40 193 734
Correction of the amount of loans and advances to customers and receivables from other debtors, net of reversals	(1 101 401 549)	(715 217 524)
Impaiment of other financial assets net of reversals	(175 316 334)	(415 889 966)
Impaiment of other assets net of reversals	(260 737 171)	(180 817 827)
INCOME BEFORE TAX	**(871 229 778)**	**(433 459 017)**
Income tax		
Current	(40 527 417)	(52 799 557)
Deferred	232 690 372	170 003 485
	192 162 955	**117 203 928**
NET INCOME FOR THE YEAR	**(679 066 823)**	**(316 255 089)**
Average number of ordinary shares outstanding	1 105 000 000	1 012 027 397
Earnings per shares (in Euros)	(0.61)	(0.31)

(*) Including domestic activity and that of France, London, Spain, Luxembourg, New York, Grand Cayman, East Timor, Zhuhai and Madeira Offshore branches.

STATEMENT OF COMPREHENSIVE INCOME (SEPARATE)

(EUR Thousand)

	31/12/2012	31/12/2011
Adjustments to fair value of available-for-sale financial assets		
Change in period	1 733 051	(1 980 996)
Adjustments of fair value reserves reclassification to results		
Recgnotion of impaiment for the year	167 861	415 235
Disposable of available-for-sale finantial assets	(102 935)	(46 668)
Tax effect	(512 837)	479 142
Benefits to employees - amortisation of transition impact		
Change in period	(33 457)	(33 457)
Tax effect	9 411	9 464
Benefits to employees - actuarial gains and losses		
Change in period	(75 482)	35 282
Tax effect	8 559	(10 096)
Currency changes	601	(856)
Other	(142)	1 040
Total comnprehensive net income for the year recognised in reserves	1 194 630	(1 131 910)
Net income	(679 067)	(316 255)
Total comprehensive net income for the year	**515 563**	**(1 448 166)**

Certified Public Accountant

Maria Fátima O. Melo F. Sanchas

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CAIXA GERAL DE DEPÓSITOS, S.A.

CASH FLOW STATEMENTS (SEPARATE)

(EUR Thousand)

	31/12/2012	31/12/2011
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	5 409 239	5 820 631
Interest, commissions and similar costs paid	(3 220 879)	(3 338 680)
Recovery of principal and interest	27 870	31 396
Payments to employees and suppliers	(831 464)	(887 174)
Payments and contributions to pensions funds and other benefits	(67 158)	(22 425)
Other results	95 080	40 152
	1 412 688	1 643 899
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	6 386 335	2 691 969
Assets held for trade and other assets at fair value through profit or loss	446 867	689 435
Other assets	(44 106)	(784 814)
	6 789 097	2 596 590
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	(3 764 780)	101 752
Customer resources	268 692	2 789 391
Other liabilities	(479 038)	(610 471)
	(3 975 127)	2 280 672
Net cash from operating activities before taxation	**4 226 658**	**6 521 161**
Income tax	(42 295)	(17 944)
Net cash from operating activities	**4 184 363**	**6 503 218**
INVESTING ACTIVITIES		
Capital gains from subsidiary and associated companies	67 833	103 261
Capital gains from available-for-sale financial assets	93 586	103 214
Acquisition of investments in subsidiary and associated companies, net of disposals	(183 714)	41 753
Acquisition of available-for-sale financial assets, net of disposals	(1 420 323)	349 774
Acquisition of tangible and intangible assets, net of disposals	(58 512)	(101 468)
Net cash from investing activities	**(1 501 131)**	**496 535**
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(101 981)	(72 398)
Interest on debt securities	(647 437)	(623 355)
Issue of subordinated liabilities, net of repayments	790 786	(1 019 919)
Issue of debt securities, net of repayments	(4 461 293)	(4 363 288)
Share capital increase	750 000	-
Net cash from financing activities	**(3 669 926)**	**(6 078 960)**
Increase (decrease) in cash and cash equivalents	**(986 693)**	**920 792**
Cash and cash equivalents at beginning of year	2 338 920	1 414 248
Effects of the exchange rate change on cash and cash equivalents	(3 621)	3 880
Net change of cash and cash equivalents	(986 693)	920 792
Cash and cash equivalents at end of year	**1 348 605**	**2 338 920**

CAIXA GERAL DE DEPÓSITOS, S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (SEPARATE)

(EUR Thousand)

	Share capital	Revaluation reserves				Other reserves and retained earnings				Net income for the year	Total
		Fair value reserves	Reserves for deferred tax	Fixed assets	Total	Legal reserve	Other reserves	Retained earnings	Total		
Balances at 31 December 2010 (pro-forma)	5 050 000	(440 289)	110 280	208 998	(121 010)	853 455	397 105	(24 382)	1 226 178	51 547	6 206 715
Impact from changes in accounting policy regarding actuarial gains and losses recognition associated with post-employment benefits	–	–	–	–	–	–	(94 852)	–	(94 852)	–	(94 852)
Balances at 31 December 2010 (pro-forma)	5 050 000	(440 289)	110 280	208 998	(121 010)	853 455	302 253	(24 382)	1 131 326	51 547	6 111 863
Appropriation of net income for 2010:											
Transfer to reserves and retained earnings	–	–	–	–	–	9 451	17 714	24 382	51 547	(51 547)	–
Other entries directly recorded in equity:											
Measurement gain/(losses) on available-for-sale financial assets	–	(1 612 430)	479 142		(1 133 288)				–	–	(1 133 288)
Amortisation of the impact of the transition to NCA relative to post-employment benefits	–	–	–	–	–	–	–	(23 993)	(23 993)	–	(23 993)
Actuarial gains and losses recognition associated with post-employment benefits	–	–	–	–	–	–	25 187	–	25 187	–	25 187
Currency changes in subsidiaries	–	–	–	–	–	–	(856)		(856)	–	(856)
Reclassification between reserves and retained earnings	–	–	–	–	–	–	2 011	(2 011)	–	–	–
Other	–	–	–	–	–	–	1 040	–	1 040	–	1 040
Total gains and losses for the year recognised in equity	–	(1 612 430)	479 142	–	(1 133 288)	–	27 381	(26 004)	1 377	–	(1 131 910)
Share capital increase	100 000	–	–	(98 573)	(98 573)	–	(1 427)	–	(1 427)	–	–
Net income for the year	–	–	–	–	–	–	–	–	–	(316 255)	(316 255)
Balances at 31 December 2011 (pro-forma)	**5 150 000**	**(2 052 719)**	**589 423**	**110 425**	**(1 352 871)**	**862 906**	**345 921**	**(26 004)**	**1 182 823**	**(316 255)**	**4 663 697**
Appropriation of net income for 2011:											
Transfer to reserves and retained earnings		–	–	–	–	–	–	(316 255)	(316 255)	316 255	–
Other entries directly recorded in equity:											
Measurement gain/(losses) on available-for-sale financial assets	–	1 797 976	(512 837)	–	1 285 140	–	–	–	–	–	1 285 140
Amortisation of the impact of the transition to the NCA relative to post-employment benefits	–	–	–	–	–	–	–	(24 046)	(24 046)	–	(24 046)
Actuarial gains and losses recognition associated with post-employment benefits	–	–	–	–	–	–	(66 923)	–	(66 923)	–	(66 923)
Currency changes in subsidiaries	–	–	–	–	–	–	601		601	–	601
Reclassification between reserves and retained earnings	–	–	–	–	–	–	(419)	419	–	–	–
Other	–	–	–	–	–	–	(142)	–	(142)	–	(142)
Total gains and losses for the year recognised in equity	**–**	**1 797 976**	**(512 837)**	**–**	**1 285 140**	**–**	**(66 882)**	**(23 628)**	**(90 510)**	**–**	**1 194 630**
Share capital increase	750 000	–	–	–	–	–	–	–	–	–	750 000
Net income for the year	–	–	–	–	–	–	–	–	–	(679 067)	(679 067)
Balances at 31 December 2012	**5 900 000**	**(254 742)**	**76 586**	**110 425**	**(67 731)**	**862 906**	**279 038**	**(365 886)**	**776 058**	**(679 067)**	**5 929 260**

CAIXA GERAL DE DEPÓSITOS, S.A.

CONSOLIDATED BALANCE SHEET

(EUR)

	Notes	31/12/2012			31/12/2011		Notes	31/12/2012	31/12/2011
		Amout before impairment, amortisation and depreciation	Impaiment and amortisation and depreciation	Net assets	Net assets				
Assets						**Liabilities and Equity**			
Cash and cash equivalents at central banks	4	1 603 283 708	–	1 603 283 708	2 704 481 554	Resources of central banks and other credit institutions	22	12 243 281 242	15 860 954 374
Cash balances at other credit institutions	5	1 305 381 188	–	1 305 381 188	986 196 721				
Loans and advances to credit institutions	6	2 529 812 721	(12 413 447)	2 517 399 274	4 956 118 288	Costumer resourcess	23	71 404 154 074	70 587 491 118
		5 438 477 617	**(12 413 447)**	**5 426 064 170**	**8 646 796 563**	Liability of unit-linked products	10	1 148 224 882	584 878 996
Financial assets at fair value through profit or loss	7	3 997 417 044	–	3 997 417 044	4 131 709 466	Debt securities	24	10 590 627 336	14 923 308 602
Available-for-sale financial assets	8	21 281 392 702	(704 916 055)	20 576 476 647	16 843 642 881			**83 143 006 292**	**86 095 678 716**
Financial assets with repurchase agreements	9	504 159 727	–	504 159 727	777 953 832				
Unit-linked investments	10	1 148 224 882	–	1 148 224 882	584 878 996	Financial liabilities at fair value through profit or loss	11	2 218 006 441	1 918 487 993
Hedging derivatives	11	98 725 204	–	98 725 204	108 128 626	Hedging derivatives	11	84 478 780	93 071 712
Held-to-maturity investments	12	2 469 277 441	–	2 469 277 441	2 837 379 183	Non-current liabilities held for sale	14	100 745 748	–
		29 499 197 000	**(704 916 055)**	**28 794 280 945**	**25 283 692 984**	Provisions for employee benefits	25 e 39	549 949 797	497 493 181
Loans and advances to costumers	13	78 902 494 170	(4 189 392 971)	74 713 101 199	78 247 625 326	Provisions for other risks	25	423 203 901	389 991 013
Non-current assets held for sale	14	912 490 743	(234 867 318)	677 623 425	473 484 857	Technical provisions for insurance contracts	26	4 224 143 023	4 607 614 617
Investment property	15	534 237 709	–	534 237 709	459 088 203	Current tax liabilities	19	184 386 072	52 510 647
Other intagible assets	16	2 145 270 481	(1 100 671 474)	1 044 599 007	1 153 855 640	Deferred tax liabilities	19	190 650 194	166 219 860
Intagible assets	17	1 141 048 920	(727 137 913)	413 911 007	402 087 940	Other subordinated liabilities	27	2 889 067 239	2 075 416 185
Investments in associates	18	31 502 556	–	31 502 556	35 938 692	Other liabilities	28	3 325 536 849	3 470 589 733
Current tax assets	19	61 474 114	–	61 474 114	87 828 128	**Total liabilities**		**109 576 455 578**	**115 228 028 031**
Deferred tax assets	19	1 468 765 756	–	1 468 765 756	1 928 680 350				
Technical provisions for outwards reinsurance	20	197 427 457	–	197 427 457	226 202 088	Share Capital	29	5 900 000 000	5 150 000 000
Other assets	21	3 710 084 096	(216 569 538)	3 493 514 558	3 620 000 563	Fair value reserves	30	(189 663 644)	(2 078 222 234)
						Other reserves and retained earnings	30	979 109 402	1 708 697 168
						Net income attributable to the shareholder of CGD	30	(394 715 421)	(488 424 904)
						Equity attributable to the shareholder of CGD		**6 294 730 337**	**4 292 050 030**
						Non controlleing interest	**31**	**985 315 988**	**1 045 203 273**
						Total equity		**7 280 046 325**	**5 337 253 303**
Total assets		**124 042 470 619**	**(7 185 968 716)**	**116 856 501 903**	**120 565 281 334**	**Total liabilities and equity**		**116 856 501 903**	**120 565 281 334**

Certified Public Accountant

Maria Fátima O. Melo F. Sanchas

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CAIXA GERAL DE DEPÓSITOS, S.A.

CONSOLIDATED INCOME STATEMENT

(EUR)

	Notas	31/12/2012	Pro forma 31/12/2011
Interest and similar income	32	5 074 298 115	5 367 805 058
Interest and similar costs	32	(3 730 282 958)	(3 682 312 034)
Income from equity instruments	33	118 942 316	146 724 481
NET INTEREST INCOME		**1 462 957 473**	**1 832 217 505**
Income from services rendered and commissions	34	677 956 579	655 987 697
Cost of services and commissions	34	(169 313 601)	(151 007 672)
Results from financial operations	35	362 999 378	(24 762 305)
Other net operating income	36	91 291 018	131 114 059
NET OPERATING INCOME		**2 425 890 847**	**2 443 549 284**
TECHNICAL MARGIN ON INSURANCE OPERATIONS			
Premiums net of reinsurance	37	1 202 831 308	1 243 666 064
Result of investments relating to insurance contracts	37	179 571 648	143 387 591
Cost of claims net of reinsurance	37	(783 043 119)	(823 924 355)
Commissions and other income and cost relating to insurance contracts	37	(86 246 562)	(93 326 451)
		513 113 275	469 802 849
NET OPERATING INCOME FROM BANKING AND INSURANCE OPERATIONS		**2 939 004 122**	**2 913 352 133**
Staff costs	38	(909 117 925)	(939 253 034)
Other administrative costs	40	(623 266 184)	(638 532 908)
Depreciation and amortisation	16 and 17	(185 509 925)	(197 871 614)
Provisions net of reversals	25	(75 912 051)	(146 070 309)
Loan impairment net of reversals and recovery	41	(1 010 304 268)	(825 940 136)
Other assets impairment net of reversals and recovery	41	(484 031 546)	(681 485 825)
Result of held for sale companies	14	(22 642 700)	(37 952 799)
Result of associated companies		4 284 029	8 669 328
INCOME BEFORE TAX AND MINORITY INTEREST		**(367 496 448)**	**(545 085 164)**
Income tax			
Current	19	(188 512 684)	(98 089 752)
Deferred	19	210 037 961	213 985 932
		21 525 277	115 896 180
Consolidated net income for the year, of which:		**(345 971 171)**	**(429 188 984)**
Non controlling interest	31	(48 744 250)	(59 235 920)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD		**(394 715 421)**	**(488 424 904)**
Average number of ordinary shares outstanding	29	1 105 000 000	1 012 027 397
Earnings per share (in Euros)		(0.36)	(0.48)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR Thousand)

	31/12/2012	Pro forma 31/12/2011
Adjustments to fair value of available-for-sale financial assets		
Gains / (losses)arising during the year	2 410 877	(2 670 780)
Adjustments of fair value reserves reclassification to results		
Recognition of impairment for the year	224 663	491 490
Disposal of available-for-sale financial assets	(106 522)	(47 059)
Tax effect	(714 383)	657 436
Currency changes		
Change in period	(72 708)	3 065
Adjustments of exchange reserves reclassification to results		
Recognition of impairment for the year of available-for-sale financial assets		
- Investment units in foreign currency	(8 384)	-
Recognition of foreign exchange gains and losses in connection with the isposal of subsidiaries	3 435	-
Tax effect	2 183	(1 500)
Benefits to employees - actuarial gains and losses		
Change in period	(93 926)	30 260
Tax effect	14 422	(8 492)
Other	(17 844)	(8 098)
Total comprehensive net income for the year recognised in reserves	**1 641 814**	**(1 553 678)**
Net income for the year	(345 971)	(429 189)
Total comprehensive net income for year, of which:	**1 295 842**	**(1 982 867)**
Non controlling interest	(28 844)	(68 134)
Total comprehensive net income attributable to the shareholder of CGD	**1 266 998**	**(2 051 001)**

Certified Public Accountant

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CAIXA GERAL DE DEPÓSITOS, S.A.

CONSOLIDATED CASH FLOWS STATEMENTS

(EUR Thousand)

	31/12/2012	31/12/2011
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	5 720 936	5 891 252
Interest, commissions and similar costs paid	(3 006 457)	(2 857 482)
Premiums received (insurance)	1 196 937	1 258 054
Cost and claims paid (insurance)	(1 199 227)	(1 856 585)
Recovery of principal and interest	33 356	36 474
Payments to employees and suppliers	(1 478 211)	(1 639 753)
Payments and contributions to pension funds and other benefits	(94 328)	(39 410)
Other results	550 314	1 249 456
	1 723 319	2 042 007
(Increases) decreases in operating assets		
Loans and advances to credit institutions and customers	4 717 699	1 348 335
Assets held for trade and other assets at fair value through profit or loss	686 840	269 574
Other assets	(630 428)	(1 081 595)
	4 774 112	536 313
Increases (decreases) in operating liabilities		
Resources of central banks and other credit institutions	(3 670 550)	1 244 559
Customer resources	1 349 473	3 471 504
Other liabilities	(369 024)	(1 927 520)
	(2 690 101)	2 788 543
Net cash from operating activities before taxation	**3 807 330**	**5 366 862**
Income tax	(33 678)	(60 045)
Net cash from operating activities	**3 773 652**	**5 306 817**
INVESTING ACTIVITIES		
Dividends received from equity instruments	130 718	134 949
Acquisition of investments in subsidiary and associated companies, net of disposals	(238 553)	2 030
Acquisition of available-for-sale financial assets, net of disposals	(979 562)	1 602 693
Acquisition of tangible and intangible assets and investment property, net of disposals	(53 608)	(203 325)
Net cash from investing activities	**(1 141 004)**	**1 536 347**
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(101 614)	(64 298)
Interest on debt securities	(615 117)	(615 135)
Dividends paid on preference shares	(1 738)	(10 366)
Issue of subordinated liabilities, net of repayments	789 956	(739 353)
Issue of debt securities, net of repayments	(4 185 519)	(4 485 157)
Share capital increase	750 000	-
Net cash from financing activities	**(3 364 031)**	**(5 914 309)**
Increase (decrease) in cash and cash equivalents	**(731 383)**	**928 854**
Cash and cash equivalents at the beginning of the year	3 690 678	2 733 725
Effects of the exchange rate change on cash and cash equivalents	(50 630)	28 099
Net change of cash and cash equivalents	(731 383)	928 854
Cash and cash equivalents at the end of the year	2 908 665	3 690 678

CAIXA GERAL DE DEPÓSITOS, S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR Thousand)

	Share Capital	Fair value reserve	Other reserves and retained earnings						
			Other reserves	Retained earnings	Total	Net income for the year	Sub-total	Non controlling interests	Total
Balances at 31 December 2010	**5 050 000**	**(507 360)**	**1 550 669**	**(143 564)**	**1 407 104**	**254 873**	**6 204 617**	**1 530 350**	**7 734 967**
Appropriation of net income for 2010:									
Transfer to reserves and retained earnings	–	–	230 491	24 382	254 873	(254 873)	–	–	–
Other entries directly recorded in equity:									–
Measurement gain/(losses) on available-for-sale financial assets	–	(1 570 862)	3 137	–	3 137	–	(1 567 725)	(1 188)	(1 568 913)
Actuarial gains and losses recognition associated with post-employment benefits (IAS 19)	–	–	21 768	–	21 768	–	21 768	–	21 768
Currency changes in subsidiaries and branches	–	–	(11 785)	–	(11 785)	–	(11 785)	13 350	1 565
Other	–	–	(4 834)	–	(4 834)	–	(4 834)	(3 264)	(8 098)
Total gains and losses for the year recognised in equity	**–**	**(1 570 862)**	**8 286**	**–**	**8 286**	**–**	**(1 562 576)**	**8 899**	**(1 553 678)**
Share capital increase	100 000	–	(100 000)	–	(100 000)	–	–	–	–
Changes in Group perimeter	–	–	–	–	–	–	–	(67 808)	(67 808)
Written-put over non controlling interests - Partang	–	–	12 248	–	12 248	–	12 248	–	12 248
Acquisition of preference shares issued by Caixa Geral Finance	–	–	126 186	–	126 186	–	126 186	(458 707)	(332 521)
Dividends paid on preference shares and other dividends paid to non controlling interest	–	–	–	–	–	–	–	(26 767)	(26 767)
Reclassification between reserves and retained earnings	–	–	6 082	(6 082)	–	–	–	–	–
Net income for the year	–	–	–	–	–	(488 425)	(488 425)	59 236	(429 189)
Balances at 31 December 2011	**5 150 000**	**(2 078 222)**	**1 833 961**	**(125 264)**	**1 708 697**	**(488 425)**	**4 292 050**	**1 045 203**	**5 337 253**
Appropriation of net income for 2011:									
Transfer to reserves and retained earnings	–	–	(172 170)	(316 255)	(488 425)	488 425	–	–	–
Other entries directly recorded in equity:									
Measurement gain/(losses) on available-for-sale financial assets	–	1 888 559	(76 577)	–	(76 577)	–	1 811 982	2 654	1 814 635
Actuarial gains and losses recognition associated with post-employment benefits (IAS 19)	–	–	(79 504)	–	(79 504)	–	(79 504)	–	(79 504)
Currency changes in subsidiaries and branches	–	–	(61 617)	–	(61 617)	–	(61 617)	(13 856)	(75 473)
Other	–	–	(9 147)	–	(9 147)	–	(9 147)	(8 697)	(17 844)
Total gains and losses for the year recognised in equity	**–**	**1 888 559**	**(226 845)**	**–**	**(226 845)**	**–**	**1 661 714**	**(19 900)**	**1 641 814**
Share capital increase	750 000	–	–	–	–	–	750 000	–	750 000
Changes in Group perimeter	–	–	–	–	–	–	–	(57 463)	(57 463)
Written-put over non controlling interests - Partang	–	–	(14 808)	–	(14 808)	–	(14 808)	–	(14 808)
Acquisition of preference shares issued by Caixa Geral Finance	–	–	490	–	490	–	490	(1 400)	(910)
Dividends paid on preference shares and other dividends paid to non controlling interest	–	–	–	–	–	–	–	(29 868)	(29 868)
Reclassification between reserves and retained earnings	–	–	2 895	(2 895)	–	–	–	–	–
Net income for the year	–	–	–	–	–	(394 715)	(394 715)	48 744	(345 971)
Balances at 31 December 2012	5 900 000	(189 664)	1 423 524	(444 414)	979 109	(394 715)	6 294 730	985 316	7 280 046

02

NOTES, REPORTS AND OPINIONS

| 02.
NOTES, REPORTS AND OPINIONS

|02.1.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of Euros – EUR thousand, unless otherwise specified)

1.
INTRODUCTORY NOTE

Caixa Geral de Depósitos, S.A. (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, S.A. (BNU) was merged into Caixa.

At 31 December 2012 Caixa had a national network of 847 branch offices, a branch in France with 47 branch offices, a branch in Timor with 8 branch offices, a branch in Luxembourg with 2 branch offices, 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 operationg in non–financial sectors of the Portuguese economy.

On 26 March 2013, the Board of Directors approved the consolidated financial statements as at 31 December 2012.

The financial statements of CGD and some of its subsidiaries and associated companies at 31 December 2012 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 2012 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 the first half 2012 and as a result of the disposal’s process of HPP – Hospitais Privados de Portugal, the assets and liabilities of this entity were reclassified to “Non–current assets and liabilities held for sale”. Also under the terms of IFRS 5 – “Non–current assets held for sale and discontinued operations”, results generated by this unit are presented in a single line of the income statement (“Results in subsidiaries held for sale”). The comparative period (31 December 2011) was restated accordingly.

The accounting polices described in this note were applied in a consistent way in all periods presented in the financial statements.

2.2. ADOPTION OF (NEW OR REVISED) STANDARDS ISSUED BY THE "INTERNATIONAL ACCOUNTING STANDARDS BOARD" (IASB) AND INTERPRETATIONS ISSUED BY THE "INTERNATIONAL FINANCIAL REPORTING INTERPRETATION COMMITTEE" (IFRIC), AS ADOPTED BY THE EUROPEAN UNION

In preparing its financial statements for 2012, 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 2012. The following changes were relevant to CGD Group:

- IFRS 7 – "Financial instruments: Disclosures" (Amendment) – These amendments clarify the nature and extent of disclosures relating to the risks arising from the exposure to financial instruments. These amendments also intend to improve the quality of disclosures relative to transfers of financial assets such as securitisation operations. The amendments to this standard are mandatory for financial years starting on or after 1 July 2011.

At 31 December 2012, the following standards and interpretations issued by IASB and endorsed by the European Union were available for early adoption:

- "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" (amendment) 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 entry has in other entities and the way in which the referred to participations will effect its financial position, performance and cash flows.

- 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.

- IAS 1 – "Presentation of Financial Statements" (Amendment): The amendments set out to the standard intend to change the items recorded as "other comprehensive income" in view of separating those that can and those that cannot be reclassified to the income statement. In addition, the comprehensive income statement designation is changed for "income statement and a statement of comprehensive income". The standard revised text is mandatory for the financial years starting on or after 1 July 2012. Early adoption is permitted.

- IAS 32 – "Financial Instruments: Presentation" (Amendement) – The amendments set out to the standard intend to clarify the requirements for offsetting financial assets and liabilities in the entity's balance sheet. The revised standard specifically explains the principles of "the current legally enforceable right of set-off" and "simultaneous realisation of a financial asset and settlement of a financial liability". The application of the revised standard is mandatory for the financial years starting on or after 1 January 2014. Early adoption is permitted.

- IFRS 7 – "Financial instruments: Disclosures" (Amendment) – The revised text includes quantitative additional and separate disclosures on offsetting financial assets and liabilities subject to a global offsetting agreement. The revised standard is mandatory for the financial years starting on or after 1 January 2013. Early adoption is permitted.

In addition, the following standards and interpretations not yet endorsed by the European Union had also been issued up to the date of approval of financial statements:

- IFRS 9 – "Financial instruments" – This standard represents the first phase of the process in progress to replace IAS 39 – "Financial instruments: Classification and measurement" and IFRS 7 – "Financial instruments: Disclosures". The text of the new standard introduces changes to the current classification and mesurement 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).

REQUIREMENTS FOR THE ACCOUNTING OF FINANCIAL LIABILITIES

f) In the financial liabilities classified in the fair value option, the component associated with changes in own credit risk should be recognised against reserves, the remainder being recognised as against net income;

g) Derivative financial liabilities settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured should however, 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 – "Financial instruments: Disclosures" (amendment). 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 new standard.

- "Transition Guidance" – Amendments to IFRS 10, IFRS 11 and IFRS12.

  In June 2012, IASB published a document aiming at clarifying issues relating to the adoption guidance of IFRS 10 – "Consolidated financial statements", IFRS 11 – "Joint arrangements" and IFRS 12 – "Disclosure of interest in other entities", which sets out amendments to the text of the referred to standards. The revised standards are mandatory for financial years starting on or after 1 January 2013.

- "Investment Entities" – Amendments to IFRS 10, IFRS 12 and IAS 27.

  In October 2012, IASB published an amendment to IFRS10 which sets out an exception to consolidating investment entities' subsidiaries and clarifies the classification criteria of an entity as investment entity. Investment entities are therefore exempted from consolidating their subsidiaries, provided that the latter do not provide any service related to the investment activity of the former.

- "Annual Improvements to IFRS 2009-2011 Cycle"

  The document published by IASB in May 2012 aims to make a collection of amendments to the standards IFRS 1 – "First-time Adoption of International Financial Reporting Standards", IAS 1 – "Presentation of Financial Statements", IAS 16 – "Intangible Fixed Assets", IAS 32 – "Financial Instruments: Presentation", and IAS 34 – "Interim Financial Reporting". The adoption of the amendments issued, is retrospective and mandatory for the financial years starting on or after 1 January 2013. Early adoption is permitted. The following amendments should be highlighted:

  – IAS 1 – "Presentation of Financial Statements" Amendment: The amendments set out to the standard intend to clarify that comparative information is only mandatory as to the minimum requirements established by this standard. The text also clarifies that, in case of retrospective change of the accounting policies or reclassifications made by the entity, the presentation of an opening balance in the comparative period to financial statement, is mandatory only when the changes carried out have material impact on the financial statements. The revised IAS 1 does not require the presentation of explanatory notes to the opening balance of the comparative period.

  – IAS 32 – "IAS 32 – "Financial Instruments: Presentation" Amendement: the amendment issued defines that the amount of the tax on distribution to holders of equity instruments and transaction costs should be recorded in accordance with the requirements of IAS 12 – " Income Taxes".

  – IAS 34 – "Interim Financial Reporting" (Amendment): Main changes introduced by the revised standard concern the reporting by se-gments in the context of the interim financial reporting, notably the requirement of separated disclosure of total assets and liabilities, whenever this information is regularly provided to the board of directors, and there are significant changes to the amounts presented in the last annual reporting.

The Board of Directors believes that the adoption of standards and interpretations referred to above, particularly the requirements set out by IFRS 13 – "Fair value measurement", by IFRS 9 – "Financial instruments" and by the collection of five standards relative to the preparation of consolidated financial statements, joint arrangements and associates ("The package of five"), may have some relevant impact on the preparation and presentation of the Group's financial statements as well as on the extension and contents of disclosures to be carried out. However, a detailed assessment of the effect of adopting such standards has not yet been made. Therefore it is not possible to quantify the referred to impact.

2.3. CONSOLIDATED 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 interests".

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.

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.

2.4. BUSINESS COMBINATION 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 interests 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 interests 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 interests not implying loss of control over the subsidiary are also recognised in reserves. Gains or losses from the sale of non-controlling interests, 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".

2.5. 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.

2.6. TRANSLATION OF BALANCES AND TRANSACTIONS IN FOREIGN CURRENCY

The non-consolidated accounts of the Group entities included in the consolidation are prepared in their functional currencies. In the consolidated accounts, the results and financial position of each entity are expressed in the Group's functional currency, which is the Euro.

Foreign currency transactions are recognised in the separate financial statements of Caixa and its subsidiaries based on the reference foreign exchange rates in force on the transaction dates.

Foreign currency monetary assets and liabilities at each balance sheet date are translated to each entity's functional currency using the closing exchange rate. Non-monetary assets carried at fair value are translated based on the exchange rates in force on the last measurement date. Non-monetary assets carried at historical cost, including tangible and intangible assets, continue to be recognised at their original exchange rates.

Exchange differences arising on translation are recognised in the income statement for the period, 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.

2.7. FINANCIAL INSTRUMENTS

a) Financial assets

Financial assets are recognised at fair value at the trade date. In the case of financial assets measured at fair value through profit or loss, costs directly attributable to the transactions are recognised in the heading "Cost of services and commissions". In the remaining cases, such costs are included in the book value of the asset. Upon initial recognition, these assets are classified in one of the following IAS 39 categories:

I. Financial assets at fair value through profit or loss

This category includes:

- Financial assets held for trading, which comprise essentially securities acquired for the purpose of realising gains from short term market price fluctuations. This category also includes derivatives, excluding those that comply with the requirements for hedge accounting; and

- Financial assets 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 recognized.

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 includees 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 fixed income securities;
- 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 or liability can be sold or 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;
- 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 30 June 2012 and 31 December 2011, 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 period. 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 period 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 this designation, hedge accounting is discontinued. In these cases, adjustments to the 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.

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.

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 2.7. a), available-for-sale financial assets are measured at fair value, with fair value changes being recognised directly in the equity heading "Fair value reserve".

Whenever there is objective evidence of impairment, the accumulated losses recognised in reserves are transferred to the income statement heading "Other asset impairment net of reversals and recovery".

In addition to the above mentioned signs of impairment 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 period.

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 period. Impairment losses on such assets cannot be reversed.

2.8. NON-CURRENT ASSETS HELD FOR SALE AND GROUPS OF ASSETS AND LIABILITIES TO BE SOLD

IFRS 5 – "Non-current assets held for sale and discontinued operations" applies to single assets or groups of assets to be disposed of, by sale or other means together as a group, in a single transaction, and all liabilities directly associated with such assets, to be transferred in the transaction (referred to as "disposal groups").

Non-current assets or disposal groups are classified as held for sale whenever their book value is expected to be recovered by sale and not by continuing use. For an asset (or group of assets and liabilities) to be classified under this heading, the following requirements must be met:

- 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".

At 31 December 2012, this heading also comprises the assets and liabilities of HPP – Hospitais Privados de Portugal Group, which were sold in March 2013.

2.9. INVESTMENT PROPERTY

Investment property corresponds to property held by the Group with the purpose of obtaining income from rental and/or increase in value.

Investment properties are not depreciated and are measured at fair value, determined annually based on expert appraisals. Fair value changes are recognised in the income statement heading "Other net operating income".

2.10. OTHER TANGIBLE ASSETS

Other tangible assets are recognised at cost, less accumulated depreciation and impairment losses. The cost of repairs and maintenance and other expenses associated with their use are recognised in the income statement heading "Other administrative costs".

Up to 1 January 2004, Caixa and some subsidiaries recorded revaluations of tangible assets under the terms of the applicable legislation. As permitted under IFRS 1, upon transition to IFRS, the book value of the assets, including the revaluations, was considered as deemed cost, as their book value on the revaluation dates corresponded approximately to cost or depreciated cost under IFRS, adjusted to reflect changes in price level indices. In respect of companies based in Portugal, 40% of the increase in depreciation resulting from these revaluations is not tax deductible, the respective deferred tax liability having been recorded.

Property for own use held by the Group's insurance companies is stated at fair value, in accordance with the rules defined by the Chart of Accounts for Insurance Companies. On transition to IFRS, the book value of such property was considered to be its deemed cost, as permitted under IFRS 1.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which correspond to the periods over which the assets are expected to be available for use, which are:

	Years of useful life
Property for own use	50 – 100
Equipment:	
Furniture and material	8
Machines and tools	5 – 8
Computer and 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 period.

Periodic tests are made to identify evidence of impairment of other tangible assets. Impairment losses are recognised in the income statement heading "Impairment of other assets net of reversals and recovery" whenever the net book value of tangible assets exceeds recoverable value (the highest between the value in use and the fair value). Impairment losses can be reversed with an impact on profit or loss if the recoverable value of an asset subsequently increases.

The Group periodically assesses the adequacy of the useful life of its tangible assets.

2.11. 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".

2.12. INTANGIBLE ASSETS

This heading comprises essentially the cost of acquiring, developing and preparing for use the software used in Group's operations. Where the requirements of IAS 38 – "Intangible assets" are met, the internal costs incurred in developing software are capitalised as intangible assets. These costs basicaly 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 period in which they are incurred.

2.13. INCOME TAX

CURRENT TAX

In 2012, CGD is subject to the regime set out in the Portuguese Corporate Income Tax Code (Código do IRC or "IRC Code") and is taxed in accordance with the special tax regime for all group companies under the terms of article 69 and the following articles of the referred to code. The perimeter of the group covered by this tax regime, of which CGD is the dominant entity, comprises all companies with head offices in Portugal which income is subject to the IRC general tax regime, at the highest tax rate, in which CGD holds either directly or indirectly an equity interest of at least 90%, for a period over one year, at 1 January 2012, provided that this equity interest ensures more than 50% of the voting rights.

Taxable income is calculated on the basis of the sum of the separate taxable incomes and tax losses included in the perimeter. The branches' accounts are included in the head office accounts for tax purposes in compliance with the article 4 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, S.A. 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. However, in the case of tax loss, the net income of the International Financial Branch of Madeira did not benefit from IRC exemption in 2011, in compliance with circular letter no. 3/2003.

The taxable income of the offshore subsidiaries of CGD and Caixa – Banco de Investimento, S.A. in the Autonomous Region of Madeira is subject to IRC as from 1 January 2012.

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 period, which differs from accounting income owing to adjustments to taxable income resulting from costs or income that are not considered for income tax purposes or that will be considered in future accounting periods.

Some of the most significant tax aspects for the Group activity in Portugal are stated bellow in detail.

ADJUSTMENTS TO NET INCOME

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 2012 and 2011, 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 collateralised 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 risks are reversed, the net income 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 pension funds and other pot-employment benefits up to the limit of the contribution effectively paid. 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.

In addition to the change of the accounting policy relative to the recognition of actuarial gains and losses with pension plans and other post-employement benefits, 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 amounts relative to negative equity changes complied with the requirements set in article 183 of Law 64-A of 30 December, which approved the State Budget Law for 2012, and refer to Caixa and other subsidiaries established in national territory, are irrelevant for tax purposes, these 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 the years 2012 and 2011 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 the income statement for the period, except in the cases 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, and those related to the change in the accounting policy – relative to the pensions plan and other post-employment benefits under the terms of article 183 of Law 64-A/2011, of 30 December). In such cases the corresponding tax is also recognised as a charge to equity and does not affect income for the period.

2.14. PROVISIONS FOR 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.

2.15. EMPLOYEE BENEFITS

Liabilities for employee benefits are recognised in accordance with IAS 19 – Employee Benefits. The principal benefits granted by Caixa include retirement and survivor pensions, healthcare and other long term benefits.

LIABILITY FOR PENSIONS AND HEALTHCARE

The CGD Group has several pension plans, including defined benefit plans and, in some cases, defined contribution plans. Caixa, and Fidelidade – Companhia de Seguros, S.A. are responsible for the payment of retirement, disability and survivor pensions to their employees as described in Note 39. Other Group companies also have defined benefit plans, namely Banco Comercial do Atlântico, S.A., 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 period, 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 terms regarding the nature of these benefits, actuarial gains and losses are recognised in profit or loss for the period.

SHORT TERM BENEFITS

Short term benefits, including productivity bonuses paid to employees are recognised on an accruals basis in "Staff costs" for the respective period.

2.16. INSURANCE

a) Insurance contracts

Transactions relating to insurance contracts written and reinsurance contracts held by the Group are recorded in accordance with the policies of Instituto de Seguros de Portugal (Portuguese Institute of Insurance – ISP). In the scope of the transition to the new Chart of Accounts for Insurance Companies ("Plano de Contas para as Empresas de Seguros"– PCES, this rule included the classification principles of contracts set out by the IFRS 4 – "Insurance contracts" under which the contracts not having a significant insurance risk are classified as investment contracts and recorded in accordance with IAS 39.

In addition, and under the terms of IFRS 4, investment contracts with profit sharing that include a discretionary participation feature continue to be recognised as insurance contracts and valued in accordance with ISP rules.

An insurance or investment contract is considered to have a profit sharing that includes a discretionary participation feature when the respective contractual terms foresee, as a complement of the contract guarantees, the grant to the insurer of some additional benefits characterised by the following:

- The probability of comprising a significant part of the total benefits to be attributed under the contract;
- When the amount or time of distribution is contractually contingent upon the issuer's discretion and;
- When they are dependent upon the performance of a determined group of contracts, realised or unrealised income on a given group of assets held by the issuer of the contract or on the financial performance of the issuer.

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.

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.

c) Provision for unearned premiums and deferred acquistion 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) (-1) TV 88/90 (Women) (-1)
Discount rate	5.25%	4%
Management charges	2.40%	4%

In 2012, the Group updated the mortality table used for calculating mathematical provisions for workman's compensation renewing, in one year, the mortality table in force up to 2011 for non-redeemable pensions, in order to align that table to the evolution of the pensioners' average life expectancy.

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 expenses recognises liabilities associated with all expenses in kind or cash configuring lifelong assistance, other than pensions. The provision for lifelong expenses comprises the following:

- Provision for reported lifelong assistance expenses;
- Provision for presumed lifelong assistance expenses.

Given the characteristics of these liabilities, the provision is calculated considering the general principles applicable to life insurance 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 analyses 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 rule.

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).

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 period 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. As from 2011, the balance of the profit sharing provision to be attributed as a result of realised net capital gains payable to policyholders that have been transferred from the previous accounting regulation applicable to insurance companies and recorded in the so-called Fundo para Dotações Futuras (Fund for Future Appropriations), were used to cover for losses, in each year, on the technical accounts of life profit sharing products. The remaining balances were used to offset unrealised capital losses of the respective investment portfolios. Up to 31 December 2010, the balance of this provision was first used to offset unrealised capital losses of the respective investment portfolios, the remaining balances being used to cover for accumulated losses on the technical accounts of the respective life profit sharing products.

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 test

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 these insurance liabilities is higher than liabilities recognised in the financial statements, net of the deferred acquisition costs and related intangible assets is inadequate in the light of the estimated future cash flows, the entire insufficiency 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 by product are obtained from the companies' databases.

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.

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 macro-economic scenarios to verify the adequacy thereof is also applied.

j) Technical provision 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 period.

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 hea-ding "Impairment of other assets, net of reversals and recovery".

n) Intangible assets arising from the acquisition of insurance contracts

The difference between the fair value of insurance contracts acquired under business combinations and their respective book value calculated in accordance with Group accounting policies that corresponds to the value in force of the insurance portfolio acquired, is detached from goodwill at the acquisition date and recognised separately as an intangible asset.

Value in force is amortised over the term of the contracts acquired and is subject to impairment tests on an annual basis.

o) Embedded derivatives in insurance contracts

In accordance with IFRS 4, options held by the contract beneficiaries for the early redemption of the contracts in force with a fixed amount or a fixed amount plus interest, are not separated from the host contract.

2.17. COMMISSIONS

As mentioned in Note 2.7., commissions on credit operations and other financial instruments, namely amounts charged or paid for originating such operations, are included in amortised cost 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.

2.18. 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 interests".

2.19. SECURITIES AND OTHER ITEMS HELD UNDER CUSTODY

Securities and other items held under custody, namely customers' securities, are recognised in off-balance sheet headings, at their nominal value.

2.20. CASH AND CASH EQUIVALENTS

In preparing the cash flow statements, the Group included in the heading "Cash and cash equivalents", the amounts in the balance sheet headings "Cash and cash equivalents at central banks" and "Cash balances at other credit institutions".

2.21. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGMENTAL 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 2.7. d). Impairment of assets analysed individually is therefore determined based on a specific assessment by Caixa, considering its knowledge of the customer's situation and the guarantees securing the operations.

Impairment of assets assessed on a collective basis is determined based on historical parameters for types of comparable operations, considering default and recovery estimates.

Caixa considers that the impairment determined using this methodology enables the risks on its loan portfolio to be adequately recognised, taking into account the requirements of IAS 39.

DETERMINATION OF IMPAIRMENT LOSS ON 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 2.7. d)). As a general criterion, impairment should be determined whenever the amount invested is unlikely to be fully recovered in view of the dimension of the unrealised loss.

In the case of debt instruments classified in this category, the capital losses are transferred from the "Fair value reserve" heading to the income statement, whenever there is evidence that contractual cash flows may not be collected, namely for financial difficulties of the issuer, impairment of other financial liabilities, or a significant downgrade of the issuer's rating.

MEASUREMENT OF FINANCIAL INSTRUMENTS NOT TRADED ON ACTIVE MARKETS

As required by IAS 39, Caixa measures all financial instruments at fair value except for those carried at amortised cost. The valuation models and techniques described in Note 2.7. are used to value financial instruments not traded on liquid markets. The valuations obtained correspond to the best estimate of the fair value of the instruments at the balance sheet date. As mentioned in Note 2.7., in order to ensure adequate segregation of functions, these financial instruments are valued by a body that is independent of the trading function.

EMPLOYEE BENEFITS

As explained in Note 2.15. above, the Group's liability for post-employment benefits and other long term benefits granted to its employees is determined on an actuarial basis. The actuarial calculations are based on financial and actuarial assumptions including, among others, mortality, disability, salary and pension growth, return on assets and discount rate. The assumptions used are the best estimates of the Group and its actuaries of the future evolution of the respective variables.

IMPAIRMENT OF GOODWILL

As mentioned in Note 2.4. above, the Group performs impairment tests of goodwill at least annually. These tests are performed based on estimates of future cash flows to be generated by each unit tested, discounted at appropriate rates.

The projections include a broad range of assumptions on the evolution of the future operations of the units, which may or not occur. Such assumptions, however, reflect the Group's best estimate as at the balance sheet date.

DETERMINATION OF LIABILITIES FOR INSURANCE CONTRACTS

The Group's liability for insurance contracts is determined using the methodologies and assumptions described in Note 2.16. above. The liability reflects 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.

The recognition of deferred tax assets by the Group is based on the estimate of future taxable income allowing its recovery. The recognition of deferred tax generated by reported tax losses is only made if conditions are met for their reversal in the periods which it is legally provided for that purpose. This evaluation depends on the conclusion of the considered assumptions.

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:

Activity/Entity	Head Office	31/12/2012			31/12/2011	
		Effective participating interest (%)	Equity (a)	Net Income	Equity (a)	Net Income
Holding Companies						
Caixa – Gestão de Ativos, SGPS, S.A.	Lisbon	100.00%	23 534	6 478	23 066	4 863
Caixa – Participações, SGPS, S.A.	Lisbon	100.00%	74 206	16 822	70 349	10 041
Caixa Desenvolvimento, SGPS, S.A.	Lisbon	99.71%	464	(41)	4 127	31
Caixa Seguros e Saúde, SGPS, S.A.	Lisbon	100.00%	1 348 944	1 870	996 542	42 955
Gerbanca, SGPS, S.A.	Lisbon	100.00%	79 316	(54)	99 331	14 924
Parbanca, SGPS, S.A.	Madeira	100.00%	45 574	17 287	42 707	11 075
Parcaixa SGPS, S.A.	Lisbon	51.00%	922 787	(77 644)	1 022 320	23 687
Partang, SGPS, S.A.	Lisbon	51.00%	130 108	21 433	112 384	16 653
Banking						
Banco Caixa Geral, S.A. (b)	Vigo	99.97%	438 533	(39 830)	455 627	1 311
Banco Comercial do Atlântico, S.A.R.L.	Praia	59.33%	28 793	3 088	27 806	5 190
Banco Comercial e de Investimentos, S.A.R.L.	Maputo	51.00%	134 128	36 019	119 886	23 511
Banco Nacional de Investimentos, S.A.	Maputo	0.00%	–	–	61 077	(3 520)
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	157 917	5 312	173 127	6 113
Banco Interatlântico, S.A.R.L.	Praia	70.00%	15 054	1 170	14 633	1 590
Banco Nacional Ultramarino, S.A. (Macau)	Macau	100.00%	434 875	31 788	230 813	29 150
Caixa – Banco de Investimento, S.A. (b)	Lisbon	99.71%	291 829	27 541	213 816	8 553
Caixa Geral de Depósitos – Subsidiária Offshore de Macau	Macau	100.00%	27 374	3 304	26 470	2 194
CGD – North America	Delaware	100.00%	1	–	1	–
CGD – Participações em Instituições Financeiras Ltda.	São Paulo	0.00%	–	–	(509)	(17)
CGD Investimentos CVC	São Paulo	99.86%	35 389	(2 974)	–	–
Mercantile Lisbon Bank Holdings, Ltd. (b)	Joanesburgo	100.00%	149 821	14 057	159 839	12 791

Activity/Entity	Head Office	31/12/2012			31/12/2011	
		Effective participating interest (%)	Equity (a)	Net Income	Equity (a)	Net Income
Banco Caixa Geral Totta Angola, S.A.	Luanda	26.01%	231 423	44 303	216 262	37 501
Banco para Promoção e Desenvolvimento, S.A. (b)	Luanda	50.00%	353 962	(1 742)	372 761	(5 767)
Insurance						
Cares – Companhia de Seguros, S.A.	Lisbon	100.00%	23 391	7 087	17 389	4 728
Fidelidade – Companhia de Seguros, S.A.	Lisbon	100.00%	1 322 596	98 538	626 067	13 580
Império – Bonança – Companhia de Seguros, S.A.	Lisbon	0.00%	–	–	203 777	10 195
Companhia Portuguesa de Resseguros, S.A.	Lisbon	100.00%	10 056	302	9 866	265
Garantia – Companhia de Seguros de						
Cabo Verde, S.A.R.L.	Praia	65.36%	9 239	578	8 061	1 023
Multicare – Seguros de Saúde, S.A.	Lisbon	100.00%	33 595	5 335	26 138	215
Universal Seguros, S.A. (Angola)	Luanda	70.00%	3 138	(2 562)	6 149	(372)
Via Directa – Companhia de Seguros, S.A.	Lisbon	100.00%	29 334	1 012	25 019	261
Specialised Credit						
Caixa Leasing e Factoring – Instituição						
Financeira de Crédito, S.A.	Lisbon	51.00%	87 564	(39 416)	126 979	(11 402)
CREDIP – Instituição Financeira de Crédito, S.A.	Lisbon	80.00%	11 796	(99)	11 895	193
Promoleasing – Sociedade de Locação Financeira, S.A.	Praia	60.25%	114	(39)	153	(49)
Asset Management						
Caixagest – Técnicas de Gestão de Fundos, S.A.	Lisbon	100.00%	29 245	2 995	27 189	1 142
CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	4 437	736	4 684	710
Fundger – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisbon	100.00%	6 612	3 912	7 076	4 376
Venture Capital						
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	52.72%	3 210	6	3 159	31
Caixa Capital – Sociedade de Capital de Risco, S.A.	Lisbon	99.71%	42 025	3 922	38 103	5 148
Property						
Imocaixa – Gestão Imobiliária, S.A.	Lisbon	100.00%	(22 675)	(22 900)	(2 104)	(3 235)
Caixa–Imobiliário S.A.	Lisbon	100.00%	(31 602)	(31 826)	(591)	(656)
Fidelidade Mundial – SGII, S.A.	Lisbon	100.00%	45 529	838	44 142	2 388
Inmobiliaria Caixa Geral S.A.U.	Madrid	100.00%	(37 052)	(16 158)	(20 949)	(8 051)
Cibergradual, Invest. Imobiliário, S.A.	Lisbon	100.00%	(21 907)	(23 305)	–	–
Other Financial Entities						
CGD Finance	Cayman	100.00%	2 664	8	3 049	20 106
Caixa Geral Finance (c)	Cayman	0.00%	111 225	1 744	112 194	10 431

(a) Equity includes net income for the year.
(b) Data taken from consolidated financial statements.
(c) Share capital comprises 1 000 ordinary shares of EUR 1 and 110 128 non-voting preference shares of EUR 1 000 each (112 128 preference shares at 31/12/2011

Activity/Entity	Head Office	31/12/2012			31/12/2011	
		Effective participating interest (%)	Equity (a)	Net Income	Equity (a)	Net Income
Other Companies						
Caixanet – Telemática e Comunicações, S.A.	Lisbon	80.00%	1 782	4	1 778	–
Caixatec, Tecnologias de Comunicação, S.A.	Lisbon	100.00%	(193)	(215)	77	(5)
Cares RH – Companhia de Assistência e Representação de Seguros, S.A.	Lisbon	100.00%	1 750	944	805	187
Cares Multiassistance, S.A.	Lisbon	51.00%	2 486	1 538	2 501	1 552
E.A.P.S. – Empresa de Análise, Prevenção e Segurança, S.A.	Lisbon	100.00%	181	75	152	72
EPS – Gestão de Sistemas de Saúde, S.A.	Lisbon	100.00%	524	(73)	596	(25)
LCS – Linha de Cuidados de Saúde, S.A.	Lisbon	100.00%	3 049	2 810	4 062	1 612
Cetra – Centro Técnico de Reparação Automóvel, S.A.	Lisbon	100.00%	4 560	132	4 428	181
GEP – Gestão de Peritagens Automóveis, S.A.	Lisbon	100.00%	242	78	204	86
HPP – Hospitais Privados de Portugal, SGPS, S.A. (b)	Lisbon	100.00%	1 711	(3 947)	(14 688)	(14 776)
HPP International Ireland, Ltd.	Dublin	100.00%	30 894	(19)	30 913	(19)
HPP International – Luxembourg, S.A.R.L.	Luxembourg	100.00%	(30 743)	(39)	(30 704)	(14 013)
Wolfpart, SGPS, S.A.	Lisbon	100.00%	(78 420)	(64 201)	(12 083)	(5 776)
Mesquita ETVIA, Construção de Vias de Comunicação, S.A.	Lisbon	99.98%	(10 420)	4 650	20 341	1 947
Complementary Corporate Groupings						
Groupment d'Interet Economique	Paris	100.00%	–	–	–	–
Sogrupo – Serviços Administrativos, ACE	Lisbon	100.00%	–	–	–	–
Sogrupo – Sistemas de Informação, ACE	Lisbon	100.00%	–	–	–	–
Sogrupo IV – Gestão de Imóveis, ACE	Lisbon	100.00%	–	–	–	–
Special Purpose Entities and Investment Funds						
Fundo Nostrum Mortgage 2003-1	Lisbon	100.00%	390 678	87	430 786	(129)
Nostrum Mortgages PLC	Dublin	100.00%	4 122	(240)	5 443	928
Nostrum Mortgages Nº. 2	Lisbon	100.00%	–	–	–	–
Intermoney Banking Caixa Geral RMBS	Madrid	99.97%	–	–	–	–
Fundo de Capital de Risco – Grupo CGD – Caixa Capital	Lisbon	99.98%	328 138	(36 553)	333 872	(11 706)
Fundo de Capital de Risco – Energias Renováveis – Caixa Capital	Lisbon	0.00%	–	–	33 042	1 967
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	10 899	(2 080)	7 980	(1 706)
Fundo de Capital de Risco Caixa Mezzanine – Caixa Capital	Lisbon	100.00%	29 344	7	29 337	(18)
Fundo de Capital de Risco Desenvolvimento e Reorganização Empresarial	Lisbon	100.00%	12 969	(1 352)	14 321	(679)
Fundo de investimento Imobiliário Fechado para Arrendamento						
Habitacional – Caixa Arrendamento	Lisbon	99.68%	114 483	(710)	81 137	473
Fundo Invest. Imobil. Fechado Imocentro	Lisbon	100.00%	4 392	(255)	4 647	(345)
Caixagest Estratégia Dinâmica	Lisbon	63.56%	56 416	2 248	56 779	(1 679)
Fundo Esp. Inv. Aberto Estrat. Alternat.	Lisbon	80.75%	25 321	(225)	26 332	(1 836)
Caixa Imobiliário – Fundo de Investimento fechado de Arrendamento Habitacional	Lisbon	100.00%	46 342	(3 872)	51 425	1 006
Caixagest Private Equity – Fundo Especial de Investimento	Lisbon	73.70%	113 914	4 611	99 303	15 963
Caixagest Imobiliário Internacional – Fundo Especial de Investimento	Lisbon	70.65%	248 354	(1 314)	251 173	10 533

Activity/Entity	Head Office	31/12/2012			31/12/2011	
		Effective participating interest (%)	Equity (a)	Net Income	Equity (a)	Net Income
Caixagest Infra-Estruturas - Fundo Especial de Investimento	Lisbon	66.69%	79 679	3 049	76 631	2 094
Caixagest Oportunidades - Fundo Especial de Investimento	Lisbon	69.85%	31 275	6 203	30 978	308
Fundo de Investimento Imobiliário Fechado Saudeinvest	Lisbon	99.09%	116 163	(4 071)	113 759	3 259
Fundo de Investimento Imobiliário Fechado Bonança 1	Lisbon	100.00%	14 644	(535)	15 179	65
Companies Recorded by the Proportional Method						
Esegur - Empresa de Segurança, S.A.	Lisbon	50.00%	10 402	401	10 000	445
Locarent	Lisbon	50.00%	8 337	2 595	6 643	3 017

(a) Equity includes net income for the year.
(b) Data taken from consolidated financial statements.

Principal movements in group's subsidiaries in 2012 and 2011 were as follows:

CAIXA SEGUROS E SAÚDE, SGPS, S.A. (CAIXA SEGUROS E SAÚDE) AND FIDELIDADE – COMPANHIA DE SEGUROS, S.A. (FIDELIDADE)

On 31 May 2012, Império Bonança – Companhia de Seguros S.A. was merged into Companhia de Seguros Fidelidade – Mundial, S.A.. The effects of the mer-ger are recorded in the accounts as from 1 January 2012. As a result, Companhia de Seguros Fidelidade – Mundial, S.A. changed its corporate name to Fidelidade – Companhia de Seguros, S.A. (Fidelidade) and the share capital of the new entity increased from EUR 400 000 thousand to EUR 520 000 thousand.

In June 2012, and subsequent to the delibera-tion of Caixa Seguros e Saúde SGPS, S.A. share-holder, the share capital of Fidelidade increased from EUR 520 000 thousand to EUR 605 000 thousand. This share capital increase was fully subscribed by Caixa through the conversion of subordinated loans of equal amount, granted to this entity. Caixa Seguros e Saúde gave up its pre-emptive right as sole shareholder. As a result of this operation, CGD held then a direct participating interest of around 14% in Fidelidade's share capital. The participation of Caixa Seguros e Saúde in Fidelidade was reduced to 86%. CGD's participation was later sold to Caixa Seguros e Saúde for EUR 5 per share. The total amount of the transaction totalled EUR 85 000 thou-sand (equivalent to the nominal amount of the share capital increase).

Also in June, Caixa Seguros e Saúde increased its share capital by EUR 351 525 through the conversion of a subordinated loan in the same amount, previ-ously granted by Caixa to this subsidiary. This share capital increase results in a 175 762 460 shares issue with nominal value of EUR 2 each. At 30 June 2012 the share capital of Caixa Seguros e Saúde was EUR 799 925, fully owned by CGD.

MERCANTILE BANK HOLDINGS, LTD AND MERCANTILE BANK, LTD (MERCANTILE)

In the first half 2012, and subsequent to the offer made to the minority shareholders, the Group repurchased all the shares held by third parties in Mercantile Bank Limited (subsidiary of Mercantile Bank Holdings, Ltd), becoming the sole shareholder of the company. As a result of this operation, the shares of Mercantile Bank Limited ceased to be listed on the Johannesburg Stock Exchange.

CGD INVESTIMENTOS CORRETORA DE VALORES E CÂMBIO, S.A. (EX BANIF CORRETORA DE VALORES E CÂMBIO, S.A.)

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, S.A.'s share capital. This operation was sub-ject to prior authorisation of the respective regulatory authorities of both Portugal and Brazil.

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 invest-ment from Banco Caixa Geral – Brasil, S.A. and Caixa – Banco de Investimento, S.A.) for the total amount of BRL 123 925 thousand, approximately.

The shareholders agreement of Banif CVC, also fore-sees the following:

- Sale option by Banif Group of the remaining equity participation held in Banif CVC to be completed between the 12th and 60th month from the signa-ture 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 th month from the signature date of the shares Sale-Purchase Contract dated 2 June 2010, onwards.

On 2 June 2012, Caixa Group exercised its call option of the remainder 30% of capital of Banif CVC for the total amount of BRL 55 726 thousand. In addition and in the course of this operation, the corporate name of Banif CVC changed to CGD Investimentos Corretora de Valores e Câmbio, S.A. (CGD Investimentos CVC).

On 31 October 2012, the extraordinary Shareholder's General Meeting approved the reverse merger of CGD – Participações em Instituições Financeiras, Ltda (PINF) into CGD Investimentos CVC. The referred to merger was carried out by the full incorporation of all assets and liabilities of PINF in its subsdiary, which was closed down, while CGD Investimentos CVC assumed all rights and obligations arising from it's activity up to the merger registration date.

BANCO PARA PROMOÇÃO E DESENVOLVIMENTO, S.A. (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, S.G.P.S., S.A., Caixa – Participações, S.G.P.S., S.A. and Caixa Geral de Depósitos, S.A..

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 paid up at that date. CGD Group's equity investment in BDP is 50%, split up between CGD (49.99%), Caixa – Participações (0.005%) and Gerbanca (0.005%).

On 31 December 2012, a purchase agreement was signed to sell the participating interest of CGD Group companies to the entities of Sonangol Group, Sonangol Empresa Pública (Sonangol EP) and Sonip – Sonangol Imobiliária e Propriedades, LDA.(Sonip), for a total amount equivalent to the amount of the investment and other advanced payments carried out as against other incorporation expenses meanwhile incurred.

This transaction is pending administrative and legal authorisations necessary for its concretisation.

BANCO NACIONAL DE INVESTIMENTO, S.A. (BNI)

Banco Nacional de Investimento, S.A. 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, S.A. and Banco Comercial e de Investimentos, S.A.R.L. with the purpose of operating in the investment banking area.

On 31 December 2010, Banco Nacional de Investimento, S.A.'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, S.A.R.L. (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.

During 2012, CGD sold to IGEPE – Instituto de Gestão de Participações do Estado its 49.5% equity participation in the share capital of BNI for the total amount of MZM 1 067 255 thousand, As a result of this operation, CGD regognised capital losses of around EUR 32 thousand (including the reversal of accumulated foreign exchange effect into reserves).

CGD initially received MZN 450 000 thousand of the total amount of the transaction. The remaining amount will be split up in three successive equal annual instalments and the first one will be paid within one year as from the date of the contract.

BANCO NACIONAL ULTRAMARINO, S.A. (MACAU)

During 2012, and after the Shareholder's General Meeting, BNU recorded a share capital increase of MOP 1 600 000 thousand, fully subscribed and paid up by CGD.

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 1 000 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 2012 and 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.

During 2012, a new share capital increase took place for EUR 34 999 thousand through the issuance of 34 617 new participating units, fully subscribed and paid up in cash by CGD.

CAIXAWEB, S.G.P.S., S.A. (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, S.A..

Caixa incorporated the equity investments held by Caixaweb in Caixatec – Tecnologias de Comunicação, S.A. (and respective partners' loans) and Yunit Serviços, S.A..

BANCO CAIXA GERAL, S.A.

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 2012 and 2011, the amounts relative to the share capital increases subscribed by Caixa Geral de Depósitos were fully paid up.

SUBSEQUENT EVENTS

CGD – SUBSIDIÁRIA OFFSHORE DE MACAU, S.A. (IN LIQUIDATION) AND CGD – SUCURSAL OFFSHORE DE MACAU, S.A.

During 2012, as a result of the revaluation undertaken to the setting of CGD's presence in the Macau Special Administrative Region (REAM) through CGD – Subsidiária Offshore de Macau, S.A., the Group decided to change the legal form of this entity assuming thereafter the form of a branch of CGD.

The request of the executive chief of REAM for the setting–up of an offshore financial institution under the form of a branch was approved through the publication of Executive Order no. 7/2013, of 25 January, which also revoked the authorisation previously granted for exercising offshore financial activities under the form of subsidiary.

As a result of the necessary administrative and legal approvals, the required procedures for the establishment of the new branch were implemented, in tandem with the liquidation of the subsidiary.

Accordingly, in 1 February 2013 (the effective date of the Executive Order) CGD – Subsidiária Offshore de Macau, S.A. sold, to its shareholder Caixa Geral de Depósitos, S.A, the total amount of assets and liabilities relative to its commercial activity, by an amount equal to the respective nominal value, including rights and obligations pending upon CGD – Subsidiária Offshore de Macau, irrespective of its nature. These assets and liabilities were at the same date transferred to the branch which will ensure their management in line with the established goals.

The dissolution of CGD – Subsidiária Offshore de Macau, S.A. was signed on 4 February 2013. The procedures relating to its liquidation are still in course.

4. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This heading comprises the following:

	31/12/2012	31/12/2011
Cash	619 898	806 559
Demand deposits in central banks	983 231	1 897 315
	1 603 129	2 703 874
Accrued interest	155	607
	1 603 284	**2 704 482**

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 2012 and 2011, 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:

	31/12/2012	31/12/2011
Cheques for collection		
Portugal	75 039	129 083
Abroad	39 964	47 155
	115 003	176 239
Demand deposits		
Portugal	172 574	213 721
Abroad	1 012 973	592 316
	1 185 548	806 037
Accrued interest	4 831	3 921
	1 305 381	**986 197**

"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:

	31/12/2012	31/12/2011
Interbank Money Market	163 000	883 073
Term deposits		
Portugal	37 076	80 343
Abroad	74 348	132 230
Loans		
Portugal	715 535	2 570 868
Abroad	75 761	599 321
Other applications		
Portugal	97 831	33 240
Abroad	987 403	547 034
Purchase operations with resale agreement	367 415	101 077
Overdue loans and interest	8 084	7 594
	2 526 452	**4 954 780**
Adjustments to assets under hedging operations	121	219
Accrued interest	3 781	13 992
Deferred income	(542)	(561)
	2 529 813	4 968 430
Impairment (Note 41)	(12 413)	(12 312)
	2 517 399	**4 956 118**

On 31 December 2011, the heading "Loans – Portugal" comprises EUR 1 400 000 thousand relative to commercial paper issues made by Banco Português de Negócios, S.A. (BPN), and which are guaranteed by the Portuguese State under the terms of Law 62-A/2008 of 11 November which nationalised BPN.

On 30 March 2012, the Portuguese state signed the sale agreement of BPN finalising the reprivatisation process of the bank started in July 2011.

In the process of reorganization of BPN's assets and liabilities structure, the ownership of the vehicles Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. and inherently the debtor position in the loans and bonds issues granted by CGD to these entities, which on 31 December 2012 had a nominal value of EUR 381 667 thousand (Note 13) and EUR 3 100 000 thousand (Note 8), respectively, were transferred to the Portuguese state.

In addition, liabilities arising from the commercial paper subscribed by Caixa for EUR 1 000 000 thousand were also assumed by the state, since there was a transfer of the contractual position between BPN and Parvalorem (Note 13). Therefore, as from 30 March 2012, the issuer of this commercial paper programme is Parvalorem.

As a result of this operation, a commercial paper programme granted to BPN remains with a limit of EUR 400 000 thousand, maturing in March 2015, and benefiting from the state guarantee up to that date. Caixa also granted to BPN a line of credit of EUR 300 000 thousand on a current account, maturing in March 2016 and which use is limited to BPN's customer deposits amount. On 31 December 2012, from the referred to credit facilities to BPN only the commercial programme for EUR 150 000 thousand was used.

The amortisation by the vehicles of CGD's outstanding amounts is made under the terms of the agreement between the Portuguese State, the European Central Bank, the International Monetary Fund and the European Union in the scope of the current financial assistance programme. Reference should be made to the fact that, as set out in the referred agreement, the amounts that will be obtained through the recovery of assets held by the vehicles should be channelled to the reimbursement of those credits.

As to applications made in banks headquartered in Iceland, the accumulated impairment balance recognised by Caixa relating those assets, was at 31 December 2012 and 2011, EUR 12 053 thousand and EUR 12 157 thousand, respectively.

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 2012 and 2011 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:

	31/12/2012			31/12/2011		
	Held for trading	At fair value through profit or loss	Total	Held for trading	At fair value through profit or loss	Total
Debt instruments						
Public issuers:						
Public debt securities	68 920	–	68 920	85 346	–	85 346
Treasury bills	122 384	6 133	128 517	112 493	10 551	123 043
Bonds of other public issuers:						
Foreign						
Other issuers:	318 053	21 380	339 433	285 908	16 571	302 479
Bonds and other securities:						
Issued by residents						
Issued by non-residents	14 320	41 990	56 310	81 770	21 292	103 062
i)	26 146	66 516	92 661	32 427	124 809	157 235
Equity instruments	549 822	136 019	685 841	597 944	173 222	771 166
Residents						
Non-residents	23 400	127 134	150 534	15 902	495 394	511 296
ii)	14 630	25 995	40 625	15 333	953	16 286
Other financial instruments	38 030	153 128	191 159	31 235	496 347	527 582
Trust fund units						
Issued by residents	1 464	516 887	518 351	2 704	234 728	237 433
Issued by non-residents	–	519 095	519 095	44 594	573 668	618 262
iii)	1 464	1 035 982	1 037 446	47 298	808 396	855 695
Loans and receivables iv)	–	410	410	–	1 337	1 337
Derivatives with positive fair value (Note 11)						
Swaps	1 614 788	–	1 614 788	1 487 109	–	1 487 109
Futures and other forward operations	1 821	–	1 821	3 561	–	3 561
Options	283 399	–	283 399	312 790	–	312 790
Caps and floors	181 720	–	181 720	170 392	–	170 392
Other	833	–	833	2 078	–	2 078
v)	2 082 561	–	2 082 561	1 975 930	–	1 975 930
i)+ii)+iii)+iv)	2 671 878	1 325 539	3 997 417	2 652 407	1 479 303	4 131 709

Financial assets held for trading and other financial assets at fair value through profit or loss at 31 December 2012, include participating units in unit trust and property funds managed by Group entities, in the amounts EUR 66 263 thousand and EUR 316 271 thousand, respectively (EUR 48 005 thousand and EUR 81 774 thousand, respectively, on 31 December 2011).

On 31 December 2012 and 2011 the heading "Financial assets held for trading – debt instruments", includes securities backing the issue of covered bonds with a book value of EUR 128 247 thousand and EUR 118 065 thousand, respectively (Note 24).

On 31 December 2011, the heading "Financial assets at fair value through profit or loss – equity instruments", includes EUR 342 447 thousand, 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 had an option to purchase the equity participation to Caixa, at acquisition cost, capitalised at a Euribor indexed rate. During February 2012, the option matured and there was no buyback from the seller of the referred to shares. On 31 December 2011, 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, S.A. 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 June 2012, and subsequent to the takeover bid made by Camargo Corrêa Group in March 2012, CGD sold to InterCement Austria Holding Gmbh its total equity participation in Cimpor for the global amount of EUR 354 233 thousand, corresponding to a unit value of EUR 5.5 per share, having for this purpose the agreement of Votorantim Cimentos, S.A. under the terms of the shareholders' agreement in force at that date.

At 31 December 2012 and 2011, the heading "Financial assets at fair value through profit or loss" includes EUR 32 986 thousand, relative to an equity investment of 10.5% in the share capital of Sumol + Compal S.A. (EUR 62 616 thousand on 31 December 2011, corresponding to an equity investment of 19.4% of the respective share capital at that date.

During 2012, negotiations between CGD Group and Refrigor considering the sale of the equity investment held by FCR – Grupo CGD (venture capital entity) in the share capital of this company were concluded. Under the terms of this agreement, in September 2012, 8.9% of the share capital of Sumol + Compal was sold to Refrigor for the amount of EUR 28 329 thousand.

Also as a result of this operation, the Group assigned to Refrigor a call option over the remaining equity investment to be exercised until 30 June 2017. The Group also purchased a put option over the Sumol + Compal shares held to be exercised between 30 June 2017 and 31 December 2017.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This heading comprises the following:

	31/12/2012	31/12/2011
Debt instruments		
– Public debt	8 433 884	4 827 809
– Other public issuers	1 206 923	1 044 296
– International financial organisations	59 077	57 390
– Other issuers	8 695 568	8 763 637
	18 395 452	14 693 132
Equity instruments		
– Measured at fair value	1 242 100	1 728 865
– Measured at historical cost	186 406	194 480
	1 428 505	1 923 344
Other instruments	1 457 435	1 107 648
	21 281 393	17 724 124
Impairment (Note 41)		
– Equity instruments	(526 964)	(724 211)
– Debt instruments	(12 794)	(52 629)
– Other instruments	(165 158)	(103 641)
	(704 916)	(880 481)
	20 576 477	**16 843 643**

On 31 December 2012 and 2011, the heading "Debt instruments – Issued by other issuers" includes EUR 2 887 320 thousand and EUR 1 807 981 thousand respectively, relative to bonds issued by Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. under the re-organisation process of liquidity support operations in BPN (Note 6). These bonds are secured by a Portuguese State guarantee.

On 31 December 2012 and 2011 the "Other instruments" heading includes EUR 390 031 thousand and EUR 149 703 thousand, respectively, relative to the subscription of equity investments in vehicles created in the scope of financial assets disposal operations (loans granted to customers). Following the transfer of the referred to assets (to their own company or companies held by the vehicles in which the Group has an equity investment), these assets were derecognised in the balance sheet, since it has been concluded that the requirements set out in IAS 39 were fullfiled in this matter, namely the transfer of a substantial part of the risks and benefits associated with credit operations, as well as their respective control. The vehicle companies in which the Group has a minority shareholding, have management autonomy. In order to ensure the neutrality of the operations as of the settlement date, CGD recognised impairment concerning equity investment in vehicles in the same amount of the expected losses attributed to credit operations and that were reversed in the process of derecognition of these assets in the balance sheet. After their initial recognition, these positions reflect the revaluation of these companies' assets. On 31 December 2012 the Group's exposure is as follows:

	Securities acquired on asset transfer operation			
	Value before impairment	Accumulated impairment	Net	Fair value reserve
Fundo Recuperação, FCR	150 000	(14 608)	135 392	–
Fundo Recuperação Turismo, FCR	41 189	(13 597)	27 593	–
OXI Capital, SCR	600	–	600	–
Flit-Ptrel SIVAC	128 489	(14 663)	113 826	13 936
Discovery Portugal Real Estate Fund	65 416	(15 263)	50 153	–
Vallis Construction Sector	71 715	(9 248)	62 467	–
	457 409	**(67 379)**	**390 031**	**13 936**

In addition to the equity investments held in these vehicles, the Group granted, in certain operations, shareholders' loans and additional payments recorded in the "Other assets" heading whose balance sheet value and impairment was EUR 46 939 thousand and EUR 46 191 thousand, respectively at 31 December 2012.

On 31 December 2012 and 2011, impairment of debt instruments includes EUR 49 thousand and EUR 26 885 thousand respectively, relative to bonds issued by banks domiciled in the Republic of Iceland. The present evolution mainly reflects the utilisation of incurred losses in previous periods, in the amount of EUR 26 838 thousand as a result of the sale of several exposures kept in these assets by Caixa during 2012. At 31 December 2011, it also included EUR 14 629 thousand relative to impairment recognition of sovereign bonds issued by the Republic of Greece. As referred to in detail in Note 44, during the first half 2012, the Group participated in the sovereign debt exchange programme proposed by the Republic of Greece to private investors. As a result of this operation, the bonds held at that date were derecognised from the balance sheet and newly issued bonds were recorded. Also in the scope of the exchange offer, the bonds received in exchange of the bonds initially classified as investments to be held to maturity (Note 12), were recorded as available-for-sale financial assets.

On 31 December 2012, impairment of "Other instruments" includes EUR 2 977 thousand and EUR 4 772 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 3 749 thousand and EUR 3 266 respectively, at 31 December 2011).

On 31 December 2012, 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 381 499 thousand and EUR 118 292 thousand, respectively (EUR 277 860 thousand and EUR 123 183 thousand, respectively at 31 December 2011).

The equity instruments heading includes the following investments:

	31/12/2012							
	Banking	Insurance	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net	Fair value reserve	Effective participating interest (%)
Measured at fair value								
Portugal Telecom, S.A.	476 093	2 642	–	478 735	(271 495)	207 240	16 172	6.16
Galp Energia, SGPS, S.A.	66 302	2 713	–	69 015	–	69 015	(2 315)	0.38
SICAR NovEnergia II	–	–	54 041	54 041	–	54 041	14 470	15.49
Finpro, SGPS, S.A.	–	–	24 692	24 692	–	24 692	2 435	17.16
Redes Energéticas Nacionais, SGPS, S.A.	14 463	240	–	14 703	–	14 703	3 215	1.12
Banco Comercial Português, S.A.	118 643	19 039	–	137 682	(125 561)	12 121	2 263	1.03
La Seda Barcelona, S.A.	52 825	–	–	52 825	(47 986)	4 838	(53)	14.24
EDP – Energias de Portugal, S.A.	3 136	3 145	–	6 281	(1 676)	4 605	451	0.05
EDP Renováveis, S.A.	10	1 398	–	1 408	(434)	974	245	0.00
ZON – Serviços de Telecomunicações e Multimédia, SGPS, S.A.	–	8	–	8	(3)	5	1	0.00
A.Silva & Silva – Imobiliário e Serviços, S.A.	–	–	21 300	21 300	(21 300)	–	–	19.64
Foreign entities' shares	2 461	302 281	16 027	320 768	(38 089)	282 679	7 805	
Other instruments with characteristics of equity	3 183	–	–	3 183	(20)	3 163	–	
Other	25 312	17 896	13 538	56 746	(13 284)	43 462	1 407	
	762 428	349 363	129 598	1 241 389	(519 849)	721 539	46 097	
Measured at historical cost								
Águas de Portugal, S.A.	153 003	–	–	153 003	–	153 003	–	9.69
VAA – Vista Alegre Atlantis, S.A.	4 058	–	711	4 769	(1 178)	3 591	–	4.48
Other	29 084	61	200	29 345	(5 937)	23 408	–	
	186 145	61	911	187 117	(7 115)	180 002	–	
	948 573	**349 424**	**130 508**	**1 428 506**	**(526 964)**	**901 541**	**46 097**	

	31/12/2011							
	Banking	Insurance	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net	Fair value reserve	Effective participating interest (%)
Measured at fair value								
Portugal Telecom, S.A.	459 990	2 688	–	462 678	(216 256)	246 422	(2 588)	6.18
Galp Energia, SGPS, S.A.	158 562	3 094	–	161 657	–	161 657	(14 755)	1.71
ZON – Serviços de Telecomunicações e Multimédia, SGPS, S.A.	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, S.A.	–	–	35 333	35 333	–	35 333	11 516	17.16
Banco Comercial Português, S.A.	123 820	20 239	–	144 059	(115 411)	28 649	228	2.92
La Seda Barcelona, S.A.	48 099	–	2	48 101	(23 445)	24 656	(3 094)	14.24
Brisa – Autoestradas de Portugal, S.A.	63 000	2 497	–	65 497	(41 627)	23 870	(3)	1.56
Redes Energéticas Nacionais, SGPS, S.A.	14 785	246	–	15 032	–	15 032	3 544	1.12
A.Silva & Silva – Imobiliário e Serviços, S.A.	–	–	21 300	21 300	(9 129)	12 171	–	19.64
EDP – Energias de Portugal, S.A.	12 596	5 363	–	17 959	(6 293)	11 665	527	0.13
EDP Renováveis, S.A.	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)	
	1 214 074	358 362	156 428	1 728 865	(715 957)	1 012 907	(11 703)	
Águas de Portugal, S.A.	153 003	–	–	153 003	–	153 003	–	9.69
VAA – Vista Alegre Atlantis, S.A.	4 058	–	622	4 680	(1 178)	3 502	–	4.48
Other	29 210	67	7 520	36 797	(7 076)	29 721	–	
	186 271	67	8 142	194 480	(8 254)	186 226	–	
	1 400 345	**358 428**	**164 570**	**1 923 345**	**(724 211)**	**1 199 133**	**(11 703)**	

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 in 2012 and 2011 comprises the following (Note 41):

	31/12/2012	31/12/2011
Portugal Telecom, SGPS, S.A.	57 470	216 256
La Seda Barcelona, S.A.	24 543	19 034
Banco Comercial Português, S.A.	14 459	81 845
A. Silva & Silva – Imobiliário & Serviços, SA	12 171	9 129
Brisa – Auto Estradas de Portugal, S.A.	295	41 630
ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A.	22	21 777
Instituto da Habitação e da Reabilitação Urbana	–	32 621
Equity Instruments – Insurance Activity	30 111	35 126
Other	3 654	3 538
	142 725	**460 957**

At 31 December 2012 and 2011, the fair value reserve of available-for-sale financial assets comprises the following:

		31/12/2012	31/12/2011
Fair value reserve (Note 30)			
(gross amount before minority interest)			
Debt instruments	i)	(190 280)	(2 604 931)
Equity instruments	ii)		
– Positive fair value		61 096	65 052
– Negative fair value			
. Unrealised loss lower than 20% of acquisition cost		(6 030)	(29 623)
. Unrealised loss between 20% and 30% of acquisition cost		(6 529)	(8 341)
. Unrealised loss between 30% and 40% of acquisition cost		(1 224)	(13 586)
. Unrealised loss between 40% and 50% of acquisition cost		(1 217)	(25 205)
		46 097	(11 703)
Other instruments	iii)	54 007	17 880
	i)+ii)+iii)	(90 175)	(2 598 753)
Deferred tax reserve		59 777	738 453
		(30 398)	(1 860 300)
Balance attributable to minority interest		(1 373)	1 571
		(31 771)	**(1 858 729)**

The changes in the main equity instruments recorded in 2012 and 2011 as "available-for-sale financial assets" were as follows:

BANCO COMERCIAL PORTUGUÊS, S.A. (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 1 600 shares of BCP for each subordinated perpetual security whose nominal value was EUR 1 000. As a result, Caixa recognised a capital loss of EUR 8 265 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.

During 2012, operations involving these securities were as follows:

- Sale of 6 000 000 shares of BCP in March 2013 for a total amount of EUR 981 thousand. As a result, Caixa recorded a capital gain of EUR 165 thousand;
- Acquisition of 140 000 perpetual securities and sale of 154 000 perpetual securities for the total amounts of EUR 76 thousand and EUR thousand, respectively. As a result Caixa recorded a capital loss of EUR 11 thousand (Note 35).

ZON – SERVIÇOS DE TELECOMUNICAÇÕES E MULTIMÉDIA, SGPS, SA (ZON)

In June 2012, Caixa Geral de Depósitos and Fidelidade – Companhia de Seguros, S.A. signed up an agreement with Jadeium B.V. for the sale of 33 181 144 and 215 000 shares of ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. (ZON), respectively, corresponding to 10.805% of the respective share capital, for EUR 2.6 per share.

The completion of that operation and respective ownership transmission took place on 2 July 2012, which was the liquidation date of the price agreed upon by the parties, in the amount of EUR 86 830 thousand. As a result of this operation, the Group recorded in 2012 a capital gain of EUR 10 869 thousand. From this amount, EUR 118 thousand corresponds to the capital gain recorded in the insurance business margin by Fidelidade – Companhia de Seguros, S.A., (Note 35).

GALP ENERGIA, SGPS, S.A. (GALP)

In November 2012, Caixa sold in the stock exchange 8,295,510 shares of Galp, representing 1% of the company's share capital, for EUR 95 232 thousand. As a result of this operation Caixa recognised capital losses of EUR 10 807 thousand (Note 35).

This sale was carried out in the scope of the "tag along" right foreseen in the Consent & Waiver Agreement signed up between CGD, Amorim Energia B.V. and ENI S.p.A. (dated March 2012), since this latter company has decided to sell in market the equity investment held in Galp.

BRISA – AUTO ESTRADAS DE PORTUGAL (BRISA)

As a result of the takeover bid for Brisa's share capital by Tagus Holdings, CGD sold in full to this latter company its equity investment held in Brisa. The price of the transaction was EUR 24 840 thousand, recording a capital gain of EUR 2 115 thousand (Note 35).

PORTUGAL TELECOM, S.G.P.S., S.A. (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).

EDP – ENERGIAS DE PORTUGAL, S.A. (EDP)

During 2011, Parcaixa sold 16 173 184 shares for EUR 55 458 thousand and recognised a capital gain of EUR 5 321 thousand (Note 35).

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).

In 2012, Caixa sold 2 728 914 shares of EDP for EUR 6 230 thousand. As a result of these operations, Caixa recognised a capital gain of EUR 1 143 thousand (Note 35).

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). In 2011, impairment losses recognised as against net income for the period were EUR 32 621 thousand.

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 2.7., 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 period and on fair value reserves is as follows:

Securities reclassified in 2008		
	Financial assets at fair value through other comprehensive income	Loans and advances to customers
Book value of securities reclassified at the date of the reclassification	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
Book value on 31/12/2012	156 972	n.a
Fair value of securities reclassified on 31/12/2012	156 972	n.a
Fair value reserve of securities reclassified on 31/12/2012	(14 612)	n.a
Gains/(losses) associated with the change in the securities' fair value between 31/12/2008 and 31/12/2009		
Unrealised net capital gains recorded as a charge to fair value reserve	6 315	n.a
Impairment losses recorded in period	(6 673)	n.a
Other gains and losses recognised as a charge to net income for the year	(60 758)	n.a
Gains/(losses) associated with the change in the securities' fair value between 31/12/2009 and 31/12/2010		
Unrealised net capital gains recorded as a charge to fair value reserve	57 186	n.a
Impairment losses recorded in period	(52 234)	n.a
Other gains and losses recognised as a charge to net income for the year	(2 247)	n.a
Gains/(losses) associated with the change in the securities' fair value between 31/12/2010 and 31/12/2011		
Unrealised net capital gains recorded as a charge to fair value reserve	(17 620)	n.a
Other gains and losses recognised as a charge to net income for the year	(487)	n.a
Gains/(losses) associated with the change in the securities' fair value between 31/12/2011 and 31/12/2012		
Unrealised net capital gains recorded as a charge to fair value reserve	14 112	n.a
Impairment losses recorded in period	(3 210)	n.a
Other gains and losses recognised as a charge to net income for the year	7 457	n.a

Securities reclassified in 2010		
	Financial assets at fair value through other comprehensive income	Loans and advances to customers
Book value of securities reclassified at the date of the 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
Book value on 31/12/2012	342 668	477 515
Fair value of securities reclassified on 31/12/2012	342 668	490 689
Fair value reserve of securities reclassified on 31/12/2012	(13 902)	n.a
Gains/(losses) associated with the change in securities fair value between reclassification date and 31/12/2010		
Unrealised net capital gains recorded as a charge to fair value reserve	(36 589)	n.a
Gains/(losses) associated with the change in securities fair value between 31/12/2010 date and 31/12/2011		
Unrealised net capital gains 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
Gains/(losses) associated with the change in securities fair value between 31/12/2011 date and 31/12/2012		
Unrealised net capital gains recorded as a charge to fair value reserve	70 581	n.a
Other gains and losses recognised as a charge to net income for the year	604	n.a

The values presented do not reflect tax effect.

"Other gains/(losses) recognised as charge to net income for the period" 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

On 31 December 2012 and 2011, financial assets with repurchase agreement comprised the following:

	31/12/2012	31/12/2011
At fair value through revaluation reserves		
Debt instruments		
– From public issuers:		
. Debt securities	68 576	272 634
. Bonds of other public issuers:		
. Foreign	–	58 130
– From other issuers:		
. Bonds and other securities:		
Non-residents	435 584	447 190
	504 160	**777 954**

During 2012 and in 2011, 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 2012 and 2011 comprise the following:

	31/12/2012	31/12/2011
Unit-linked investments:		
– Debt instruments	1 033 457	509 211
– Equity instruments	18 154	20 615
– Other	14	18
Derivatives		
– Positive fair value	459	5 765
– Negative fair value		
Loans and advances to credit institutions	96 142	49 270
	1 148 225	584 879
Liability to subscribers of unit-linked products	**1 148 225**	**584 879**

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 2012 and 2011, these operations were valued in accordance with the criteria explained in Note 2.7. c). The notional and book values of these operations on the above mentioned dates were as follows:

	31/12/2012							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading (Note 7)	Liabilities held for trading	Hedging derivatives - Assets	Hedging derivatives - Liabilities	Total
Forward foreign exchange transactions								
Foreign exchange				1 716	(6 693)	–	–	(4 977)
Purchase	436 162	–	436 162					
Sale	570 372	–	570 372					
NDF's (Non Deliverable Forward)				30	(22)	–	–	8
Purchase	25 814	–	25 814					
Sale	7 362	–	7 362					
NDF's (Non Deliverable Forward)	5 000	–	5 000	75	–	–	–	75
Swaps								
Currency swaps				601	(29 723)	–	–	(29 122)
Purchase	2 221 628	–	2 221 628					
Sale	2 249 998	–	2 249 998					
Interest rate swaps e cross currency interest rate swaps				1 609 317	(1 673 941)	98 725	(84 479)	(50 378)
Purchase	62 713 285	825 215	63 538 500					
Sale	62 690 615	811 026	63 501 640					
Credit default swaps				4 871	(11 726)	–	–	(6 855)
Purchase	164 740	–	164 740					
Sale	81 844	–	81 844					
Futures								
Currency				–	–	–	–	–
Long positions	–	–	–					
Short positions	–	–	–					
Interest rate				–	–	–	–	–
Long positions	(3 276)	–	(3 276)					
Short positions	3 597 857	–	3 597 857					
Shares and indexes				–	(9)	–	–	(9)
Long positions	4 759	–	4 759					
Short positions	6 812	–	6 812					
Other				–	–	–	–	–
Traded on behalf of customers								
Long positions	(170 307)	–	(170 307)					
Short positions	274 558	–	274 558					
Options								
Currency				517	(334)	–	–	184
Purchase	23 430	–	23 430					
Sale	953	–	953					
Shares and indexes				282 882	(286 505)	–	–	(3 623)
Purchase	–	–	–					
Sale	–	–	–					
Interest rates (Caps & Floors)				181 720	(189 322)	–	–	(7 602)
Purchase	747 261	–	747 261					
Sale	771 727	–	771 727					
Other				–	–	–	–	–
Purchase	–	–	–					
Sale	–	–	–					
Other	–	–	–	833	(17 149)	–	–	(16 317)
	136 420 595	1 636 241	138 056 835	2 082 561	(2 215 425)	98 725	(84 479)	(118 617)

	31/12/2011							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading (Note 7)	Liabilities held for trading	Hedging derivatives		Total
						Assets	Liabilities	
Forward foreign exchange transactions								
Foreign exchange				3 505	(3 187)	–	–	319
Purchase	335 753	–	335 753					
Sale	346 410	–	346 410					
FRA (forward rate agreements)	5 000	–	5 000	36	–	–	–	36
Swaps								
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	242 743	–	242 743					
Sale	158 200	–	158 200					
Futures								
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 and indexes				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					
Options								
Currency				2 682	(1 981)	–	–	701
Purchase	1 055	–	1 055					
Sale	1 055	–	1 055					
Shares and indexes				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	–	–	–					
	137 091 617	2 072 595	139 164 213	1 975 930	(1 918 488)	108 129	(93 072)	72 499

On 31 December 2012, the "Liabilities held for trading" heading, also includes EUR 2 582 thousand relative to liabilities arising from loan operations of equity instruments from the Group's portfolio, which were settled in January 2013.

The Group's derivative transactions at 31 December 2012 and 2011, by residual terms to maturity, are as follows:

	31/12/2012					
	≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total
Forward foreign exchange transactions						
Foreign exchange						
Purchase	205 162	63 533	149 378	18 088	–	436 162
Sale	322 872	77 834	151 578	18 088	–	570 372
NDF's (Non Deliverable Forward)						
Purchase	25 814	–	–	–	–	25 814
Sale	7 362	–	–	–	–	7 362
FRA (forward rate agreements)	–	–	–	5 000	–	5 000
Swaps						
Currency swaps						
Purchase	1 850 225	150 820	189 362	31 532	–	2 221 940
Sale	1 852 202	175 017	191 885	30 582	–	2 249 686
Interest rate swaps and cross currency interest rate swaps						
Purchase	5 438 832	4 623 083	7 709 359	24 345 228	21 421 997	63 538 500
Sale	5 410 909	4 621 320	7 739 113	24 304 671	21 425 627	63 501 640
Credit default swaps						
Purchase	–	–	54 106	110 634	–	164 740
Sale	–	–	–	81 844	–	81 844
Futures						
Currency						
Long positions	–	–	–	–	–	–
Short positions	–	–	–	–	–	–
Interest rate						
Long positions	(3 276)	–	–	–	–	(3 276)
Short positions	1 466 191	99 628	2 032 038	–	–	3 597 857
Shares and indexes						
Long positions	4 759	–	–	–	–	4 759
Short positions	6 812	–	–	–	–	6 812
Other						
. Traded on behalf of customers						
Long positions	(68 345)	(23 350)	(74 884)	(3 728)	–	(170 307)
Short positions	108 007	33 401	129 422	3 728	–	274 558
Options						
Currency						
Purchase	23 038	392	–	–	–	23 430
Sale	568	385	–	–	–	953
Interest rates (Caps & Floors)						
Purchase	–	–	131 383	233 570	382 308	747 261
Sale	–	–	141 250	243 719	386 758	771 727
	16 651 135	**9 822 063**	**18 543 991**	**49 422 956**	**43 616 691**	**138 056 835**

	31/12/2011					
	≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total
Forward foreign exchange transactions						
Foreign exchange						
Purchase	238 650	24 076	3 167	69 860	–	335 753
Sale	265 183	28 136	2 731	50 360	–	346 410
FRA (forward rate agreements)	–	–	–	5 000	–	5 000
Swaps						
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	–	60 000	–	144 100	38 643	242 743
Sale	19 321	25 000	30 914	44 321	38 643	158 200
Futures						
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 and indexes						
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
Options						
Currency						
Purchase	1 055	–	–	–	–	1 055
Sale	1 055	–	–	–	–	1 055
Interest rates (Caps & Floors)						
Purchase	–	–	–	384 702	384 472	769 174
Sale	–	–	–	405 623	387 415	793 037
	16 590 391	13 683 634	18 904 770	56 748 001	33 237 416	139 164 213

The Group's derivative transactions at 31 December 2012 and 2011, by type of counterparty, are as follows:

	31/12/2012		31/12/2011	
	Notional value	Book value	Notional value	Book value
Forward foreign exchange transactions				
Foreign exchange				
Financial institutions	777 909	(4 841)	342 195	685
Customers	228 625	(136)	339 968	(366)
	1 006 534	(4 977)	682 163	319
NDF's (Non Deliverable Forward)				
Customers	33 176	8	–	–
	33 176	8	–	–
FRA (forward rate agreements)				
Financial institutions	5 000	75	5 000	36
	5 000	75	5 000	36
Swaps				
Currency swaps				
Financial institutions	4 456 152	(29 185)	4 275 705	32 073
Customers	15 475	63	25 111	1 113
	4 471 626	(29 122)	4 300 816	33 186
Interest rate swaps and cross currency interest rate swaps				
Financial institutions	117 092 906	(781 712)	110 116 123	(473 441)
Customers	9 947 233	731 334	20 481 828	537 171
	127 040 140	(50 378)	130 597 951	63 730
Credit default swaps				
Financial institutions	246 584	(5 038)	400 943	(9 544)
Customers	–	(1 817)	–	–
	246 584	(6 855)	400 943	(9 544)
Futures				
Currency				
Customers	–	–	78 819	–
Stock exchange	–	–	–	–
	–	–	78 819	–

	31/12/2012		31/12/2011	
	Notional value	Book value	Notional value	Book value
Interest rate				
Financial institutions	14 124	–	–	–
Customers	–	–	26 414	–
Stock exchange	3 580 457	–	1 181 510	–
	3 594 581	–	1 207 924	–
Shares and indexes				
Financial institutions	5 931	–	3 667	–
Customers	5 287	–	–	–
Stock exchange	354	(9)	6 410	19
	11 572	(9)	10 077	19
Other				
Financial institutions	104 251	–	–	–
Stock exchange	–	–	316 199	–
	104 251	–	316 199	–
Options				
Currency				
Financial institutions	22 470	4 349	–	11 027
Stock exchange	–	–	–	562
Customers	1 913	(7 789)	2 110	(15 613)
	24 383	(3 440)	2 110	(4 024)
Caps & Floors				
Financial institutions	300 000	(30 545)	994 872	12 038
Customers	1 218 989	22 943	567 339	(21 146)
	1 518 989	(7 602)	1 562 211	(9 109)
Other				
Financial institutions	–	(12 512)	–	1 501
Customers	–	(3 804)	–	(3 616)
	–	(16 317)	–	(2 114)
	138 056 835	**(118 617)**	**139 164 213**	**72 499**

12. HELD TO MATURITY INVESTMENTS

At 31 December 2012 and 2011, this heading comprises the following:

	31/12/2012	31/12/2011
Debt instruments		
– Public debt	1 856 962	1 818 396
– Other public issuers	45 697	341 950
– Other issuers		
Other residents	250 688	366 944
Other non-residents	315 931	430 124
	2 469 277	2 957 414
Impairment (Note 41)	–	(120 035)
	2 469 277	**2 837 379**

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:

	Domestic public debt securities	Securities from foreign public issuers	Securities from other issuers	Total
At reclassification date				
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%		
At 31 December 2011				
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 would have been recognised				
as a charge to shareholders' equity				
if there had been no reclassification	(341 669)	(12 280)	(57 176)	(411 125)
At 31 December 2012				
Book value	1 856 962	45 697	566 619	2 469 277
Fair value	2 067 765	46 862	568 278	2 682 904
Gain / (losses) that would have been recognised				
as a charge to shareholders' equity				
if there had been no reclassification	210 803	1 165	1 659	213 627

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 period" heading in 2012 and in 2011 related to reclassified securities (excluding the tax effect), are as follows:

Impact in net income for 2012, of which:	
Interest and similar income and costs	128 762
Impairment for the year	(49 556)
Other	(2 175)
	77 031

Impact in net income for 2011, of which:	
Interest and similar income and costs	141 923
Impairment for the year	(120 035)
Foreign exchange income	4
Other	1 136
	23 026

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 is 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).

As to the decision made by the Group in accepting the conditions set out in the Greek sovereign debt exchange programme, as referred to in detail in Note 44, and after assessing the effective value of losses resulting from this operation, in 2012, the Group recognised additional impairment losses of EUR 49 556 thousand in securities classified as held to maturity investments, recorded as a charge to the reversal of the provision recorded for that purpose in 2011, in the heading "provisions for other risks and charges" (Note 25). Also following this exchange programme, the Group derecognised these assets in its balance sheet and recognised the new issues, which were recorded in the available-for-sale category (Note 8).

13.
LOANS AND ADVANCES TO CUSTOMERS

This heading comprises the following:

	31/12/2012	31/12/2011
Domestic and foreign loans		
Loans	54 465 304	56 887 363
Current account loans	3 600 117	4 170 807
Other	6 596 169	7 793 675
Other loans and amounts receivable – securitised		
. Commercial Paper	4 068 736	3 293 879
. Other	1 652 951	1 489 151
Property leasing operations	1 572 185	1 691 124
Discounts and other loans secured by bills	587 862	604 186
Purchase operations with resale agreement	133 995	97 865
Equipment leasing operations	886 570	1 135 854
Loans taken – factoring	205 787	430 413
Overdrafts	403 759	397 845
	74 173 436	**77 992 162**
Adjustment to assets under hedging operations	1 316	1 443
Accrued interest	284 001	414 236
Deferred income, commissions and other cost and income associated with amortised cost	(69 526)	805
	74 389 226	78 408 646
Overdue loans and interest	4 513 268	3 222 225
	78 902 494	81 630 871
Impairment (Note 41)	(4 189 393)	(3 383 246)
	74 713 101	**78 247 625**

The "Domestic and foreign – other loans" heading at 31 December 2012 and 2011 includes EUR 88 531 thousand and EUR 86 366 thousand, respectively, relating to mortgage and personal loans granted by CGD to its employees.

At December 2012 and 2011, the heading "Purchase operations with resale agreement" refers only to contracts settled with Caixa Geral de Depósitos' Pension Fund.

At 31 December 2012 and 2011, the heading "Loans" includes EUR 381 667 thousand and EUR 792 953 thousand, respectively, relative to credit granted by Caixa to Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. (Notes 6 and 8). These loans are collaterised by pledges and mortgages on the assets of the referred to vehicles. Following the reprivatisation process of BPN concluded in March 2012, the ownership of these companies was transferred to the Portuguese state.

The state also assumed, at that date, the liability resulting from BPN's commercial paper programme subscribed by Caixa for the amount of EUR 1 000 000 thousand, formalised through the transmission of the contractual position between the bank and Parvalorem. At 31 December 2012, this operation is recognised In the "Other loans and amounts receivable – securitised – commercial paper" heading.

The heading "Loans" at 31 December 2012 and 2011, includes mortgage and consumer loans ceded by Caixa in securitisation operations. The changes in these loans in 2012 and 2011 were as follows:

	Nostrum Mortgages no.1	Nostrum Mortgages no.2	Total
Balances at 31/12/2010	**476 584**	**5 280 725**	**5 757 309**
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)
Balances at 31/12/2011 (Notes 9 and 36)	**429 069**	**5 055 709**	**5 484 778**
Sale of new loans	656	22 467	23 123
Payments	(39 377)	(144 783)	(184 160)
Repurchase operations	–	(41 508)	(41 508)
Other	(656)	750	94
Balances at 31/12/2012 (Notes 9 and 36)	**389 692**	**4 892 634**	**5 282 326**

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 342 891 thousand and EUR 402 830 thousand, respectively, at 31 December 2012 and 2011 (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.

The heading "Loans" at 31 December 2012 and 2011 includes mortgage loans associated with the issue of covered bonds with a book value of EUR 10 932 732 thousand and EUR 12 167 353 thousand, respectively, as well as loans associated with the issue of bonds on the public sector whose book value is EUR 1 418 068 thousand and EUR 1 620 035 thousand, respectively (Note 24).

In addition, at 31 December 2012 and 2011, the autonomous pool of assets allocated to the issue of covered bonds also included debt securities with a book value of EUR 128 247 thousand and EUR 118 065 thousand, respectively (Note 7).

At 31 December 2012 and 2011, the aging of "Overdue loans and interest" was as follows:

	31/12/2012	31/12/2011
Up to three months	345 605	316 427
Three to six months	206 233	202 934
Six months to one year	769 278	481 765
One to three years	1 628 158	931 223
Over three years	1 563 995	1 289 875
	4 513 268	**3 222 225**

Loans and advances to customers at 31 December 2012 and 2011, except adjustments to the value of assets under hedging operations, by business sector, are made up as follows:

	31/12/2012								
	Central and local government			Companies and individuals			Total		
	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total
Companies									
Agriculture, cattle breeding, hunting and forestry	–	–	–	421 181	24 261	445 442	421 181	24 261	445 442
Mining industries	–	–	–	164 235	9 917	174 152	164 235	9 917	174 152
Manufacturing industries									
Food, beverages and tobacco	–	–	–	855 354	64 741	920 094	855 354	64 741	920 094
Textiles	–	–	–	249 889	53 455	303 344	249 889	53 455	303 344
Leather and by-products	–	–	–	58 687	4 960	63 647	58 687	4 960	63 647
Wood and cork	–	–	–	181 850	25 955	207 806	181 850	25 955	207 806
Pulp, paper, printing and publishing	–	–	–	210 096	10 544	220 641	210 096	10 544	220 641
Coal, oil products and nuclear fuel	–	–	–	461 730	138	461 868	461 730	138	461 868
Chemical products and synthetic or artificial fibres	–	–	–	311 507	4 548	316 056	311 507	4 548	316 056
Rubber and plastic goods	–	–	–	116 922	8 005	124 927	116 922	8 005	124 927
Non-metallic mineral products	–	–	–	300 785	36 592	337 378	300 785	36 592	337 378
Basic metallurgy industries and metallic products	–	–	–	445 849	39 670	485 519	445 849	39 670	485 519

	31/12/2012								
	Central and local government			Companies and individuals			Total		
	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total
Machinery and equipment	–	–	–	91 148	6 073	97 220	91 148	6 073	97 220
Electrical and optical equipment	–	–	–	168 541	2 345	170 886	168 541	2 345	170 886
Transport equipment	443	–	443	62 996	5 301	68 297	63 439	5 301	68 741
Miscellaneous manufacturing industries	–		–	268 765	28 731	297 496	268 765	28 731	297 496
Electricity, water and gas	14 462	730	15 193	1 628 384	10 028	1 638 412	1 642 847	10 758	1 653 605
Building	41 669	875	42 544	4 585 350	987 541	5 572 891	4 627 019	988 416	5 615 435
Wholesale/retail trade and repair of cars, motorcycles and personal and domestic goods	47	–	47	2 954 069	315 241	3 269 310	2 954 115	315 241	3 269 356
Restaurants and hotels	159	–	159	1 104 148	93 888	1 198 035	1 104 307	93 888	1 198 195
Transports, warehousing and communications	87 512	–	87 512	2 185 807	141 223	2 327 030	2 273 319	141 223	2 414 542
Financial activities	96 594	–	96 594	7 819 840	257 082	8 076 922	7 916 434	257 082	8 173 515
Real estate activities	11 664	–	11 664	3 065 731	695 224	3 760 955	3 077 395	695 224	3 772 619
Other activities	1 350 180	–	1 350 180	2 148 525	98 937	2 247 462	3 498 705	98 937	3 597 643
Public administration, defence and mandatory social security contributions	2 733 703	89 533	2 823 236	150 979	2 106	153 084	2 884 681	91 638	2 976 320
Education	4 479	0	4 480	195 872	3 711	199 583	200 352	3 711	204 063
Healthcare and welfare	25 153	6 545	31 698	602 630	65 245	667 874	627 782	71 790	699 572
Other activities and social and personal services	69 822	360	70 182	1 741 108	179 644	1 920 752	1 810 930	180 003	1 990 934
Families with domestic employees	–	–	–	255	99	353	255	99	353
International entities and other institutions	35	–	35	307	32	339	342	32	374
	4 435 921	98 044	4 533 965	32 552 540	3 175 236	35 727 776	36 988 462	3 273 280	40 261 742
Individuals									
Housing	–	–	–	35 303 344	1 083 330	36 386 674	35 303 344	1 083 330	36 386 674
Other	–	–	–	2 096 104	156 658	2 252 762	2 096 104	156 658	2 252 762
	–	–	–	37 399 449	1 239 988	38 639 437	37 399 449	1 239 988	38 639 437
	4 435 921	**98 044**	**4 533 965**	**69 951 989**	**4 415 224**	**74 367 213**	**74 387 910**	**4 513 268**	**78 901 178**

	31/12/2011								
	Central and local government			Companies and individuals			Total		
	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total
Companies									
Agriculture, cattle breeding, hunting and forestry	–	–	–	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 (*)	97 821	–	97 821	7 633 059	134 746	7 767 805	7 730 880	134 746	7 865 625
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 (*)	740 793	89	740 882	2 274 626	77 189	2 351 815	3 015 419	77 278	3 092 696
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 welfare	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
	4 303 446	86 556	4 390 002	35 081 845	2 009 056	37 090 902	39 385 291	2 095 612	41 480 903
Individuals									
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
	–	–	–	39 021 912	1 126 613	40 148 525	39 021 912	1 126 613	40 148 525
	4 303 446	**86 556**	**4 390 002**	**74 103 757**	**3 135 669**	**77 239 427**	**78 407 203**	**3 222 225**	**81 629 428**

(*) For comparatibility purposes, at Dez/11, loans to Parvalorem and Parups, in the amount of EUR 696,626 thousand, which were classified as "Financial activities" were reclassified to "Other activities".

14. NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2012 and 2011, this heading comprised the following:

	31/12/2012	31/12/2011
ASSETS		
Property and equipment	824 911	576 859
Subsidiaries – HPP – Hospitais Privados de Portugal	87 579	–
	912 491	576 859
Impairment on property and equipment (Note 41)	(234 867)	(103 374)
	677 623	473 485
LIABILITIES		
Subsidiaries – HPP – Hospitais Privados de Portugal	100 746	–
	100 746	**–**

The headings "Non-current assets and liabilities held for sale – Subsidiaries" at 31 December 2012, correspond to the aggregated value of the assets and liabilities of HPP – Hospitais Privados de Portugal, SGPS, S.A (HPP). These balances were aggregated and recorded in this heading, pursuant to the dispositions of IFRS 5, after starting the procedures for the disposal of this business area. The sale process of the healthcare business area resulted from the rationalisation goal of CGD's structure along with the concentration of its banking business activities (core segment) in line with the guidelines defined by the shareholder state.

The sale of the HPP to the healthcare Brazilian Group Amil for the total amount of EUR 85 600 thousand was concluded in March 2013 after completion of the administrative requirements and after obtaining the regulatory approvals the transaction is subject to. This amount which will be reduced by the total debt of these units can potentially be increased by EUR 6 000 thousand depending on the achievement of a set of objectives. As a result of this transaction, the Group will recognise in the first quarter 2013, capital gains for the amount of EUR 40 000 thousand, approximately.

The book value (without fair value allocations and after adjustments inherent to the consolidation process), of the main HPP's assets and liabilities categories, at 31 December 2012, is as follows:

	31/12/2012
Non-current assets held for sale	
Customers	40 798
Tangible assets	30 383
Cash and cash equivalents	7 189
Inventories	5 311
Other assets	3 898
	87 579
Non-current liabilities held for sale	
Loans	56 112
Suppliers and other creditors	39 204
Other liabilities	5 430
	100 746
Equity	(13 167)

In addition, it was proved necessary to review the presentation of results generated by this business unit, which are evidenced, on a single line, in the income statement as "Results in subsidiaries held for sale". Consolidated income statement and the statement of comprehensive income for the presented comparative period (31 December 2011) were restated in order to comply with the provisions of IFRS 5. At 31 December 2012 and in 2011, the main categories contributing to the calculation of HPP results (without fair value allocations and after adjustments inherent to the consolidation process) comprise the following:

	31/12/2012	31/12/2011
Income		
Sales and services rendered	159 932	144 241
Other	1 673	12 957
	161 605	157 198
Expenses		
Cost of goods sold and material used	32 335	32 980
Other administrative costs	13 661	14 618
Staff costs	72 347	56 441
Depreciation and amortisation of tangible and intangible assets	50 581	56 452
Interest and similar costs	(595)	19 639
Impairment, net of reversals	2 337	2 731
Other	15 139	2 828
	185 805	185 690
Income tax	(1 557)	9 461
NET INCOME	**(22 643)**	**(37 953)**

As explained in Note 2.8, the Group records in this heading, property and other assets obtained in the recovery of credit.

Entries in these assets during 2021 and 2011 were as follows:

	Balances at 31/12/2011							Balances at 31/12/2012	
	Gross value	Accumulated impairment	Changes in consolidation perimeter	Additions	Sales and write-offs	Other transfers and adjustments	Impairment (Note 41)	Gross value	Accumulated impairment
Non-current assets held for sale									
Property	572 584	(101 671)	20 198	336 396	(112 375)	24 112	(156 487)	815 921	(233 165)
Other	4 274	(1 703)	–	14 473	(8 705)	(1 053)	–	8 990	(1 703)
	576 859	**(103 374)**	**20 198**	**350 869**	**(121 080)**	**23 059**	**(156 487)**	**824 911**	**(234 867)**

	Balances at 31/12/2010						Balances at 31/12/2011	
	Gross value	Accumulated impairment	Additions	Sales and write-offs	Other transfers and adjustments	Impairment (Note 41)	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)**

In 2012 and 2011, net losses on the sale of non-current assets were EUR 12 413 thousand and EUR 7 998 thousand, respectively (Note 36).

15. INVESTMENT PROPERTY

In 2012 and 2011, this heading comprises the following:

Balances at 31/12/2010	**396 441**
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)
Balances at 31/12/2011	**459 088**
Changes in consolidation perimeter	82 488
Acquisitions	20 075
Revaluations	(10 750)
Sales	(6 868)
Transfers to tangible assets and non-current assets held for sale	(2 456)
Other	(7 340)
Balances at 31/12/2012	**534 238**

As referred to in Note 2.9, 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, except for assets allocated to insurance contracts which are recorded as against the technical margin of the insurance business.

In 2012, the item "Changes in consolidation perimeter" fully refers to the incorporation Cibergradual – Investimentos Imobiliários, S.A., in the scope of the partial restructuring framework agreement of the financial debt of Chamartin Group with CGD.

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 referred to in b) 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 2012 and 2011, the changes in "Other tangible assets" (net) were as follows:

	Balances at 31/12/2011										Balances at 31/12/2012	
	Gross value	Accumulated depreciation and impairment losses	Changes in consolidation perimeter	Additions	Exchange differences	Transfers	Other transfers and adjustments	Depreciation for the year	Impairment losses, net of reversals, for the year	Sales and write-offs	Gross value	Accumulated depreciation and impairment losses
Premises for own use												
Land	171 251	–	–	2	(84)	–	(1 380)	–	–	(196)	169 594	–
Buildings	723 352	(262 592)	–	1 600	(4 753)	53 472	(1 915)	(18 006)	(3 298)	(48 381)	720 535	(281 056)
Leasehold improvements	164 694	(85 398)	–	2 306	(2 180)	34 381	(23 843)	(12 224)	–	(2 592)	167 503	(92 359)
Other premises	80	(6)	–	–	–	–	–	–	–	6	80	–
Equipment												
Fittings and office equipment	109 212	(100 739)	225	2 095	(437)	(614)	(896)	(5 157)	–	(194)	106 742	(103 247)
Machinery and tools	38 347	(30 097)	–	795	(129)	80	(618)	(2 527)	–	158	39 001	(32 992)
Computer equipment	169 016	(139 900)	397	8 199	(875)	2 991	6 248	(16 628)	–	(130)	187 772	(158 454)
Indoor facilities	308 457	(245 320)	178	3 330	(309)	50 451	(2 151)	(18 102)	197	20	358 908	(262 157)
Transport material	13 663	(6 982)	72	2 242	(285)	355	(444)	(2 043)	–	(895)	13 901	(8 218)
Safety/security equipment	42 433	(30 412)	–	2 397	(300)	451	136	(3 807)	–	(3)	44 911	(34 016)
Other equipment	203 449	(68 260)	–	918	(60)	124	(7 716)	(24 653)	(15)	474	156 244	(51 983)
Assets under finance lease	169 762	(94 792)	–	490	19	(106)	(18 425)	(11 233)	–	–	113 520	(67 805)
Other tangible assets	15 343	(8 723)	–	28	(19)	74	(538)	(829)	–	–	13 720	(8 384)
Tangible assets in progress	98 016	–	–	31 543	(936)	(141 659)	67 950	–	–	(2 075)	52 840	–
	2 227 077	**(1 073 221)**	**872**	**55 945**	**(10 348)**	**–**	**16 408**	**(115 209)**	**(3 116)**	**(53 808)**	**2 145 270**	**(1 100 671)**

	Balances at 31/12/2010										Balances 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	Impairment losses, net of reversals, for the year	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)**

Accumulated impairment of other tangible assets at 31 December 2012 and 2011 amounted to EUR 14 026 thousand and EUR 11 068 thousand, respectively (Note 41).

The columns "Depreciation for the year" in the table of changes in "other tangible assets" for 2011 include EUR 11 726 thousand reclassified to "Results in subsidiaries held for sale" in the income statement of the referred to period, arising from the transfer of assets and liabilities of HPP Saúde to the non-current assets and liabilities held for sale categories.

17.
INTANGIBLE ASSETS

The changes in this heading in 2012 and 2011 were as follows:

	Balances at 31/12/2011									Balances at 31/12/2012	
	Gross value	Accumulated depreciation	Changes in consolidation perimeter	Additions	Net disposals	Other transfers and adjustments	Exchange differences	Depreciation for the year	Impairment losses (Note 41)	Gross value	Accumulated depreciation
Goodwill											
Fidelidade – Companhia de Seguros (ex – Império Bonança)	146 707	–	–	–	–	–	–	–	–	146 707	–
CGD Investimentos CVC	–	–	–	42 645	–	–	–	–	–	42 645	–
Banco Caixa Geral Totta Angola	24 531	–	–	–	–	–	–	–	–	24 531	–
Value-in-force – Império Bonança (Note 2.16 n))	46 386	(31 594)	–	–	–	–	–	(7 800)	–	46 386	(39 394)
Software	766 281	(621 760)	(805)	11 610	(7 603)	36 828	(2 184)	(61 880)	–	805 178	(684 690)
Other intangible assets	41 240	(18 417)	(3 678)	10 798	(576)	151	16	(621)	(238)	31 726	(3 054)
Intangible assets in progress	48 715	–	(492)	38 258	(72)	(42 319)	(214)	–	–	43 876	–
	1 073 860	**(671 772)**	**(4 975)**	**103 311**	**(8 252)**	**(5 340)**	**(2 382)**	**(70 301)**	**(238)**	**1 141 049**	**(727 138)**

	Balances at 31/12/2010									Balances at 31/12/2011	
	Gross value	Accumulated depreciation	Changes in consolidation perimeter	Additions	Net disposals	Other transfers and adjustments	Exchange differences	Depreciation for the year	Impairment losses (Note 41)	Gross value	Accumulated depreciation
Goodwill											
Império Bonança	146 707	–	–	–	–	–	–	–	–	146 707	–
Banco Caixa Geral Totta Angola	24 531	–	–	–	–	–	–	–	–	24 531	–
Value-in-force – Império Bonança (Note 2.16 n))	46 386	(24 739)	–	–	–	–	–	(6 855)	–	46 386	(31 594)
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	–
	996 476	**(577 090)**	**(91)**	**85 600**	**(528)**	**(326)**	**(3 606)**	**(87 279)**	**(11 069)**	**1 073 860**	**(671 772)**

Intangible assets in progress at 31 December 2012 and 2011 refer essentially to costs incurred with the development of computer software, which had not yet started operating on those dates.

The columns "Amortisation for the year" and "impairment recognised in the period" in the table of changes in "other intangible assets" for 2011 include EUR 2 892 thousand and EUR 11 069 thousand reclassified to "Results in subsidiaries held for sale" in the income statement for the referred to period, arising from the transfer of assets and liabilities of HPP Saúde to the non-current assets and liabilities held for sale categories.

At 31 December 2012 and 2011, accumulated impairment of intangible assets amounted to EUR 1 196 thousand and EUR 12 027 thousand, respectively (Note 41).

GOODWILL – CGD INVESTIMENTOS CVC

As detailed in Note 3, in 2012 Caixa acquired to Banif Group, the total share capital of Banif Corretora de Valores e Câmbio, S.A., meanwhile renamed CGD Investimentos Corretora de Valores e Câmbio, S.A. (CGD Investimentos CVC).

The acquisition comprised the following steps:

- Acquisition of 70% of the share capital of Banif CVC by CGD Participações em Instituições Financeiras in April 2012, based on the provisions foreseen in the "Investment and the shares sale-purchase agreement" signed up between the parts in 2 June 2010 and subsequent amendments, and after administrative and legal authorisations for its implementation have been obtained;

- Purchase of the remainder 30% of the company's share capital in June 2012 through the exercise of the call option granted to CGD Group under the terms of the operation agreement.

The following table presents the calculation of goodwill recognised in the Group's financial statements, concerning the referred to operation:

	Book value (*)	Other adjustments (**)	Book value after adjustments
Cash and cash equivalents at other credit institutions	60 827	–	60 827
Investments in securities and derivative contracts	27 340	–	27 340
Liabilities on trading operations and other transactions in behalf clients, net of amounts receivable	(62 953)	–	(62 953)
Tangible assets	685	–	685
Intangible assets	1 294	–	1 294
Other assets and liabilities, net	(18 038)	–	(18 038)
Net assets – CGD Investimentos CVC [1]	9 154	17 865	27 019
Investment cost of the equity participation acquired (70% of CGD Investimentos CVC share capital)			48 055
Book value of minority interest at acquisition date			21 609
Cost allocated to net assets of CGD Investimentos CVC [2]			69 664
Goodwill [2-1]			**42 645**

(*) Book value as of 31/12/2011

(**) Book value adjustments between 31 December 2011 and the acquisition date relevant for the goodwill computation includes the share capital increase of CGD Investimentos CVC approved by the shareholders general meeting of 8 February 2012 in the amount of BRL 47 500 thousand (which corresponds approximately to EUR 18 400 thousand).

The contribution of CGD Investimentos CVC for the Group's results in 2012 was negative in EUR 2 592 thousand (Note 30). If this company had been included in the consolidation perimeter on 1 January 2012 the referred to contribution would have reached a loss of EUR 2 970 thousand.

GOODWILL – FIDELIDADE – COMPANHIA DE SEGUROS (FORMER IMPÉRIO BONANÇA)

The goodwill of Fidelidade-Companhia de Seguros, S.A. stems from Império Bonança – Companhia de Seguros, S.A., upon the acquisition in 2005 of the total share capital of Império Bonança, SGPS, S.A., which owned the following companies:

- Império Bonança – Companhia de Seguros, S.A.;

- Seguro Direto Gere – Companhia de Seguros, S.A.;

- Impergesto – Assistência e Serviços, S.A.;

- Servicomercial – Consultoria e Informática, Lda..

In authorising this operation, the Competition Authority required the equity participation of Caixa Seguros in Seguro Direto Gere – Companhia de Seguros, S.A. to be sold, which occurred in 2005.

The insurance area also liquidated companies Impergesto – Assistência e Serviços, S.A. in 2006 and Servicomercial – Consultoria e Informática, Lda. in 2008. It also merged Império Bonança, SGPS, S.A. into Caixa Seguros e Saúde, in 2008 and so Império Bonança – Companhia de Seguros, S.A. became a wholly owned subsidiary.

At 31 December 2012, the goodwill of Fidelidade was subject to impairment testing based on independent evaluations for that effect.

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 method 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.

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.

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.

PROJECTION PERIOD

The 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. The restructuring started in 2005 was finished in 2012 and it produced the merger by absorption of Companhia na Fidelidade – Mundial, later denominated Fidelidade – Companhia de Seguros.

It is indeed a structural concentration and, for this reason, it is appropriate to consider a valuation perid that goes to 2022, plus a residual value.

MACROECONOMIC ASSUMPTIONS

The main macroeconomic assumptions considered in the projections were:

MACROECONOMIC ASSUMPTIONS	2013P	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P
Inflation rate	0.80%	1.20%	1.30%	1.46%	1.55%	1.65%	1.75%	1.85%	2.00%	2.25%
Real GDP growth	-1.90%	0.80%	1.80%	1.80%	1.78%	1.90%	2.00%	2.00%	2.00%	2.00%
Income tax										
Nominal tax rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Municipal surtax (Derrama municipal)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
State surtax [> 1.5 Meuros e ≤ 7.5 Meuros]	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
State surtax [> 7.5 Meuros]	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

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 6 years the following discount rates had been used:

	2013P	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P
Shareholders' equity cost	12.7%	12.4%	12.1%	11.7%	11.4%	11.1%	11.1%	11.1%	11.1%	11.1%

ASSUMPTIONS

- **Risk-free interest rate:** The risk-free interest rate considered ranges between 6.7% and 5.0%, calculated in compliance with the average yield rates of Treasury Bonds, in order to incorporate the current situation of the markets and the medium-long term funding level deemed sustainable for the Portuguese economy.

  Considering that the current macroeconomic conditions in the Eurozone incorporate an important withdrawal effect of investors from sovereign debt securities of the European peripheral countries, it is understood that the estimated current references for the risk-free interest rate should not be used as proxy for a discount rate to be considered during the entire period of the company's valuation.

  Therefore, it was assumed that rates of return required to Portugal's sovereign issues will converge to around 5.0% over a period of 6 years.

- **Market risk premium:** A 5.5% rate was assumed corresponding to a risk premium used in mature markets.

- **Beta:** The approach to the beta parameter was carried out through the analysis of listed companies taking into account the activity developed by Fidelidade. A beta of 1.1 was therefore considered.

- **Perpetuity growth rate:** A nominal perpetuity growth rate of 2.25% was used.

RESEARCH AND DEVELOPMENT EXPENSES

Caixa spent EUR 4 057 thousand and EUR 5 500 thousand on research, development and innovation projects in 2012 and 2011, respectively.

18. INVESTMENTS IN ASSOCIATES

This heading includes the following:

	31/12/2012		31/12/2011	
	Effective participating interest (%)	Book value	Effective participating interest (%)	Book value
SIBS – Sociedade Interbancária de Serviços, S.A.	21.60	14 709	21.60	16 931
Torre Ocidente Imobiliária, S.A.	25.00	4 078	25.00	5 571
Prado – Cartolinas da Lousã, S.A.	38.15	4 482	38.15	4 257
Banco Internacional de São Tomé e Príncipe, S.A.	27.00	2 973	27.00	2 851
Companhia de Papel do Prado, S.A.	38.15	1 300	38.15	1 303
Other		3 961		5 026
		31 503		**35 939**

Financial data (non-audited) of the principal associated companies at 31 December 2012 and 2011 is as follows:

Business sector/entity	Registered office	31/12/2012				
		Assets	Liabilities	Equity (a)	Net income	Total income
Banking						
Banco Internacional de São Tomé e Príncipe	São Tomé	72 003	60 987	11 016	1 123	8 469
Property						
Torre Ocidente, Imobiliária, S.A.	Lisbon	64 090	47 779	16 311	(5 972)	1 176
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	375 996	456 897	(80 901)	(20 681)	18 874
Other						
Companhia de Papel do Prado, S.A.	Tomar	4 382	975	3 407	(8)	–
Prado – Cartolinas da Lousã, S.A.	Lousã	18 784	7 035	11 749	1 186	19 701
SIBS – Sociedade Interbancária de Serviços, S.A.	Lisbon	164 850	96 388	68 462	8 709	131 685

(a) Equity includes net income for the year and excludes non-controlling interest.

Business sector/entity	Registered office	31/12/2011				
		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, S.A.	Lisbon	71 438	49 156	22 282	(410)	3 513
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	382 837	436 737	(53 900)	(21 011)	16 063
Other						
Companhia de Papel do Prado, S.A.	Tomar	4 377	962	3 415	(1)	4
Prado – Cartolinas da Lousã, S.A.	Lousã	19 452	8 291	11 161	812	21 853
SIBS – Sociedade Interbancária de Serviços, S.A.	Lisbon	141 551	63 160	78 391	16 021	138 645

(a) Equity includes net income for the year and excludes non-controlling interest.

19. INCOME TAX

Income tax assets and liabilities at 31 December 2012 and 2011 were as follows:

	31/12/2012	31/12/2011
Current tax assets		
Income tax recoverable	37 841	56 913
Other	23 634	30 915
	61 474	87 828
Current tax liabilities		
Income tax payable	(46 090)	(17 523)
Other	(138 297)	(34 988)
	(184 386)	(52 511)
	(122 912)	35 317
Deferred tax assets		
Temporary differences	1 405 302	1 850 133
Reported tax losses	63 464	78 547
	1 468 766	1 928 680
Deferred tax liabilities	(190 650)	(166 220)
	1 278 116	**1 762 460**

Changes in deferred tax during 2012 and 2011 were as follows:

	Balances at 31/12/2011	Change in		Transfer to current tax	Other	Balances at 31/12/2012
		Equity	Profit or loss			
Impairment and adjustments to property and tangible and intangible assets	54 218	179	19 874	–	(186)	74 085
Provisions and impairment temporarily not tax deductible	717 712	–	158 639	(3 005)	2 721	876 067
Valuation of derivatives	(11 338)	–	264	–	63	(11 010)
Valuation of available-for-sale financial assets	782 069	(713 437)	–	–	874	69 505
Valuation of other securities	1 004	–	17 638	–	(14 458)	4 184
Reported tax losses	78 547	–	(15 083)	–	–	63 464
Employee benefits	146 940	11 990	8 238	–	(1 187)	165 981
Commissions	17 576	–	606	–	–	18 183
Legal revaluation of other tangible assets	(5 133)	–	391	–	–	(4 742)
Other	(19 136)	–	19 471	–	22 064	22 399
	1 762 460	**(701 268)**	**210 038**	**(3 005)**	**9 890**	**1 278 116**

	Balances at 31/12/2010	Change in		Transfer to current tax	Other	Balances 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
Valuation of derivatives	603	–	(11 910)	–	(31)	(11 338)
Valuation of available-for-sale financial assets	172 200	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**

The "Profit or loss" column in the table of changes in deferred tax for 2011 includes costs of EUR 9 134 thousand which were reclassified to "Results in subsidiaries held for sale" of the income statement for the referred to period, as a result of the transfer of HPP Saúde's assets and liabilities to the non-current assets and liabilities held for sale category (Note 14).

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.

Under the terms of article 183 of the Budget Law for 2012 (Law 64-A/2011, of 30 December) the negative assets alterations from the change in the accounting policy in terms of the recognition of actuarial gains and losses related to pension plans and post-employment benefits, respecting the contributions made during that year or previous years, are not subject to the limits imposed by no. 2 and 3 of article 43 of the IRC Code, being considered tax deductible, in equal parts, over the ten tax periods starting on or after 1 January 2012.

Costs with income tax for period, as well as the tax burden measured by the ratio of income tax to pre-tax income, is as follows:

	31/12/2012	31/12/2011
Current tax		
For the year	189 070	67 890
Contribution on the banking sector	29 752	29 398
Prior year adjustments (net)	(30 310)	801
	188 513	98 090
Deferred tax	(210 038)	(213 986)
Total	(21 525)	(115 896)
Consolidated income before tax and non-controling interest	(367 496)	(545 085)
Tax charge	**5.86%**	**21.26%**

In 2012 and 2011, the "Prior year adjustments" heading comprises the following:

	31/12/2012	31/12/2011
Insufficiency/(excess) of estimated tax for 2011 and 2010	(18 210)	(6 519)
Additional liquidations, net of adjustments to taxable income	(12 074)	7 424
Other	(26)	(104)
	(30 310)	**801**

Reconciliation between nominal rate and effective tax rate for the years 2012 and 2011 is as follows:

	31/12/2012		31/12/2011	
	Rate	Tax	Rate	Tax
Income before income tax		(367 496)		(545 085)
Tax at the nominal rate	28.84%	(105 986)	28.83%	(157 148)
Companies recorded in accordance with the equity method	0.34%	(1 236)	0.50%	(2 735)
Impact of companies with tax rates different from the nominal rate in Portugal	(1.27%)	4 669	1.10%	(5 978)
Definitive differences to be deducted:				
Tax exempted capital gains	5.15%	(18 932)	2.23%	(12 159)
Other	0.62%	(2 271)	1.17%	(6 359)
Definitive difference to be added:				
Non deductible provisions	(3.66%)	13 434	(0.38%)	2 073
Other	(0.63%)	2 318	(0.49%)	2 693
Impairment on available-for-sale financial assets, net of write-offs	(1.92%)	7 059	4.21%	(22 971)
Annulment of tax losses (not used)	(2.93%)	10 759	0.00%	-
Autonomous taxation	(0.67%)	2 458	(0.49%)	2 652
Contribution on the banking sector	(8.10%)	29 752	(5.39%)	29 398
Other	(9.58%)	35 217	(8.78%)	47 845
	6.19%	(22 757)	22.51%	(122 689)
Tax adjustments relative to prior years				
Adjustment to taxable income from previous years	3.29%	(12 074)	(1.36%)	7 436
Insufficiency/(excess) of tax estimate, net of deferred tax	(3.63%)	13 332	0.10%	(539)
Other	0.01%	(26)	0.02%	(104)
	(0.34%)	1 232	(1.25%)	6 793
	5.86%	**(21 525)**	**21.26%**	**(115 896)**

In 2012, CGD's nominal tax rate considering the state surtax (derrama) applicable to its operations was 28.84% (28.83% at 31 December 2011).

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).

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 1 500 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 2012 and 2011.

CGD recognised on 31 December 2012 and 2011 deferred tax assets of EUR 29,234 thousand and EUR 56,986 thousand, respectively, relative to reported tax losses incurred in 2010. In accordance with the law in force, tax losses incurred in 2010 are recoverable in a four year period after their creation. However, as to the tax periods starting in or after 1 January 2012, the deduction of tax losses cannot exceed 75% of the respective taxable income.

In and 2012 and 2011, the Group recognised a cost of EUR 29,752 thousand and EUR 29,398 thousand, respectively, 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 (2009 to 2012 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 2009 and 2010 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 2012 and 2011, this heading is made up as follows:

		31/12/2012	31/12/2011
Caixa Seguros			
Life insurance:			
Provision for unearned premiums			
		(1)	-
Mathematical provision			
		9 412	7 399
Provision for claims:			
Reported claims		10 447	12 755
Unreported claims (IBNR)		2 532	2 646
		12 979	15 401
Provision for profit sharing		15	-
Total life insurance		**22 405**	**22 800**
Non-life insurance:			
Provision for unearned premiums			
		33 613	42 413
Provision for claims:			
Reported claims		126 855	145 243
Unreported claims (IBNR)		9 524	9 568
		136 379	154 811
Total non-life insurance		**169 992**	**197 224**
Subtotal Caixa Seguros	i)	**192 397**	**220 024**
Other	ii)	5 030	6 178
	i)+ii)	**197 427**	**226 202**

The provision for unearned premiums for outwards reinsurance at 31 December 2012 and 2011 is made up as follows:

	31/12/2012			31/12/2011		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
Life insurance:						
	–	(1)	(1)	–	–	–
Non-life insurance:						
Workman's compensation	7	(2)	5	202	(6)	196
Personal and passenger accident	5 203	(2 535)	2 668	8 082	(3 954)	4 128
Health	114	(32)	82	591	(310)	281
Fire and other damage	26 502	(4 055)	22 447	32 815	(4 479)	28 336
Motor	778	(130)	648	187	–	187
Marine, air and transport	2 148	(253)	1 895	1 967	(250)	1 717
General third party liability	3 007	(190)	2 817	3 502	(214)	3 288
Credit and guarantees	228	(7)	221	154	(3)	151
Legal protection	–	–	–	52	–	52
Assistance	11	(1)	10	–	–	–
Miscellaneous	3 979	(1 159)	2 820	5 736	(1 659)	4 077
	41 977	(8 364)	33 613	53 288	(10 875)	42 413
	41 977	**(8 365)**	**33 612**	**53 288**	**(10 875)**	**42 413**

At 31 December 2012 and 2011, the provision for outwards reinsurance claims is made up as follows:

	31/12/2012			31/12/2011		
	Reported	Unreported	Total	Reported	Unreported	Total
Life insurance:						
	10 447	2 532	12 979	12 755	2 646	15 401
Non-life insurance:						
Workman's compensation	324	1	325	1 455	–	1 455
Personal and passenger accident	7 235	125	7 360	6 497	137	6 634
Health	413	–	413	366	–	366
Fire and other damage	53 563	6 721	60 284	79 863	6 954	86 817
Motor	14 416	67	14 483	15 579	51	15 630
Marine, air and transport	10 017	217	10 234	7 023	239	7 262
General third party liability	29 851	246	30 097	24 184	161	24 345
Credit and guarantees	–	18	18	6	–	6
Miscellaneous	11 036	2 129	13 165	10 270	2 026	12 296
	126 855	9 524	136 379	145 243	9 568	154 811
	137 302	**12 056**	**149 358**	**157 998**	**12 214**	**170 212**

Changes in the technical provisions for outwards reinsurance for 2012 and 2011 are summarised in Note 26.

21. OTHER ASSETS

This heading is made up as follows:

	31/12/2012	31/12/2011
Other assets		
Debt certificates of the Territory of Macau	383 529	322 294
Other	16 731	20 872
Debtors and other applications		
Premiums receivable – Insurance	94 280	88 385
Other debtors	1 700 826	1 566 900
Central and local government	6 833	6 147
Shareholders' loans	175 591	159 238
Debtors – futures contracts	29 545	25 087
Amount receivable from the sale of EDP	460 724	516 182
Grants receivable from		
The State	42 433	40 433
Other entities	11 272	12 042
Amount receivable from the sale of assets received as settlement of defaulting loans	10 999	29 506
Other	412 804	482 576
Liability for pensions and other benefits		
Excess coverage of liabilities		
Caixa Geral de Depósitos (Note 39)	19 225	115 372
Caixa Seguros e Saúde (Note 39)	6 328	1 682
Other	(473)	(348)
Income receivable	63 912	45 189
Deferred costs		
Rent	6 590	7 784
Other	26 421	29 376
Deferred income	(3 672)	(4 784)
Operations pending settlement	172 681	336 282
Stock exchange operations	73 506	11 209
	3 710 084	3 811 424
Impairment (Note 41)	(216 570)	(191 424)
	3 493 515	**3 620 001**

The changes in impairment of debtors and other applications in 2012 and 2011 are presented in Note 41.

On 31 December 2011 the amounts receivable for the sale of EDP result from the sale from CGD and Parcaixa to Parpública of an equity participation in this company, as referred to in detail in Note 8. The debt to Parcaixa was settled in 2012.

On 31 December 2012 and 2011, the "Debtors and other applications – other debtors" heading includes EUR 1 086 542 thousand and EUR 1 190 401 thousand, respectively, relative to surety accounts in several financial institutions. The referred to surety accounts derive from the liquidity-providing operations which are collaterised by financial assets, and from "Interest rate swaps" agreements signed with those entities.

On 31 December 2012 and 2011, 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, S.A. (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 2012 and 2011 amounted to EUR 383 529 thousand and EUR 322 294 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 2012 and 2011 shareholders' loans granted were made up as follows:

	31/12/2012	31/12/2011
Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A.	43 000	43 000
Moretextile, SGPS, S.A.	33 105	31 855
A. Silva & Silva – Imobiliário & Serviços, S.A.	28 327	27 187
Sagesecur – Estudo, Desenvolvimento e Participações em Projetos, S.A.	14 830	14 830
PP3E – Projetos e Participações em Empreendimentos de Energia Elétrica, S.A.	10 200	9 891
Other	46 129	32 475
	175 591	**159 238**

At 31 December 2012 and 2011, the shareholders' loans attributed to Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A. represent 50% of the amounts granted to this entity (consolidated in compliance with the proportional method) with the following characteristics:

- Shareholders' loan of EUR 36 000 thousand maturing on 30 July 2014. 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;

- 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 second half 2012 a new additional clause to the shareholders's loan made by Caixa to this entity was signed and the initial interest rate plus a spread of 2% up to 31 december 2012 and 3% up to the new maturity date that was postponed until 30 September 2013.

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, S.A. (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. This amount was increased by EUR 10 228 thousand during 2012.

On 31 December 2012 and 2011, this heading also includes the ceding to Parcaixa of the credit rights over 19.5% of the shareholders' loans granted to Sagesecur by Parpública, in the scope of the carrying out of its share capital, at the date of its incorporation.

22.
RESOURCES OF CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

This heading comprises the following:

	31/12/2012	31/12/2011
Resources of central banks		
Resources – European Central Bank		
Loans, deposits and other resources		
Caixa Geral de Depósitos	6 950 000	9 000 000
Other Group entities	1 465 000	1 287 000
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	150	544
Of foreign credit institutions	51 308	4 246
Other resources	2 847	–
Accrued interest	60 497	11 195
	8 529 802	10 302 985
Resources of other credit institutions		
Deposits and other resources		
Of domestic credit institutions	1 295 717	1 202 239
Of foreign credit institutions	1 357 320	2 518 886
Interbank Money Market resources	45 000	586 600
Very short term resources		
Of domestic credit institutions	403 995	237 403
Of foreign credit institutions	10 305	162 236
Loans		
Of domestic credit institutions	16 520	23 819
Of foreign credit institutions	28 380	29 223
Resources of international financial entities	85 752	53 818
Sales operations with repurchase agreement	447 600	724 333
Adjustments to liabilities under hedging operations	121	219
Accrued interest	23 150	22 339
Charges with deferred cost	(381)	(3 144)
	3 713 479	5 557 970
	12 243 281	**15 860 954**

On 31 December 2012 and 2011, 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 2012 and 2011, 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:

		31/12/2012	31/12/2011
Savings deposits		1 980 371	2 732 795
Other debts			
Repayable on demand	i)	17 788 935	17 806 732
Term			
Deposits		44 802 691	42 621 894
Fixed rate products – insurance		5 600 888	6 269 921
Mandatory deposits		318 353	337 629
Other resources:			
Cheques and orders payable		45 731	53 497
Loans		151 614	159 911
Sales operations with repurchase agreement		17 252	25 903
Other		55 135	72 248
	ii)	50 991 664	49 541 004
	i)+ii)	**68 780 599**	**67 347 736**
Accrued interest		621 669	502 129
Deferred costs net of deferred income		(7 050)	(10 906)
Adjustments to liabilities under hedging operations		38 263	25 264
Commissions associated with amortised cost (deferred)		(9 699)	(9 527)
		643 184	506 960
		71 404 154	**70 587 491**

The "Fixed rate products – insurance" heading corresponds to life insurance products classified as investment contracts (Note 2.16) which, in a similar way to the customer deposits in the banking activity, are recorded in accordance with IAS 39.

24. DEBT SECURITIES

This heading comprises the following:

		31/12/2012	31/12/2011
Bonds issued			
Bonds issued under the EMTN Programme			
. Remuneration indexed to interest rates		692 189	2 159 042
. Fixed interest rate		4 178 847	4 254 220
. Remuneration indexed to shares/indexes		266 220	335 950
. Remuneration indexed to exchange rates		611 085	777 416
	i)	5 748 341	7 526 628
Covered bonds	ii)	3 001 450	5 696 350
Public sector covered bonds	iii)	617 150	930 900
Other cash bonds			
. Remuneration indexed to interest rates		23 654	26 668
. Remuneration indexed to shares/indexes		–	11 890
. Fixed interest rate		–	6
	iv)	23 654	38 564
	vi) = i)+ii)+iii)+iv)	9 390 595	14 192 442
Other			
Issues under the Euro Commercial Paper and Certificates of Deposit Programme			
Commercial Paper		636 000	–
Issues under the US Commercial Paper Programme			
. Certificates of Deposit		22 738	23 186
Securities issued under securitisation operations (Note 13):			
. Mortgage loans		342 891	402 830
	vii)	1 001 629	426 016
Adjustments to liabilities under hedging operations		21 855	76 276
Deferred costs net of income		(14 840)	(29 769)
Accrued interest		191 388	258 343
	vi)+vii)	**10 590 627**	**14 923 309**

At 31 December 2012 and 2011, the breakdown of debt securities is net of the accumulated balances of repurchased debt whose amounts can be split up as follows:

	31/12/2012	31/12/2011
EMTN	127 395	200
Covered bonds	4 843 550	2 617 000
Public sector covered bonds	235 450	37 600
Other cash bonds	4 600 000	4 600 000
	9 806 395	**7 254 800**

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 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 refered 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:

iii) 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.

iv) 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.

v) 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.

vi) Obrigações Hipotecárias

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 2012 and 2011, the nominal value of covered bonds issued by Caixa was EUR 7 845 000 thousand and EUR 8 345 000 thousand, respectively with the following characteristics;

DESIGNATION	Nominal value		Date of issue	Date of redemption	Interest payment	Remuneration	Interest rate at 31/12/2012	Interest rate at 31/12/2011
	31/12/2012	31/12/2011						
Hipotecárias Série 1 2006/2016 1º 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	6 month Euribor rate + 0.04%	0.477%	1.786%
Hipotecárias Série 3 2007/2012	–	2 000 000	28/06/2007	28/06/2012	Annually on 28 June	Fixed rate	–	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	3 month Euribor rate + 0.05%	0.236%	1.454%
Hipotecárias Série 6 2008/2016 (*)	200 000	200 000	27/02/2008	29/02/2016	Half yearly, on 27 February and 27 August	6 month Euribor rate + 0.16%	0.724%	1.905%
Hipotecárias Série 7 2008/2016	150 000	150 000	31/03/2008	15/03/2016	Quarterly on 15 March, June, September and December	3 month Euribor rate – 0.012%	0.171%	1.414%
Hipotecárias Série 1 2006/2016 2ª 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 Serie 9 15/09/2016	175 000	175 000	08/10/2009	15/09/2016	Half yearly, on 15 March and 15 September	6 month Euribor rate + 0.575%	1.068%	2.299%
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 12 2011/2021 FRN (*)	750 000	750 000	28/04/2011	28/04/2021	Quarterly on 28 January, April, July and October	3 month Euribor rate + 0.75%	0.949%	2.338%
Hipotecárias Série 13 2011/2021 FRB (*)	750 000	750 000	28/04/2011	28/04/2021	Quarterly on 28 January, April, July and October	3 month Euribor rate + 0.75%	0.949%	2.338%
Hipotecárias Série 14 2012/2022 (*)	1 500 000	–	31/07/2012	31/07/2022	Quarterly on 31 January, April, July and October	3 month Euribor rate + 0.75%	0.946%	–
	7 845 000	8 345 000						

(*) Issue fully repurchased by CGD. These securities are collaterising liquidity providing operations with the European Central Bank

The cover pool which backs the issues comprises mortgage loans originated in Portugal. At 31 December 2012 and 2011 their book value was EUR 10 932 732 thousand and EUR 12 167 353 thousand (Note 13).

In addition, at 31 December 2012 and 2011, the cover pool which backed the issues also comprised debt securities, whose book value was EUR 128 247 thousand and EUR 118 065 thousand, respectively (Note 7).

At 31 December 2012, Moody's and Fitch awarded these covered bonds Baa3 and BBB ratings, respectively.

vii) 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 mortgage loans and other assets related to the public sector bonds in circulation should represent, at least, 106.5% of the total value of 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 2012 and 2011, the nominal value of public sector covered bonds issued by Caixa was EUR 900 000 thousand and EUR 1 000 000 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 1 418 068 thousand and EUR 1 620 035 thousand at 31 December 2012 and 2011 (Note 13), respectively.

At 31 December 2012, Moody's and Fitch awarded the public sector bonds Baa3 and BBB–, respectively.

At 31 December 2012 and 2011, the bonds issued, by type of remuneration and residual term to maturity, were as follows:

	31/12/2012						
	EMTN Programme – Type of asset or underlying index used to calculate the remuneration				Covered bonds	Other bonds	Total
	Shares/Indexes	Exchange rate	Interest rate	Sub-total			
Up to one year	140 220	177 648	1 797 528	2 115 396	–	–	2 115 396
One to five years	126 000	203 616	2 812 404	3 142 020	1 731 450	640 804	5 514 274
Five to ten years	–	42 328	251 104	293 432	1 250 000	–	1 543 432
Over ten years	–	187 493	10 000	197 493	20 000	–	217 493
	266 220	**611 085**	**4 871 036**	**5 748 341**	**3 001 450**	**640 804**	**9 390 595**

	31/12/2011						
	EMTN Programme – Type of asset or underlying index used to calculate the remuneration				Covered bonds	Other bonds	Total
	Shares/Indexes	Exchange rate	Interest rate	Sub-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	–	156 433	357 552	513 985	1 000 000	–	1 513 985
Over ten years	–	226 271	10 000	236 271	270 000	–	506 271
	335 950	**777 416**	**6 413 262**	**7 526 628**	**5 696 350**	**969 464**	**14 192 442**

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 2012 and 2011 were as follows:

	Balances at 31/12/2011	Changes in consolidation perimeter	Additions	Reversals	Write-offs	Exchange differences	Other	Balances at 31/12/2012
Provision for employee benefits (Note 39)	497 493	–	22 601	(7 203)	(22 142)	(409)	59 610	549 950
Provision for litigation	17 912	5 852	4 322	(3 152)	(90)	(735)	59	24 168
Provision for guarantees and other commitments	125 111	–	68 246	(3 716)	–	(147)	3 998	193 492
Provision for other risks and charges	246 968	–	104 755	(109 941)	(39 929)	(512)	4 203	205 544
	389 991	5 852	177 323	(116 809)	(40 019)	(1 394)	8 260	423 204
	887 484	**5 852**	**199 924**	**(124 012)**	**(62 161)**	**(1 803)**	**67 870**	**973 154**

	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
	273 227	(2 394)	179 667	(31 488)	(7 521)	1 060	(22 560)	389 991
	803 419	**(3 978)**	**191 718**	**(45 066)**	**(34 477)**	**725**	**(24 857)**	**887 484**

Provisions for other risks and charges are to cover contingencies arising from the Group's activity. At 31 December 2012 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. At 31 December 2011 this heading includes 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). This provision was reversed as a result of the Group's participation in the sovereign debt exchange programme of the Republic of Greece in the first half 2012. In addition,the impairment for the referred to securities was reinforced in this period for the amount of EUR 49 556 thousand.

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.

The columns "Additions" and "Reversals" of the changes in the provisions for employee benefits and other risks table comprise net charges of EUR 582 thousand in 2011, reclassified to the "Results in subsidiaries held for sale" heading of the income statement in the said period as a result of the transfer of the HPP Saúde's assets and liabilities to non-current assets and liabilities held for sale categories.

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:

	31/12/2012	31/12/2011
Contingent liabilities		
Pleged assets	25 372 587	25 400 062
Assets given as collateral	4 612 479	5 245 619
Stand by letters of credit	67 309	123 534
Open documentary credits	410 835	382 499
Acceptances and endorsements	1 089	2 965
Transactions with recourse	2	2
Other contingent liabilities	–	8 382
	30 464 300	**31 163 063**
Commitments		
Revocable commitments	7 661 564	9 617 769
Irrevocable lines of credit	1 764 341	2 457 880
Other irrevocable commitments	–	840 000
Securities subscription	2 478 281	1 541 658
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	155 553	155 553
Investors' indemnity system	38 867	38 895
Term operations	96 638	99 095
Forward deposit agreements		
Receivable	–	203 658
To be created	2 000	–
Other	123 972	98 425
	12 321 216	**15 052 933**
Deposit and custody of securities	**60 140 483**	**45 671 855**

Assets given as collateral are as follows:

	31/12/2012	31/12/2011
Debt instruments		
Consigned resources		
EIB – European Investment Bank	1 103 452	781 052
Bank of Portugal (*)	23 266 065	23 297 282
Deposit Guarantee Fund	209 940	195 815
Royal Bank of Scotland	16 000	16 000
Investors' indemnity system (futures)	32 345	29 945
Euronext	4 000	4 000
Equity instruments		
JP Morgan	–	319 838
Other assets		
Consigned resources		
European Development Bank	692 500	692 500
European Central Bank	47 754	30 000
Other	531	33 629
	25 372 587	**25 400 062**

(*) 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 "Daily Credit Market Agreement" in the amount of EUR 500 million.

At 31 December 2012 and 2011, 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 2012 and 2011, 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. 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 24 431 682 thousand and EUR 22 050 565 thousand, respectively.

In addition, at 31 December 2012, 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 47 754 thousand, respectively (EUR 692 500 thousand and EUR 30 000 thousand respectively, at 31 December 2011).

At 31 December 2012 and 2011, CGD gave securities in the amount of EUR 247 329 thousand EUR 206 075 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 2012 and 2011, in accordance with the applicable regulations, was EUR 21 728 thousand and EUR 13 966 thousand, respectively. In 2011, part of these liabilities, in the amounts of EUR 1 125 thousand, 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.

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, S.A. 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, S.A. was subject to taxation. Therefore, no provision was recorded for that correction in the financial statements as of 31 December 2012 and 2011.

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 2012 and 2011 this heading is made up as follows:

		31/12/2012	31/12/2011
Caixa Seguros			
Direct insurance and inwards reinsurance:			
Life insurance:			
Mathematical provision:			
Insurance contracts		231 791	242 714
Insurance contracts with discretionary profit sharing		1 669 080	2 025 187
		1 900 871	2 267 901
Provision for profit sharing			31 574
Provision for unearned premiums			1 655
Provision for claims:			
Reported claims		101 171	125 768
Unreported claims (IBNR)		15 354	16 242
		116 525	142 010
Other technical provisions			
Provision for commitments to rate		11 014	8 860
Provision of portfolio stabilization		22 291	20 687
		33 305	29 547
Total life insurance		**2 135 770**	**2 472 687**
Non-life insurance:			
Provision for unearned premiums		274 781	288 890
Provision for claims:			
Reported claims		1 666 474	1 679 379
Unreported claims (IBNR)		103 981	111 009
		1 770 455	1 790 388
Provision for risks in progress		16 768	31 549
Other technical provisions			
Provision for profit sharing		35	71
Total non-life insurance		**2 062 039**	**2 110 898**
Total life and non-life insurance		**4 197 809**	**4 583 585**
Other provisions for the insurance activity		16 584	12 955
Subtotal Caixa Seguros	**i)**	**4 214 393**	**4 596 540**
Garantia	**ii)**	**9 750**	**11 075**
Total	**i)+ii)**	**4 224 143**	**4 607 615**

The mathematical provision for life insurance and provision for profit sharing in direct insurance and inwards reinsurance at 31 December 2012 and 2010 are made up as follows:

	31/12/2012			31/12/2011		
	Mathematical provision	Provision for profit sharing	Total	Mathematical provision	Provision for profit sharing	Total
Insurance contracts:						
Capital Vida 4%	3 696	232	3 928	4 227	21	4 248
Rendas Ind. 4%	11 186	2 864	14 050	11 816	1 835	13 651
Vida c/ Participação	369	3 565	3 934	475	2 664	3 139
Rendas Grupo 4%	100 332	1 201	101 533	108 936	990	109 926
Vida c/ Participação Bonança	–	1 650	1 650	–	2 052	2 052
Vida c/ Participação Império	–	4 204	4 204	–	4 088	4 088
Guaranteed Education Plan	226	–	226	107	–	107
Guaranteed Savings 5 Years	7 997	–	7 997	7 686	–	7 686
F Ind. c/Part	6 506	7 403	13 909	7 190	7 285	14 475
F Grupo c/Part	12 730	6 996	19 726	14 405	7 543	21 948
Seguro de dependência	113	–	113	118	–	118
Proteção Sénior	134	–	134	157	–	157
Educação Garantida	217	–	217	214	–	214
Hipoteca Prima Única (Espanha)	7 116	–	7 116	9 672	–	9 672
Rentas Individuales Vitalicias T Gar	110	–	110	25	–	25
LUX-Imperio Previdência	18	–	18	19	–	19
LUX-Credito Consumo	11	–	11	12	–	12
LUX-Credito Habitação	173	–	173	185	–	185
LUX-Seguro Funeral			–	–	–	–
LUX-CAIXA ASSUR IMMO	268	–	268	276	–	276
Rendas (ESP)	20 315	–	20 315	19 983	–	19 983
Postal – Proteção Vida	5 704	–	5 704	4 445	–	4 445
F Ind. s/Part	14 203	–	14 203	11 732	–	11 732
F Grupo s/Part	37 937	–	37 937	41 034	–	41 034
Individual Life Insurance	7	–	7	–	–	–
Ahorro Tipo Garantizado (ESP)	2 423	–	2 423	–	–	–
	231 791	**28 115**	**259 906**	**242 714**	**26 478**	**269 192**

	31/12/2012			31/12/2011		
	Mathematical provision	Provision for profit sharing	Total	Mathematical provision	Provision for profit sharing	Total
Investment contracts with discretionary profit sharing:						
Top Reforma 4% – Ind.	52 203	2 831	55 034	59 937	58	59 995
Seg Poupança 2ndS 2.75%	–	580	580	–	580	580
Seg Poupança 3rd/4thS 3.5%	15 270	3 877	19 147	17 937	1 976	19 913
Garantia Crescente 2.75% – Bco	197	42	239	219	–	219
Super Garantia 2.75% (Med)	2 081	–	2 081	3 925	–	3 925
PIR 4%	12 686	2 855	15 541	16 099	503	16 602
Postal Poup Futuro Série A – 3%	4 774	–	4 774	5 132	–	5 132
Seg Poupança 5th S 2.75%	106 663	126	106 789	255 942	126	256 068
Seg Poupança 6th S 2.25%	24 733	32	24 765	29 919	32	29 951
Postal Poup Futuro Série B – 2.25%	1 002	–	1 002	1 068	–	1 068
Postal Poupança Segura	18 442	–	18 442	26 856	–	26 856
Fundo Poupança 7th S 2%	26 099	1	26 100	28 568	1	28 569
Caixa Seguro Liquidez 2%	16 054	–	16 054	21 721	–	21 721
Postal 4.10%	–	92	92	15 221	92	15 313
Seg.Poupança 9th Série	31 388	55	31 443	33 274	55	33 329
Poupança/PoupaInveste	2 042	–	2 042	1 838	–	1 838
Cx 10ºS Postal Ser E	18 961	–	18 961	20 336	–	20 336
LUX-Imperio Poupanca +	602	–	602	561	–	561
LUX-CPR	40	–	40	37	–	37
LUX-Compte Epargne Investimente	519	–	519	533	–	533
LUX-Cx. Invest. Seguro – Pr. Unicos	2 115	48	2 163	6 152	48	6 200
LUX-Cx. Invest. Seguro – Pr. Periódicos	437	–	437	396	–	396
Conta Poupança Reforma Individual	58 296	5 539	63 835	63 743	279	64 022
Plano Império Investimento	–	–	–	–	84	84
PUR	17 244	865	18 109	20 965	92	21 057
PUR 3.25%	810	206	1 016	818	7	825
PUR 2.4%	10 644	1 049	11 693	14 145	259	14 404
Conta Poupança Reforma 3%	7 190	622	7 812	8 763	104	8 867
Poupainveste 2nd-serie	2 501	–	2 501	3 324	–	3 324
Top Reforma 4%-Grupo	1 625	283	1 908	1 603	1	1 604
Top Reforma 2.75%-Grupo	12 386	1 070	13 456	12 107	–	12 107
Complementos Reforma	3 351	74	3 425	3 580	1	3 581
Epargne Libre (FRF) 3.75%	227 892	601	228 493	240 179	–	240 179
Epargne Libre Plus (FRF)	23 372	61	23 433	22 878	–	22 878
Jubilacion BCG (ESP)	–	–	–	1 905	9	1 914
Capitalização Grupo	445	–	445	323	1	324
Capital Diferido 1%+PB	–	–	–	841	11	852

	31/12/2012			31/12/2011		
	Mathematical provision	Provision for profit sharing	Total	Mathematical provision	Provision for profit sharing	Total
Grupo Capitalização	2 924	140	3 064	3 559	16	3 575
PoupaInveste Empresas	98	–	98	120	–	120
PUR 3.25% – Grupo	155	–	155	504	–	504
PUR 2.4% – Grupo	336	49	385	337	31	368
PPR/E Fidelidade 4%	120 841	6 617	127 458	137 237	27	137 264
PPR/E Rendimento 1st/2nd S 3.5%	163 733	14 038	177 771	178 560	184	178 744
PPR (Clássico) 4%	29 780	704	30 484	35 450	72	35 522
Multiplano PPR/E 3%	6 823	–	6 823	7 880	–	7 880
PPR/E MC Série A 3%	22 541	–	22 541	25 678	–	25 678
Postal PPR/E Série A 3.25%	6 349	–	6 349	7 245	–	7 245
PPR/E Rend. 3rd S 2.75%	125 424	–	125 424	137 162	–	137 162
PPR/E MC Série B 2.75%	108 689	10	108 699	132 674	10	132 684
Postal PPR/E Série B 2.75%	7 989	–	7 989	9 058	–	9 058
PPR/E Capital Garantido	708	1	709	1 134	1	1 135
PPR/E Rend 4th S 2.25%	25 299	–	25 299	31 529	–	31 529
PPR/E Capital Mais FRN	28 025	3	28 028	31 928	3	31 931
Caixa PPR 4%	9 010	–	9 010	13 251	–	13 251
PPR – Leve Duo	52 556	543	53 099	61 694	–	61 694
Postal PPR 4.10%	2 924	420	3 344	6 479	2	6 481
Postal PPR/E Série E	1 766	–	1 766	1 705	–	1 705
Postal PPR Série F	1 897	–	1 897	1 892	–	1 892
PPR	50 214	3 855	54 069	57 833	215	58 048
PPR	20 075	965	21 040	23 114	1	23 115
PPR 3%	33 255	2 679	35 934	36 954	86	37 040
Império Bonança Reforma (PPR) –412	89 610	2 361	91 971	90 553	55	90 608
Império Bonança Reforma (PPR/E) –413	13 488	675	14 163	14 923	4	14 927
Império Bonança PPR/E Ganha +	2 596	14	2 610	2 812	14	2 826
PPR Ganha +	12 630	24	12 654	16 471	24	16 495
PPR Ganha + 3rd Série	6 503	–	6 503	7 161	–	7 161
IB PPR Leve Duo	3 074	146	3 220	3 224	32	3 256
PPR Ganha + 4th Série Transferências	4 602	–	4 602	4 973	–	4 973
PPR Rendimento Garantido 5th S Transfer.	1 290	28	1 318	1 248	–	1 248
FM Invest (FRA)	100	–	100	–	–	–
Levexpert PPR – Serie Q	11 712	1 153	12 865	–	–	–
	1 669 080	55 334	1 724 414	2 025 187	5 096	2 030 283
Total	**1 900 871**	**83 449**	**1 984 320**	**2 267 901**	**31 574**	**2 299 475**

Inwards reinsurance and mathematical provision for outwards reinsurance in 2012 and 2011 are as follows:

	Opening balance 31/12/2011	Liabilities originated in the period and interest paid	Amounts attributable to the insurance holders by reserves	Deferred costs	Other	Profit sharing	Closing balance 31/12/2012
Direct insurance and inwards reinsurance:							
Mathematical provision:							
– Insurance contracts	242 714	(11 131)	–	7	–	201	231 791
– Investment contracts with profit sharing having a discretionary component	2 025 187	(355 337)	–	32	(1 521)	719	1 669 080
	2 267 901	(366 468)	–	39	(1 521)	920	1 900 871
Provision for profit sharing:							
– Insurance contracts	26 478	(572)	6 809	–	–	(4 600)	28 115
– Investment contracts with profit sharing having a discretionary component	5 096	(18 807)	69 768	–	–	(723)	55 334
	31 574	(19 379)	76 577	–	–	(5 323)	83 449
	2 299 475	(385 847)	76 577	39	(1 521)	(4 403)	1 984 320
Outwards reinsurance:							
Mathematical provision:							
– Insurance contracts	(7 399)	(2 013)	–	–	–	–	(9 412)
	(7 399)	(2 013)	–	–	–	–	(9 412)
	2 292 076	**(387 861)**	**76 577**	**39**	**(1 521)**	**(4 403)**	**1 974 908**

	Opening balance 31/12/2010	Liabilities originated in the period and interest paid	Amounts attributable to the insurance holders by reserves	Deferred costs	Other	Profit sharing	Closing balance 31/12/2011
Direct insurance and inwards reinsurance:							
Mathematical provision:							
– Insurance contracts	251 069	(9 454)	–	–	–	1 099	242 714
– Investment contracts with profit sharing having a discretionary component	2 970 247	(949 054)		37	1 170	2 787	2 025 187
	3 221 316	(958 508)	–	37	1 170	3 886	2 267 901
Provision for profit sharing:							
– Insurance contracts	27 107	6 718	(1 617)	–	(149)	(5 581)	26 478
– Investment contracts with profit sharing having a discretionary component	27 453	(16 984)	(1 520)	–	(1 066)	(2 787)	5 096
	54 560	(10 266)	(3 137)	–	(1 215)	(8 368)	31 574
	3 275 876	(968 774)	(3 137)	37	(45)	(4 482)	2 299 475
Outwards reinsurance:							
Mathematical provision:							
– Insurance contracts	(5 020)	(2 378)	–	–	–	–	(7 399)
	(5 020)	(2 378)	–	–	–	–	(7 399)
	3 270 856	**(971 152)**	**(3 137)**	**37**	**(45)**	**(4 482)**	**2 292 076**

Provisions for unearned premiums on direct insurance and inwards reinsurance (non-life) at 31 December 2012 and 2011, are as follows:

	31/12/2012			31/12/2011		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
Workman's compensation	14 603	(2 344)	12 259	14 788	(2 623)	12 165
Personal and passenger accident	11 352	(2 259)	9 093	15 009	(2 943)	12 066
Health	24 983	(4 985)	19 998	26 811	(4 610)	22 201
Fire and other damage	93 100	(15 887)	77 213	92 205	(16 229)	75 976
Motor	155 405	(30 390)	125 015	161 840	(29 077)	132 763
Marine, air and transport	3 214	(315)	2 899	3 486	(403)	3 083
General third party liability	10 636	(1 481)	9 155	11 856	(1 598)	10 258
Credit and guarantees	419	(55)	364	356	(37)	319
Legal protection	2 637	(371)	2 266	2 787	(388)	2 399
Assistance	11 664	(1 615)	10 049	11 467	(1 652)	9 815
Miscellaneous	7 770	(1 300)	6 470	9 443	(1 598)	7 845
	335 783	**(61 002)**	**274 781**	**350 048**	**(61 158)**	**288 890**

Changes in provisions for unearned premiums and deferred acquisition costs for direct insurance and outwards and inwards reinsurance in 2012 and 2011 are as follows:

	Opening balance 31/12/2011	Liabilities originated in the period	Exchange differences	Closing balance 31/12/2012
Direct insurance and inwards reinsurance:				
Provision for unearned premiums:				
Workman's compensation	14 788	(165)	(20)	14 603
Personal and passenger accident	15 009	(3 654)	(3)	11 352
Health	26 811	(1 826)	(2)	24 983
Fire and other damage	92 205	881	14	93 100
Motor	161 840	(6 377)	(58)	155 405
Marine, air and transport	3 486	(273)	1	3 214
General third party liability	11 856	(1 217)	(3)	10 636
Credit and guarantees	356	64	(1)	419
Legal protection	2 787	(150)	–	2 637
Assistance	11 467	197	–	11 664
Miscellaneous	9 443	(1 673)	–	7 770
	350 048	(14 193)	(72)	335 783
Deferred acquisition costs:				
Workman's compensation	(2 623)	277	2	(2 344)
Personal and passenger accident	(2 943)	684	–	(2 259)
Health	(4 610)	(375)	–	(4 985)
Fire and other damage	(16 229)	341	1	(15 887)
Motor	(29 077)	(1 317)	4	(30 390)
Marine, air and transport	(403)	88	–	(315)
General third party liability	(1 598)	117	–	(1 481)
Credit and guarantees	(37)	(18)	–	(55)
Legal protection	(388)	17	–	(371)
Assistance	(1 652)	37	–	(1 615)
Miscellaneous	(1 598)	298	–	(1 300)
	(61 158)	149	7	(61 002)
	288 890	**(14 044)**	**(65)**	**274 781**

	Opening balance 31/12/2011	Liabilities originated in the period	Exchange differences	Closing balance 31/12/2012
Outwards reinsurance:				
Provision for unearned premiums:				
Workman's compensation	202	(195)	–	7
Personal and passenger accident	8 082	(2 876)	(3)	5 203
Health	591	(477)	–	114
Fire and other damage	32 815	(6 341)	28	26 502
Auto	187	616	(25)	778
Marine, air and transport	1 967	182	(1)	2 148
General third party liability	3 502	(496)	1	3 007
Credit and guarantees	154	74	–	228
Legal protection	52	(52)	–	–
Assistance	–	11	–	11
Miscellaneous	5 736	(1 757)	–	3 979
	53 288	(11 311)	–	41 977
Deferred acquisition costs:				
Workman's compensation	(6)	4	–	(2)
Personal and passenger accident	(3 954)	1 419	–	(2 535)
Health	(310)	278	–	(32)
Fire and other damage	(4 479)	424	–	(4 055)
Motor	–	(130)	–	(130)
Marine, air and transport	(250)	(3)	–	(253)
General third party liability	(214)	24	–	(190)
Credit and guarantees	(3)	(4)	–	(7)
Assistance	–	(1)	–	(1)
Miscellaneous	(1 659)	499	–	(1 160)
	(10 875)	2 510	–	(8 365)
	42 413	**(8 801)**	**–**	**33 612**

	Opening balance 31/12/2010	Liabilities originated in the 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
	360 530	(10 512)	30	350 048
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)	17	–	(1 598)
	(64 235)	3 077	–	(61 158)
	296 295	**(7 435)**	**30**	**288 890**

	Opening balance 31/12/2010	Liabilities originated in the period	Exchange differences	Closing balance 31/12/2011
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
Auto	25	150	12	187
Marine, air and transport	3 275	(1 309)	1	1 967
General third party liability	3 389	111	2	3 502
Credit and guarantees	182	(30)	2	154
Legal protection	52	–	–	52
Assistance	–	–	–	–
Miscellaneous	6 178	(442)	–	5 736
	57 133	(3 862)	17	53 288
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)
	(13 446)	2 571	–	(10 875)
	43 687	**(1 291)**	**17**	**42 413**

The provision for claims for direct insurance and inwards reinsurance at 31 December 2012 and 2011 comprises the following:

	31/12/2012			31/12/2011		
	Reported	Not reported	Total	Reported	Not reported	Total
Life insurance:						
	101 171	15 354	116 525	125 768	16 242	142 010
Non-life insurance:						
Workman's compensation						
Mathematical provision	527 330	3 476	530 806	513 580	2 643	516 223
Provision for lifelong assistance	137 151	18 462	155 613	130 285	16 053	146 338
Provision for temporary assistance	121 962	4 345	126 307	93 296	5 249	98 545
	786 443	26 283	812 726	737 161	23 945	761 106
Other insurance						
Personal and passenger accident	15 767	710	16 477	14 129	773	14 902
Health	37 540	1 809	39 349	31 113	9 051	40 164
Fire and other damage	107 382	14 764	122 146	138 038	16 774	154 812
Motor	562 009	50 467	612 476	610 429	49 641	660 070
Marine, air and transport	15 095	930	16 025	12 734	1 214	13 948
General third party liability	116 143	5 160	121 303	111 859	5 269	117 128
Credit and guarantees	449	56	505	934	24	958
Legal protection	6 831	640	7 471	6 716	730	7 446
Assistance	5 515	57	5 572	3 260	91	3 351
Miscellaneous	13 300	3 105	16 405	13 006	3 497	16 503
	880 031	77 698	957 729	942 218	87 064	1 029 282
	1 666 474	103 981	1 770 455	1 679 379	111 009	1 790 388
	1 767 645	**119 335**	**1 886 980**	**1 805 147**	**127 251**	**1 932 398**

The changes in provisions for direct insurance and inwards reinsurance and outwards reinsurance claims for 2012 and 2011 were as follows:

	Opening balance 31/12/2011	Liabilities originated in the period	Claims	Exchange differences	Closing balance 31/12/2012
Direct insurance and inwards reinsurance:					
Provision for claims					
Life insurance					
i)	142 010	553 050	(578 535)	–	116 525
Non-life insurance					
Workman's compensation					
	761 106	162 803	(111 203)	20	812 726
Other insurance:					
Personal and passenger accident	14 902	8 229	(6 655)	1	16 477
Health	40 164	152 616	(153 431)	–	39 349
Fire and other damage	154 812	66 645	(99 313)	2	122 146
Motor	660 070	292 626	(340 238)	18	612 476
Marine, air and transport	13 948	6 896	(4 819)	–	16 025
General third party liability	117 128	23 460	(19 285)	–	121 303
Credit and guarantees	958	4	(457)	–	505
Legal protection	7 446	510	(485)	–	7 471
Assistance	3 351	28 790	(26 569)	–	5 572
Miscellaneous	16 503	12 688	(12 786)	–	16 405
	1 029 282	592 464	(664 038)	21	957 729
ii)	1 790 388	755 267	(775 241)	41	1 770 455
i)+ii)	**1 932 398**	**1 308 317**	**(1 353 776)**	**41**	**1 886 980**
Outwards reinsurance (Note 20):					
Provision for claims					
Life insurance					
i)	15 401	(13 252)	10 830	–	12 979

	Opening balance 31/12/2011	Liabilities originated in the period	Claims	Exchange differences	Closing balance 31/12/2012
Non-life insurance					
Workman's compensation					
	1 455	(3 246)	2 116	–	325
Other insurance:					
Personal and passenger accident	6 634	(640)	1 366	–	7 360
Health	366	(348)	395	–	413
Fire and other damage	86 817	(64 947)	38 416	(2)	60 284
Motor	15 630	(3 320)	2 182	(9)	14 483
Marine, air and transport	7 262	258	2 714	–	10 234
General third party liability	24 345	625	5 127	–	30 097
Credit and guarantees	6	(403)	415	–	18
Miscellaneous	12 296	(13 074)	13 943	–	13 165
	153 356	(81 849)	64 558	(11)	136 054
ii)	154 811	(85 095)	66 674	(11)	136 379
i)+ii)	**170 212**	**(98 347)**	**77 504**	**(11)**	**149 358**

	Opening balance 31/12/2010	Liabilities originated in the period	Claims	Exchange differences	Closing balance 31/12/2011
Direct insurance and inwards reinsurance:					
Provision for claims					
Life insurance					
i)	167 675	1 162 264	(1 187 929)	–	142 010
Non-life insurance					
Workman's compensation					
	758 782	121 688	(119 364)	–	761 106
Other insurance:					
Personal and passenger accident	14 256	8 583	(7 937)	–	14 902
Health	49 446	146 049	(155 331)	–	40 164
Fire and other damage	170 583	126 784	(142 555)	–	154 812
Motor	702 071	324 849	(366 850)	–	660 070
Marine, air and transport	40 826	(17 896)	(8 982)	–	13 948
General third party liability	128 455	6 575	(17 902)	–	117 128
Credit and guarantees	946	346	(334)	–	958
Legal protection	6 895	796	(245)	–	7 446
Assistance	17 247	14 677	(28 573)	–	3 351
Miscellaneous	15 625	14 434	(13 556)	–	16 503
	1 146 350	625 197	(742 265)	–	1 029 282
ii)	1 905 132	746 885	(861 629)	–	1 790 388
i)+ii)	**2 072 807**	**1 909 149**	**(2 049 558)**	**–**	**1 932 398**

	Opening balance 31/12/2010	Liabilities originated in the period	Claims	Exchange differences	Closing balance 31/12/2011
Outwards reinsurance (Note 20):					
Provision for claims					
Life insurance					
i)	17 186	(10 683)	8 898	–	15 401
Non-life insurance					
Workman's compensation					
	1 454	(82)	83	–	1 455
Other insurance:					
Personal and passenger accident	3 225	2 893	516	–	6 634
Health	256	(36)	146	–	366
Fire and other damage	101 069	(91 718)	77 466	–	86 817
Motor	17 995	(4 515)	2 150	–	15 630
Marine, air and transport	31 781	(30 854)	6 335	–	7 262
General third party liability	26 299	(3 616)	1 662	–	24 345
Credit and guarantees	34	(36)	8	–	6
Miscellaneous	12 125	(6 688)	6 859	–	12 296
	192 784	(134 570)	95 142	–	153 356
ii)	194 238	(134 652)	95 225	–	154 811
i)+ii)	**211 424**	**(145 335)**	**104 123**	**–**	**170 212**

The changes in the provision for risks in progress of direct insurance and inwards reinsurance during 2012 and 2011 were as follows:

	Opening balance 31/12/2011	Appropriations in period	Exchange differences	Closing balance 31/12/2012
Direct insurance and inwards reinsurance:				
Workman's compensation	3 472	(1 188)	–	2 284
Personal and passenger accident	8	74	–	82
Health	7 804	(6 895)	–	909
Fire and other damage	5 061	(3 214)	–	1 847
Motor	13 606	(3 247)	–	10 359
General third party liability	823	(98)	–	725
Credit and guarantees	25	1	–	26
Legal protection	1	(1)	–	–
Assistance	749	(213)	–	536
	31 549	**(14 781)**	**–**	**16 768**

	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	(1 523)	–	3 472
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)	–	–
	43 688	**(12 139)**	**–**	**31 549**

27. OTHER SUBORDINATED LIABILITIES

This heading comprises the following:

	31/12/2012	31/12/2011
Bonds	2 871 659	2 080 970
Loans	22 975	23 708
	2 894 634	**2 104 678**
Interest payable	37 107	16 689
Deferred income net of charges	(42 682)	(45 227)
Adjustment to liabilities under hedging operations	8	(723)
	2 889 067	**2 075 416**

On 29 June 2012, CGD issued hybrid financial instruments eligible for Core Tier 1 own funds in the global amount of EUR 900 000 thousand, fully subscribed by the Portuguese State (provisions set out in the Administrative Ruling 8840-C/2012 of 28 June 2012). These bonds are convertible into shares in the following circumstances:

- Cancellation or suspension by CGD of the payment of interest on hybrid financial instruments, in full or part;
- Material non-compliance with the recapitalisation plan;
- CGD does not repurchase the total hybrid financial instruments up to the end of the investment period (five years);
- Exercise of the conversion rights by the State in the terms of the issue;
- In the case that hybrid financial instruments cease to be eligible for Core Tier 1 own funds.

The conditions of the principal issues are as follows:

Issuer	Bonds	Currency	Value of issue	Book value 31/12/2012	Book value 31/12/2011	Date of issue	Date of redemption	Interest rate/payment	Early redemption clause
Caixa Geral de Depósitos	Core Tier 1 capital instruments subscribed by the State	EUR	900 000	900 000	-	29/06/2012	29/06/2017	1st year 8.5%, 2nd year 8.75%, 3rd year 9%, 4th year 9.5% and 5th year 10%. Half yearly interest payment on 29 June and December.	The redemption option can be made at any time, with prior authorisation of the Bank of Portugal.
Caixa Geral de Depósitos	Step Up Switchable Subordinated Notes due May 2019	EUR	538 552	537 629	536 823	11/05/2009	13/05/2019	12 month Euribor rate + 1.15%. If there is no early redemption, 12 month Euribor rate + 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	Caixa Subordinadas CGD 2007/2017 (1st issue)	EUR	400 000	379 898	392 811	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	Caixa Subordinadas CGD 2008/2018 (1st issue)	EUR	369 045	368 522	369 045	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.
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	Floating Rate Notes due December 2017	EUR	120 000	105 000	95 715	17/12/2007	17/12/2017	3 month Euribor rate + 1.08%. 3 month Euribor rate + 1.58%, if there is no early redemption. 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.
CGD (France Branch)	Floating Rate Undated Subordinated Notes	EUR	110 000	209	209	18/12/2002	Perpetual	3 month Euribor rate + 1.30%. 3 month Euribor rate + 2.80%, if there is no early redemption. 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.

Issuer	Bonds	Currency	Value of issue	Book value 31/12/2012	Book value 31/12/2011	Date of issue	Date of redemption	Interest rate/payment	Early redemption clause
Caixa Geral de Depósitos	Caixa Subordinadas Renda Mais 2005/2015	EUR	104 891	–	104 891	29/06/2005	03/07/2015	6 month Euribor rate + 0.25%. 6 month Euribor rate + 0.75%, if there is no early redemption. 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 payment on 3 March.	N/A.
Caixa Geral de Depósitos	Caixa Subordinadas CGD 2007/2017 (2nd issue)	EUR	81 595	81 245	81 450	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 weight of all underlying assets is over its initial value, otherwise it will pay 0.00%. 3 month Euribor rate + 0.7% if there is no early redemption. Annual interest payment. Quarterly interest rate payment on 12 February, May, August and November (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 5th year.
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%. 3 month Euribor rate + 1.58%, if there is no early redemption . 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%. 3 month Euribor rate + 0.65%, if there is no early redemption. 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%. 3 month Euribor rate + 0.65%, if there is no early redemption. 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.

Issuer	Bonds	Currency	Value of issue	Book value 31/12/2012	Book value 31/12/2011	Date of issue	Date of redemption	Interest rate/payment	Early redemption clause
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%. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2010. 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 Linked 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. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2011. 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 Linked 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. 3 month Euribor rate + 0.65%, if there is no early redemption. Pagamento de juros no dia 30 de julho de 2012. Interest payment on 30 October, January, April and July (if there is no early redemtion).	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 December 2017	EUR	6 000	6 000	6 000	03/12/2007	04/12/2017	1st coupon 22.50%.3 month Euribor rate + 0.85% , if there is no early redemption. 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.
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%. 3 month Euribor rate + 0.85%, if there is no early redemption. 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.

Issuer	Bonds	Currency	Value of issue	Book value 31/12/2012	Book value 31/12/2011	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 23.50%. 3 month Euribor rate + 0.85%, if there is no early redemption. 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 Linked to Floating Rate Notes December 2017	EUR	6 000	6 000	6 000	03/12/2007	04/12/2017	1st coupon indexed to Fundo Caixagest Ações Oriente. 3 month Euribor rate + 0.85%, if there is no early redemption. 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 Linked to Floating Rate Notes December 2017	EUR	6 000	6 000	6 000	03/12/2007	04/12/2017	1st coupon indexed to Fundo Caixagest Ações Oriente. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 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 Finance	Floating Rate Undated Subordinated Notes	EUR	110 000	1 156	1 157	18/12/2002	Perpétuo	3 month Euribor rate + 1.30%. 3 month Euribor rate + 2.80%, if there is no early redemption. 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%. 3 month Euribor rate + 1.58%, if there is no early redemption. 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	17 014	17 868	06/12/2006	20/12/2016	3 month Libor rate + 0.25%. 3 month Libor rate + 0.75%, if there is no early redemption. 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.

Issuer	Bonds	Currency	Value of issue	Book value 31/12/2012	Book value 31/12/2011	Date of issue	Date of redemption	Interest rate/payment	Early redemption clause
Banco Comercial e de Investimentos	Obrigações Subordinadas do BCI 2008-2018	MZN	216 000	5 161	5 819	16/10/2008	16/10/2018	1st coupon 15.25%. Following coupons indexed to the average weighted rate of the last six Treasury Bills issues with maturities 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 in 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	Obrigações BCA Crescente 2017	CVE	500 000	4 521	4 535	17/12/2010	17/12/2017	1st and 2nd years 5.75%, 3rd and 4th years 5.85%, 5th and 6th years 6% and 7th year 6.25%. Half yearly interest payment on 17 June and December.	The issuer has an early redemption option, at nominal value of outstanding debt applicable as from the 5th coupon, and from this date 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	Obrigações BI 2014	CVE	500 000	3 910	3 658	08/07/2008	08/07/2018	6 month Euribor rate + 0.9% until the 2nd coupon. 6.0% until July 2013. From this date on, the rate of the last five year. Treasury Bonds issue + 0,5%. Half yearly interest payment on 8 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	Empréstimo Subordinado IFC	USD	8 500	6 526	6 754	20/03/2009	15/06/2015	3 month Libor rate + 3.00% + 0.5% , if contractual conditions are fulfilled. Quarterly interest payment on 15 March, June, September and December.	The issuer (BCI) has an early redemption option, in full or part, at any interest payment date on 15 December 2009 or after this date, with at least 30 days advance notice to IFC.
Banco Comercial e de Investimentos	Empréstimo Subordinado BPI	USD	3 704	2 843	2 943	30/07/2008	30/07/2018	3 month Libor rate + 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.

28.
OTHER LIABILITIES

This heading comprises the following:

	31/12/2012	31/12/2011
Creditors		
Consigned resources	853 983	1 164 620
Suppliers of finance leasing assets	9 854	14 562
Other suppliers	87 686	96 887
Resources – collateral account	150 349	164 602
Resources – subscription account	28 137	3 863
Resources – secured account	3 973	11 919
Other creditors:		
Creditors for direct insurance and reinsurance	240 350	204 200
Creditors for factoring ceded	28 341	28 641
Caixa Geral de Aposentações	46 123	19 694
CGD Pension Fund	226	47 837
Creditors for futures contracts	19 686	16 335
Creditors for operations on securities	186	185
Other	642 660	464 867
Other liabilities:		
Notes in circulation – Macau (Note 21)	411 100	334 588
Withholding taxes	70 369	70 997
Social Security contributions	13 949	11 841
Other taxes payable	20 722	34 937
Collections on behalf of third parties	1 652	1 591
Other	17 601	22 331
Accrued costs	234 927	271 381
Deferred income	57 665	120 531
Liabilities pending settlement	385 428	361 776
Stock exchange operations	570	2 405
	3 325 537	3 470 590

At 31 December 2012 and 2011 the "Other resources" heading includes EUR 145 568 thousand and EUR 162 885 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 delievered to the Fund (Note 39).

At 31 December 2012, the conditions of the consigned resources were as follows:

Operation	Counterparty	Balances at 31/12/2012	Starting date	Maturity date
CGD Empréstimo Global XI	Banco Europeu de Investimento	146 667	25/06/2003	15/06/2023
CGD Empréstimo Global X	Banco Europeu de Investimento	133 333	21/11/2002	15/09/2022
Mid-Cap I taxa revisível	Banco Europeu de Investimento	90 909	14/12/2007	15/09/2022
CGD – Empréstimo Global XII – B	Banco Europeu de Investimento	75 000	19/11/2004	13/09/2024
CGD – Empréstimo Global XIII	Banco Europeu de Investimento	65 625	12/10/2006	15/09/2026
Hospital Braga	Banco Europeu de Investimento	65 000	28/07/2009	09/06/2020
Projeto Scut Açores	Banco Europeu de Investimento	60 000	11/01/2008	15/09/2034
CGD Reabilitação Urbana	Banco Europeu de Investimento	54 389	11/12/2003	15/12/2023
Framework Loan Agreement	CEB – Council of Europe Development Bank	50 000	23/06/2004	23/06/2014
Projeto Tejo Energia CCGT	Banco Europeu de Investimento	47 542	09/12/2009	15/09/2026
CGD – Empréstimo Global XII – A	Banco Europeu de Investimento	33 333	15/12/2004	15/09/2014
CEB – PARES	CEB – Council of Europe Development Bank	18 449	23/12/2009	23/12/2024
CEB – Educação	CEB – Council of Europe Development Bank	13 516	21/11/2008	21/11/2023
Operations carried out by Banco Comercial Atlântico		23		
Other		196		
		853 983		

At 31 December 2012, CGD's consigned resources bore interest at an annual average rate of 0.424%.

29.
CAPITAL

At 31 December 2012 and 2011, CGD's share capital is totally held by the Portuguese State and comprises the following

	31/12/2012	31/12/2011
Number of ordinary shares outstanding	1 180 000 000	1 030 000 000
Unit value per share (Euros)	5	5
Share capital	5 900 000 000	5 150 000 000

CAPITAL INCREASES

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 1 427 thousand of other reserves available for this purpose.

On 29 June 2012 and following the shareholder's deliberation of 27 June, CGD increased its share capital by EUR 750 000 thousand through the issue of 150 000 000 shares of EUR 5 each totally paid up in cash.

In addition, CGD issued at this same date hybrid financial instruments eligible for Core Tier 1 own funds in the amount of EUR 900 000 thousand fully subscribed by the Portuguese State (Note 27).

The share capital increase and the issuance of hybrid instruments were meant to ensure that the core tier 1 ratio of 9% goal was accomplished at 30 June 2012, in compliance with recommendation of the European Banking Authority (EBA), of 8 December 2011 (EBA//REC/2011/1).

This recommendation of the European Banking Authority (accepted by the Bank of Portugal through Notice 5/2012) with the agreement of the European Council of 26 October 2011, requires that banks constitute a temporary capital buffer allowing them to achieve a core tier 1 ratio of 9% at 30 June 2012, considering the sovereign debt exposures valued at market prices at 30 September 2011.

30.
RESERVES, RETAINED EARNINGS AND NET INCOME FOR PERIOD

At 31 December 2012 and 2011, the reserves and retained earnings headings comprise the following:

	31/12/2012	31/12/2011
Fair value reserve, net of deferred tax		
Available-for-sale financial assets (Note 8)	(31 771)	(1 858 729)
Assets with repurchase agreement	(1 299)	(11 314)
Held to maturity investments	(156 594)	(208 179)
	(189 664)	(2 078 222)
Other reserves and retained earnings		
- Legal reserve - CGD	862 906	862 906
- Other reserves	560 617	971 055
- Retained earnings	(444 414)	(125 264)
	979 109	1 708 697
Net income attributable to the shareholder of CGD	(394 715)	(488 425)
	394 730	**(857 950)**

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 2012 and 2011, the "Other reserves and retained earnings" heading includes the CGD's legal reserve amounting to EUR 862 906 thousand 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 were recorded in compliance with the following legislation:

Tangible fixed assets	
Decree-Law n.º 219/82, of 2 June	1 752
Decree-Law n.º 399 - G/84, of 28 December	1 219
Decree-Law n.º 118 - B/86, of 27 May	2 304
Decree-Law n.º 111/88, of 2 April	8 974
Decree-Law n.º 49/91, of 25 January	22 880
Decree-Law n.º 264/92, of 24 November	24 228
Decree-Law n.º 31/98, of 11 February	48 345
Financial fixed assets	723
	110 425

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 1 427 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, assets with repurchase agreement, valued as against shareholders' equity and investments held to maturity (only as to assets reclassified in this category from the available-for-sale financial assets category, which are amortised up to the extinguishment of the respective financial instrument), 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".

At 31 December 20112 and 2011, net contribution of subsidiaries and branches to CGD's net income was determined as follows:

	31/12/2012	31/12/2011
Caixa Geral de Depósitos, S.A.		
Caixa Geral de Depósitos	(354 772)	(589 279)
Spain Branch	(117 322)	(70 449)
France Branch	17 758	38 952
London Branch	9 317	855
Luxembourg Branch	(7 569)	(1 052)
Cayman Branch	7 286	(13 466)
East Timor Branch	4 143	807
New York Branch	3 903	3 224
Madeira Offshore Financial Branch	366	43 697
Zhuhai Branch	9	7
	(436 882)	(586 705)
Contribution of subsidiaries to net income:		
Caixa Seguros e Saúde, SGPS, S.A. (a)	88 860	4 847
Caixa Imobiliário	(31 428)	(404)
Banco Nacional Ultramarino, S.A. (Macau)	31 000	27 788
Banco Caixa Geral, S.A. (a)	(25 428)	(510)
Imocaixa	(23 071)	(2 841)
Cibergradual	(22 799)	-
Fundo de Capital de Risco - Grupo CGD	(20 551)	(5 531)
Caixa Leasing e Factoring - IFIC, S.A.	(20 096)	(5 845)
Caixa - Banco de Investimento, S.A. (a)	19 540	4 985
Banco Comercial e de Investimentos, S.A.R.L.	18 370	12 013
Inmobiliaria Caixa Geral, SL	(16 634)	(6 459)
Mercantile Bank Holdings, Ltd.	14 020	11 220
BCG Totta de Angola	11 349	9 594
Parcaixa, SGPS, S.A.	9 832	9 454
Banco Caixa Geral - Brasil, S.A.	6 572	5 504
Wolfpart, Sgps	(6 266)	(6 263)
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	3 912	4 376
CGD Macau	3 304	2 174
Caixagest Oportunidades FEI	3 092	129
Caixagest - Técnicas de Gestão de Fundos, S.A.	2 995	1 142
Fundo Invest. Imob. Fech.p/ Arrend. Hab.	(2 756)	716
CGD Investimentos CVC	(2 592)	-
Banco Comercial do Atlântico, S.A.	1 802	(4 386)
Caixagest Private Equity FEI	1 605	8 084
FCR Empreender +	(1 462)	(1 177)
Caixagest Infra-Estruturas FEI	1 441	994
Caixagest Imobiliario Internacional FEI	(1 280)	5 264
CGD Finance	(385)	15 767
Other	530	(489)
	43 477	90 144
Contribution of associates to net income:		
Torre Ocidente	(1 493)	3 263
SIBS - Sociedade Interbancária de Serviços, S.A.	(1 232)	3 559
Other	1 415	1 313
	(1 310)	8 135
Consolidated net income attributable to the shareholder of CGD	**(394 715)**	**(488 425)**

(a) Data taken from the consolidated financial statements

DIVIDEND DISTRIBUTION

2010

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.

2011

The Shareholder's General Meeting held in May 2012, decided the incorporation in retained earnings of the loss for 2011, in the amount of EUR 316 255 thousand.

31. NON-CONTROLLING INTERESTS

Third party investments in subsidiary companies, by entity, are made up as follows:

	31/12/2012	31/12/2011
Parcaixa, SGPS, S.A. (c)	475 621	496 123
Partang, SGPS (b)	170 571	160 235
Caixa Geral Finance	96 305	96 465
Caixagest Imobiliário Internacional FEI	70 984	73 837
Banco Comercial e de Investimentos, S.A.R.L.	65 917	56 090
Caixagest Private Equity FEI	26 894	26 224
Caixagest Infra-Estruturas FEI	26 035	25 315
Caixagest Estratégia Dinâmica	20 531	22 554
Caixagest Oportunidades FEI	8 869	12 766
Fundo Especial Investimento Aberto Caixagest Estratégias Alternativas	5 052	5 853
Banco Comercial do Atlântico, S.A.R.L.	4 941	11 813
Banco Interatlântico, S.A.R.L.	3 945	4 024
Caixa Seguros e Saúde, SGPS, S.A. (a)	2 974	4 046
Credip – IFIC, S.A.	2 359	2 379
A Promotora – Sociedade de Capital de Risco, S.A.R.L.	1 179	1 157
Garantia – Companhia de Seguros de Cabo Verde, S.A.R.L.	1 086	1 635
Mercantile Bank Holdings, Ltd.	713	12 973
Banco Nacional de Investimentos (Mozambique)	–	30 233
FCR Energias Renováveis – Caixa Capital	–	4 810
Other	1 341	(3 330)
	985 316	**1 045 203**

(a) Data taken from the consolidated financial statements
(b) Inludes the activity of Banco Caixa Geral Totta Angola
(c) Inludes the activity of Caixa Leasing e factoring – IFIC, S.A.

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 505 166 thousand at 31 December 2012 (EUR 503 766 thousand at 31 December 2011). As a result of this situation, in 2012, the Group recorded gains of around EUR 490 thousand, net of income taxes, which were recognised as a charge to "Other reserves" (EUR 126 186 thousand in 2011).

The proportion of consolidated net income attributable to minority shareholders in 2012 and 2011 is as follows:

	31/12/2012	31/12/2011
Partang, SGPS (a)	32 044	27 248
Banco Comercial e de Investimentos, S.A.R.L.	17 649	11 541
Parcaixa, SGPS, S.A. (b)	(7 193)	7 843
Caixa Geral Finance	1 549	7 379
Caixagest Oportunidades FEI	1 335	91
Banco Comercial do Atlântico, S.A.	1 235	3 506
Caixagest Infra-Estruturas FEI	720	496
Caixagest Private Equity FEI	573	3 277
Caixa Imobiliário Internacional FEI	(532)	2 232
Banco Nacional de Investimento - Mozambique	-	(1 760)
Other	1 365	(2 617)
	48 744	59 236

(a) Includes the activity of Banco Caixa Geral Totta Angola
(b) Includes the activity of Caixa Leasing e Factoring - IFIC, S.A.

32. INTEREST AND SIMILAR INCOME AND COSTS

These headings are made up as follows:

	31/12/2012	31/12/2011
Interest and similar income		
Interest on loans and advances to domestic credit institutions	43 227	66 920
Interest on loans and advances to foreign credit institutions	35 831	24 315
Interest on domestic credit	1 751 920	2 035 665
Interest on foreign credit	635 607	533 046
Interest on overdue credit	45 482	39 347
Interest on financial assets held for trade		
- Derivatives	1 152 211	1 318 864
- Securities	30 860	29 769
Interest on financial assets at fair value through profit or loss	4 399	5 856
Interest on available-for-sale financial assets	693 916	741 027
Interest on hedging derivatives	32 876	47 687
Interest on debtors and other applications	29 863	9 535
Interest on cash equivalents	15 449	23 544
Interest on other loans and other amounts receivable	185 890	182 456
Other interest and similar income	7 573	8 101
Commissions received relating to amortised cost	120 826	107 382
Other	288 370	194 289
	5 074 298	5 367 805
Interest and similar costs		
Interest on deposits of		
- Central and local government	47 966	94 564
- Other residents	970 108	718 715
- Emigrants	56 761	49 731
- Other non-residents	316 503	185 008
- Fixed rate products - insurance	158 634	164 718
- Other	617	765
Interest on resources of foreign credit institutions	73 867	94 366
Interest on resources of domestic credit institutions	111 626	138 949
Interest on swaps	1 127 070	1 272 096
Interest on other trading liabilities	3 116	3 273
Interest on unsubordinated debt securities	506 692	616 349
Interest on hedging derivatives	13 450	22 535
Interest on subordinated liabilities	122 031	71 835
Other interest and similar costs	41 021	54 339
Commissions paid relating to amortised cost	13 594	11 536
Other	167 227	183 533
	3 730 283	3 682 312

At 31 December 2012 the "Interest and similar costs - interest on subordinated liabilities" heading, includes EUR 38 231 thousand relative to the issue by CGD of hybrid financial instruments eligible for Core Tier 1 own funds in the total amount of EUR 900 000 thousand, on 29 June 2012. These securities were fully subscribed by the Portuguese state (Note 27).

33.
INCOME FROM EQUITY INSTRUMENTS

This heading comprises the following:

	31/12/2012	31/12/2011
Portugal Telecom, SGPS, S.A.	34 756	85 283
EDP – Energias de Portugal, S.A.	6 204	4 202
ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A.	5 310	5 317
Galp Energia, SGPS, S.A.	4 459	1 951
ADP – Águas de Portugal, S.A.	2 850	5 130
Brisa – Auto Estradas de Portugal, S.A.	–	2 803
Income received from investment funds	57 150	32 680
Other	8 214	9 358
	118 942	**146 724**

34.
INCOME AND COSTS FROM SERVICES AND COMMISSIONS

This heading comprises the following:

	31/12/2012	31/12/2011
Income from services rendered and commissions:		
Payment means	246 967	241 463
Operations carried out on behalf of third parties	112 560	107 768
Credit operations	143 541	142 727
Asset management	45 597	46 892
Guarantees given	76 085	64 054
Operations on financial instruments	20 374	12 725
Other	32 833	40 359
	677 957	655 988

	31/12/2012	31/12/2011
Cost of services and commissions:		
Payment means	107 945	104 529
Operations carried out on behalf of third parties	23 769	12 407
Credit operations	1 680	3 734
Asset management	5 800	7 544
Guarantees received	677	576
Operations on financial instruments	20 368	16 890
Other	9 074	5 328
	169 314	**151 008**

35.
RESULTS FROM FINANCIAL OPERATIONS

This heading comprises the following:

	31/12/2012	31/12/2011
Result of foreign exchange operations:		
Revaluation of foreign exchange position	196 631	2 052
Result of currency derivatives	(85 454)	54 909
	111 178	56 960
Result of financial assets and liabilities held for trading:		
Securities:		
Debt instruments	65 289	(36 263)
Equity instruments	(19 764)	(32 123)
Other instruments	470	(2 411)
i)	45 994	(70 797)
Derivatives:		
Interest rate	(98 762)	(243 124)
Shares and indexes	13 437	15 749
Credit default	2 248	14 886
Other	(831)	2 720
ii)	(83 907)	(209 769)
i)+ii)	**(37 913)**	**(280 566)**

		31/12/2012	31/12/2011
Result of other financial assets at fair value through profit or loss:			
Debt instruments		5 525	5 921
Equity instruments		(1 232)	34 245
Other securities		(9 814)	12 975
Loans and other amounts receivable		(927)	(1 349)
		(6 449)	51 791
Result of the sale of loans and advances to customers		(1 169)	(27 543)
Result of available-for-sale financial assets:			
Debt instruments	iii)	**92 379**	**34 519**
Equity instruments			
GALP Energia (Note 8)		(10 807)	-
Zon Multimédia (Note 8)		10 751	2
Brisa - Auto Estradas de Portugal		2 115	-
EDP - Energias de Portugal (Note 8)		1 143	5 322
Portugal Telecom (Note 8)		1	(24 371)
Instituto da Habitação e da Reabilitação Urbana (Note 8)		-	28 024
BCP Perpétuas (Note 8)		(11)	(8 132)
Other		5 394	(6 702)
	iv)	8 586	(5 857)
	iii)+iv)	**100 965**	**28 662**
Other securities		7 515	7 516
		108 479	**36 178**
Result of hedging operations:			
Hedging derivatives		24 878	106 889
Value adjustments of hedged assets and liabilities		(26 634)	(102 569)
		(1 756)	4 320
Other			
Results in the repurchase of liabilities issued		192 229	120 568
Other		(1 600)	13 530
		190 629	134 098
		362 999	**(24 763)**

During 2012 and 2011, Caixa Group sold loans and advances to customers to the corporate and project finance portfolio in a total amount of approximately EUR 1 323 thousand and EUR 662 046 thousand, respectively. Losses of some EUR 1 169 thousand and EUR 27 543 thousand were recorded as a result of these operations.

36. OTHER NET OPERATING INCOME

This heading is made up as follows:

	31/12/2012	31/12/2011
Other operating income:		
Rendering of miscellaneous services	107 951	114 757
Expense reimbursement	5 548	6 400
Operating lease instalments	10 380	5 332
Gains on non-financial assets:		
- Non-current assets held for sale (Note 14)	12 489	15 455
- Other tangible assets	1 094	1 660
- Investment property	4 284	24 550
- Other	954	397
Secondment of employees to Caixa Geral de Aposentações	1 949	1 567
Sale of cheques	20 989	17 759
Other	88 955	74 754
	254 594	262 631
Other operating costs:		
Donations and subscriptions	8 562	9 413
Losses on non-financial assets:		
- Non-current assets held for sale (Note 14)	24 902	23 452
- Other tangible assets	6 651	1 517
- Other	13 832	8 013
Other taxes	34 408	29 389
Contribution to the Deposit Guarantee Fund	21 728	12 841
Fines and penalties	2 651	1 098
Other	50 568	45 795
	163 303	131 517
	91 291	**131 114**

37. TECHNICAL MARGIN ON INSURANCE OPERATIONS

37.1. PREMIUMS NET OF REINSURANCE

This heading for the years 2012 and 2011, is made up as follows:

	31/12/2012	31/12/2011
Caixa Seguros		
Direct insurance and inwards reinsurance		
Gross premiums written		
– Life insurance	261 239	267 726
– Non-life insurance	1 105 072	1 133 143
Outwards reinsurance premiums	(170 921)	(168 509)
	1 195 390	1 232 361
Other	7 441	11 305
	1 202 831	**1 243 666**

Earned premiums, net of reinsurance, issued by Caixa Seguros e Saúde, are made up as follows:

	31/12/2012			31/12/2011		
	Direct insurance and inwards reinsurance	Outwards reinsurance	Net	Direct insurance and inwards reinsurance	Outwards reinsurance	Net
Life insurance:						
– Insurance contracts						
Without profit sharing	156 378	(22 879)	133 499	154 453	(20 656)	133 797
With profit sharing	46 011	(1 070)	44 941	52 461	(2 228)	50 233
– Investment contracts with discretionary profit sharing	58 850	–	58 850	60 812	–	60 812
	261 239	(23 949)	237 290	267 726	(22 884)	244 842
Non-life insurance:						
Gross premiums written						
Workman's compensation	137 679	(887)	136 792	149 083	(1 106)	147 977
Personal and passenger accident	25 143	(7 921)	17 222	27 463	(4 387)	23 076
Health	184 952	(455)	184 497	178 881	(14)	178 867
Fire and other damage	244 420	(99 611)	144 809	243 218	(98 118)	145 100
Motor	401 685	(2 837)	398 848	420 783	(1 890)	418 894
Marine, air and transport	20 647	(16 272)	4 375	24 711	(18 407)	6 305
General third party liability	33 497	(11 009)	22 488	35 226	(11 560)	23 665
Credit and guarantees	1 082	(760)	322	1 025	(626)	400
Legal protection	6 240	(24)	6 216	6 582	(58)	6 524
Assistance	31 739	(47)	31 692	26 815	(4)	26 811
Miscellaneous	17 988	(7 149)	10 839	19 354	(9 455)	9 899
	1 105 072	(146 972)	958 100	1 133 143	(145 624)	987 519
Total premiums, net of reinsurance i)	**1 366 311**	**(170 921)**	**1 195 390**	**1 400 870**	**(168 509)**	**1 232 361**

	31/12/2012			31/12/2011		
	Direct insurance and inwards reinsurance	Outwards reinsurance	Net	Direct insurance and inwards reinsurance	Outwards reinsurance	Net
Change in provision for unearned premiums						
Workman's compensation	165	(195)	(30)	628	202	830
Personal and passenger accident	3 654	(2 876)	778	3 830	(3 138)	692
Health	1 826	(477)	1 349	869	(1 265)	(396)
Fire and other damage	(881)	(6 341)	(7 222)	(3 958)	1 859	(2 099)
Motor	6 377	616	6 993	7 180	150	7 330
Marine, air and transport	273	182	455	1 297	(1 309)	(12)
General third party liability	1 217	(496)	721	348	111	459
Credit and guarantees	(64)	74	10	(39)	(30)	(69)
Legal protection	150	(52)	98	(86)	–	(86)
Assistance	(197)	11	(186)	345	–	345
Miscellaneous	1 673	(1 757)	(84)	97	(442)	(345)
ii)	14 193	(11 311)	2 882	10 512	(3 862)	6 650
Premiums earned:						
Workman's compensation	137 844	(1 082)	136 762	149 711	(904)	148 808
Personal and passenger accident	28 797	(10 797)	18 000	31 293	(7 525)	23 768
Health	186 778	(932)	185 846	179 750	(1 279)	178 471
Fire and other damage	243 539	(105 952)	137 587	239 260	(96 259)	143 001
Motor	408 062	(2 221)	405 841	427 964	(1 740)	426 224
Marine, air and transport	20 920	(16 090)	4 830	26 009	(19 716)	6 293
General third party liability	34 714	(11 505)	23 209	35 574	(11 449)	24 125
Credit and guarantees	1 018	(686)	332	986	(656)	330
Legal protection	6 390	(76)	6 314	6 496	(58)	6 438
Assistance	31 542	(36)	31 506	27 161	(4)	27 157
Miscellaneous	19 661	(8 906)	10 755	19 451	(9 897)	9 554
	1 119 265	(158 283)	960 982	1 143 655	(149 486)	994 169
Total i)+ii)	**1 380 504**	**(182 232)**	**1 198 272**	**1 411 382**	**(172 371)**	**1 239 011**

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 TO INSURE CONTRACTS

This heading for the years 2012 and 2011, is made up as follows:

	31/12/2012			31/12/2011		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
Interest	65 274	39 514	104 788	86 601	41 344	127 945
Dividends	10 299	5 510	15 809	13 626	5 993	19 619
Net realised capital gains and losses	20 513	10 068	30 581	(12 365)	5 944	(6 421)
Net unrealised capital gains and losses	6 665	4 058	10 723	(2 284)	(12 963)	(15 247)
Other	–	17 671	17 671	–	17 492	17 492
	102 751	**76 821**	**179 572**	**85 578**	**57 810**	**143 388**

37.3. COST OF CLAIMS, NET REINSURANCE

This heading for the years 2012 and 2011, is made up as follows:

	31/12/2012			31/12/2011		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
Caixa Seguros						
Direct insurance and inwards reinsurance						
Claims paid	571 581	689 099	1 260 680	1 182 986	787 284	1 970 270
Change in provision for claims	(25 559)	(12 143)	(37 702)	(25 536)	(105 217)	(130 753)
	546 022	676 956	1 222 978	1 157 450	682 067	1 839 517
Provision for profit sharing	(19 379)	36	(19 343)	(10 266)	(210)	(10 476)
Change in other technical provisions	(362 711)	(14 781)	(377 492)	(953 440)	(12 534)	(965 974)
	163 932	662 211	826 143	193 744	669 323	863 067
Balance of outwards reinsurance	(10 168)	(34 610)	(44 778)	(9 320)	(30 655)	(39 975)
Subtotal Caixa Seguros	153 764	627 601	781 365	184 424	638 668	823 092
Other	–	1 678	1 678	–	832	832
	153 764	**629 279**	**783 043**	**184 424**	**639 500**	**823 924**

The cost of claims relating to Caixa Seguros e Saúde non-life insurance operations, by type of insurance, is made up as follows:

	31/12/2012					
	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
Direct insurance and inwards reinsurance:						
Workman's compensation	102 017	52 506	154 523	(1 189)	–	153 334
Personal and passenger accident	6 435	1 586	8 021	74	1	8 096
Health	146 004	2 094	148 098	(6 895)	–	141 203
Fire and other damage	95 733	(31 795)	63 938	(3 214)	26	60 750
Motor	283 147	(45 385)	237 762	(3 247)	–	234 515
Marine, air and transport	4 672	2 104	6 776	–	–	6 776
General third party liability	13 197	4 635	17 832	(97)	–	17 735
Credit and guarantees	387	(452)	(65)	1	–	(64)
Legal protection	453	25	478	(1)	–	477
Assistance	24 423	2 634	27 057	(213)	9	26 853
Miscellaneous	12 631	(95)	12 536	–	–	12 536
	689 099	(12 143)	676 956	(14 781)	36	662 211
Outwards reinsurance:						
Workman's compensation	(2 116)	1 130	(986)	–	–	(986)
Personal and passenger accident	(905)	(726)	(1 631)	–	–	(1 631)
Health	(395)	(48)	(443)	–	–	(443)
Fire and other damage	(33 493)	26 326	(7 167)	–	–	(7 167)
Motor	(1 976)	1 132	(844)	–	–	(844)
Marine, air and transport	(2 594)	(2 991)	(5 585)	–	–	(5 585)
General third party liability	(4 800)	(5 769)	(10 569)	–	–	(10 569)
Credit and guarantees	(415)	(11)	(426)	–	–	(426)
Legal protection	–	–	–	–	–	–
Assistance	–	–	–	–	–	–
Miscellaneous	(6 089)	(870)	(6 959)	–	–	(6 959)
	(52 783)	18 173	(34 610)	–	–	(34 610)
Net:						
Workman's compensation	99 901	53 636	153 537	(1 189)	–	152 348
Personal and passenger accident	5 530	860	6 390	74	1	6 465
Health	145 609	2 046	147 655	(6 895)	–	140 760
Fire and other damage	62 240	(5 469)	56 771	(3 214)	26	53 583
Motor	281 171	(44 253)	236 918	(3 247)	–	233 671
Marine, air and transport	2 078	(887)	1 191	–	–	1 191
General third party liability	8 397	(1 134)	7 263	(97)	–	7 166
Credit and guarantees	(28)	(463)	(491)	1	–	(490)
Legal protection	453	25	478	(1)	–	477
Assistance	24 423	2 634	27 057	(213)	9	26 853
Miscellaneous	6 542	(965)	5 577	–	–	5 577
	636 316	**6 030**	**642 346**	**(14 781)**	**36**	**627 601**

	31/12/2011					
	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
Direct insurance and inwards reinsurance:						
Workman's compensation	130 637	2 999	133 636	(1 523)	(20)	132 093
Personal and passenger accident	7 937	602	8 539	(161)	40	8 418
Health	153 241	(11 353)	141 888	6 802	(204)	148 486
Fire and other damage	137 797	(14 199)	123 598	(1 948)	19	121 669
Motor	296 975	(32 030)	264 945	(12 618)	(3)	252 324
Marine, air and transport	8 352	(26 806)	(18 454)	(16)	–	(18 470)
General third party liability	11 114	(11 420)	(306)	(1 934)	(5)	(2 245)
Credit and guarantees	180	20	200	21	–	221
Legal protection	238	556	794	1	–	795
Assistance	27 217	(14 504)	12 713	12	(37)	12 688
Miscellaneous	13 596	918	14 514	(1 170)	–	13 344
	787 284	(105 217)	682 067	(12 534)	(210)	669 323
Outwards reinsurance:						
Workman's compensation	(83)	(1)	(84)	–	–	(84)
Personal and passenger accident	(486)	(3 409)	(3 895)	–	–	(3 895)
Health	7 569	(110)	7 459	–	–	7 459
Fire and other damage	(62 270)	14 218	(48 052)	–	–	(48 052)
Motor	(1 940)	2 365	425	–	–	425
Marine, air and transport	(5 935)	24 449	18 514	–	–	18 514
General third party liability	(1 063)	1 727	664	–	–	664
Credit and guarantees	–	26	26	–	–	26
Legal protection	–	–	–	–	–	–
Assistance	–	–	–	–	–	–
Miscellaneous	(5 542)	(170)	(5 712)	–	–	(5 712)
	(69 750)	39 095	(30 655)	–	–	(30 655)
Net:						
Workman's compensation	130 554	2 998	133 552	(1 523)	(20)	132 009
Personal and passenger accident	7 451	(2 807)	4 644	(161)	40	4 523
Health	160 810	(11 463)	149 347	6 802	(204)	155 945
Fire and other damage	75 527	19	75 546	(1 948)	19	73 617
Motor	295 035	(29 665)	265 370	(12 618)	(3)	252 749
Marine, air and transport	2 417	(2 357)	60	(16)	–	44
General third party liability	10 051	(9 693)	358	(1 934)	(5)	(1 581)
Credit and guarantees	180	46	226	21	–	247
Legal protection	238	556	794	1	–	795
Assistance	27 217	(14 504)	12 713	12	(37)	12 688
Miscellaneous	8 054	748	8 802	(1 170)	–	7 632
	717 534	**(66 122)**	**651 412**	**(12 534)**	**(210)**	**638 668**

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	2012	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
2012	**212 278**	**167 477**	**203 368**	**196 041**	**202 361**	**184 019**	**171 998**	**132 534**	**107 285**	**98 659**	**88 493**	**1 764 513**

Cost of claims recorded in 2012:	
– Claims from 2002 to 2012	154 437
– Claims from previous years	–
– Costs with claims of inwards reinsurance	88
	154 525

Liabilities recognised in the balance sheet (Provision for direct insurance claims)												
2012	331 831	33 861	68 745	35 369	43 091	40 514	40 567	49 689	45 726	48 387	74 520	812 301

Provision for claims prior to 2002	–
Total direct insurance	**812 301**
Provision for claims of inwards reinsurance	424
Total	**812 726**

Type of insurance: Fire and other damage												
Accumulated amounts												
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	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
2012	**86 704**	**81 419**	**108 100**	**95 179**	**80 675**	**85 752**	**127 127**	**166 718**	**121 515**	**106 718**	**85 480**	**1 145 387**

Cost of claims recorded in 2012:	
– Claims from 2002 to 2012	63 928
– Claims from previous years	–
– Costs with claims of inwards reinsurance	56
	63 984

Liabilities recognised in the balance sheet (Provision for direct insurance claims)												
2012	7 208	4 257	1 429	1 123	2 816	2 698	4 280	18 603	9 998	24 049	38 743	115 203

Provision for claims prior to 2002	–
Total direct insurance	**115 203**
Provision for claims of inwards reinsurance	6 943
Total	**122 146**

Type of insurance: Motor												
Accumulated amounts												
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	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
2012	**609 187**	**550 617**	**502 612**	**462 910**	**419 904**	**400 297**	**392 526**	**358 031**	**324 813**	**269 693**	**294 735**	**4 585 325**

Cost of claims recorded in 2012:	
– Claims from 2002 to 2012	237 579
– Claims from previous years	–
– Costs with claims of inwards reinsurance	192
	237 771

Liabilities recognised in the balance sheet (Provision for direct insurance claims)												
2012	46 062	18 305	27 001	22 501	29 720	48 392	57 507	73 226	72 903	75 818	137 195	608 631

Provision for claims prior to 2002	–
Total direct insurance	**608 631**
Provision for claims of inwards reinsurance	3 846
Total	**612 476**

Type of insurance: Marine and transport												
Accumulated amounts												
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	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
2012	**2 407**	**2 019**	**2 780**	**3 476**	**2 542**	**3 448**	**2 301**	**2 746**	**887**	**1 005**	**880**	**24 491**

Cost of claims recorded in 2012:	
– Claims from 2002 to 2012	826
– Claims from previous years	–
– Costs with claims of inwards reinsurance	(10)
	817

Liabilities recognised in the balance sheet (Provision for direct insurance claims)												
2012	147	199	191	54	288	69	506	25	118	112	829	2 537

Provision for claims prior to 2002	–
Total direct insurance	**2 537**
Provision for claims of inwards reinsurance	616
Total	**3 153**

Type of insurance: Air												
Accumulated amounts												
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	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
2012	**558**	**4 244**	**4 371**	**4 935**	**1 071**	**1 213**	**1 274**	**1 747**	**800**	**533**	**775**	**21 521**

Cost of claims recorded in 2012:	
– Claims from 2002 to 2012	3 480
– Claims from previous years	–
– Costs with claims of inwards reinsurance	70
	3 550

Responsabilidades reconhecidas no Balanço (Provisão para Sinistros de Seguro Directo)												
2012	1 660	0	1 048	3 269	88	75	95	92	209	217	364	7 117

Provision for claims prior to 2002	–
Total direct insurance	**7 117**
Provision for claims of inwards reinsurance	1 105
Total	**8 222**

Type of insurance: Transport of goods												
Accumulated amounts												
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	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
2012	**6 433**	**4 301**	**4 786**	**4 205**	**4 573**	**5 585**	**4 396**	**4 859**	**3 052**	**2 878**	**2 491**	**47 560**

Cost of claims recorded in 2012:	
– Claims from 2002 to 2012	2 424
– Claims from previous years	–
– Costs with claims of inwards reinsurance	(7)
	2 417

Liabilities recognised in the balance sheet (Provision for direct insurance claims)												
2012	169	128	103	59	195	418	308	317	647	734	1 454	4 531

Provision for claims prior to 2002	–
Total direct insurance	**4 531**
Provision for claims of inwards reinsurance	119
Total	**4 650**

Type of insurance: General third party liability												
Accumulated amounts												
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	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
2012	**19 843**	**23 957**	**17 970**	**14 362**	**22 091**	**20 299**	**14 978**	**21 484**	**20 358**	**14 847**	**10 127**	**200 316**

Cost of claims recorded in 2012:	
– Claims from 2002 to 2012	16 002
– Claims from previous years	–
– Costs with claims of inwards reinsurance	1 864
	17 866

Liabilities recognised in the balance sheet (Provision for direct insurance claims)												
2012	17 522	6 128	3 758	5 989	4 879	9 474	5 610	12 748	13 409	9 412	8 501	97 431

Provision for claims prior to 2002	–
Total direct insurance	**97 431**
Provision for claims of inwards reinsurance	23 873
Total	**121 303**

Type of insurance: Miscellaneous financial losses												
Accumulated amounts												
Accounting year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	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
2012	**2 614**	**4 366**	**7 751**	**4 188**	**5 408**	**9 575**	**33 819**	**14 799**	**18 631**	**13 868**	**7 697**	**122 715**

Cost of claims recorded in 2012:	
– Claims from 2002 to 2012	12 538
– Claims from previous years	–
– Costs with claims of inwards reinsurance	(2)
	12 535

Liabilities recognised in the balance sheet (Provision for direct insurance claims)												
2012	4	1	1	26	1	46	1 879	3 981	3 934	3 635	2 646	16 154

Provision for claims prior to 2002	–
Total direct insurance	**16 154**
Provision for claims of inwards reinsurance	240
Total	**16 395**

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 2012 and 2011, by type of insurance, is made up as follows:

	31/12/2012					
	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
Direct insurance and inwards reinsurance:						
– Insurance contracts						
Without profit sharing	78 077	(14 616)	63 461	2 480	–	65 941
With profit sharing	20 200	(1 483)	18 717	(12 003)	(573)	6 141
– Investment contracts with discretionary profit sharing	473 304	(9 460)	463 844	(353 188)	(18 806)	91 850
	571 581	(25 559)	546 022	(362 711)	(19 379)	163 932
Outwards reinsurance:						
– Insurance contracts						
Without profit sharing	(9 572)	2 493	(7 079)	(1 983)	–	(9 062)
With profit sharing	(938)	(97)	(1 035)	(27)	(44)	(1 106)
– Investment contracts with discretionary profit sharing	–	–	–	–	–	–
	(10 510)	2 396	(8 114)	(2 010)	(44)	(10 168)
Net:						
– Insurance contracts						
Without profit sharing	68 505	(12 123)	56 382	497	–	56 879
With profit sharing	19 262	(1 580)	17 682	(12 030)	(618)	5 034
– Investment contracts with discretionary profit sharing	473 304	(9 460)	463 844	(353 188)	(18 806)	91 850
	561 071	**(23 163)**	**537 908**	**(364 721)**	**(19 423)**	**153 764**

	31/12/2011					
	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
Direct insurance and inwards reinsurance:						
– Insurance contracts						
Without profit sharing	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
	1 182 986	(25 536)	1 157 450	(953 440)	(10 266)	193 744
Outwards reinsurance:						
– 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	–	–	–	–	–	–
	(8 726)	1 786	(6 940)	(2 384)	4	(9 320)
Net:						
– 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
	1 174 260	**(23 750)**	**1 150 510**	**(955 824)**	**(10 262)**	**184 424**

37.4. COMMISSIONS AND OTHER INCOME AND COSTS RELATING TO INSURANCE BUSINESS

This heading for the years 2012 and 2011 is made up as follows:

	31/12/2012			31/12/2011		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
Technical income:						
Commissions:						
Outwards reinsurance	9 079	23 809	32 888	5 520	24 386	29 906
Co-insurance management charges	(6)	840	834	14	915	929
Pensions Funds management charges	332	–	332	225	–	225
Other technical income						
Other technical income	6	1 868	1 874	5	580	585
	9 411	26 517	35 928	5 764	25 881	31 645
Technical costs:						
Commissions:						
Direct insurance operations:						
– Mediation and brokerage charge	(10 475)	(84 660)	(95 135)	(9 180)	(88 623)	(97 803)
– Collection charges	(84)	(7 117)	(7 201)	(106)	(7 279)	(7 385)
– Other	–	(14 298)	(14 298)	–	(16 283)	(16 283)
Inwards reinsurance operations	–	257	257	–	(1 525)	(1 525)
Co-insurance management charges	(40)	(346)	(386)	(31)	(249)	(280)
Other technical costs						
Provision for premiums receivable	1 122	(921)	201	(1 595)	6 475	4 880
Taxes specific to the insurance business	(1 029)	(5 803)	(6 832)	(1 341)	(6 180)	(7 521)
Other	(1)	(2)	(3)	(2)	(1)	(3)
	(10 507)	(112 890)	(123 397)	(12 255)	(113 665)	(125 920)
Other	–	1 222	1 222	–	949	949
	(1 096)	**(85 151)**	**(86 247)**	**(6 491)**	**(86 835)**	**(93 326)**

38.
STAFF COSTS

This heading is made up as follows:

	31/12/2012	31/12/2011
Remuneration of management and supervisory bodies	13 248	13 408
Remuneration of staff	641 705	676 259
Provision for suspension of labour agreements (Note 39)	–	90
	654 953	689 757
Other charges relating to remuneration	66 936	70 064
Healthcare – CGD		
– Normal cost (Note 39)	29 306	32 434
– Contributions relating to current staff	24 686	29 422
Pension liability – CGD (Note 39)		
– Normal cost	45 627	51 630
– Retirements before the normal retirement age	2 392	968
Other pension costs		
Caixa Seguros e Saúde	1 420	3 032
Other	10 118	4 671
Other mandatory social charges	25 658	24 581
	206 143	216 802
Other staff costs	48 022	32 693
	909 118	**939 253**

The average number of employees of Caixa and its subsidiaries during 2012 and 2011, by function, was as follows:

	31/12/2012			31/12/2011		
	Banking	Insurance and health care	Group	Banking	Insurance and health care	Group
Senior management	499	141	640	451	231	682
Management	2 953	637	3 590	2 803	563	3 366
Technical staff	5 126	2 221	7 347	5 047	2 192	7 239
Administrative staff	7 463	2 004	9 467	7 786	2 090	9 876
Auxiliary	1 403	651	2 054	1 485	682	2 167
	17 443	5 656	23 099	17 572	5 758	23 329
Number of employees at the end of the year	**17 232**	**5 732**	**22 964**	**17 432**	**5 703**	**23 135**

These numbers at 31 December 2012 and 2011 do not include staff employed by the Support Department of Caixa Geral de Aposentações (257 in both periods), those assigned to CGD's Social Services (64 and 70, respectively) and to other situations (93 and 95 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 2 510 043 thousand, was transferred to CGA. This transfer also included the liability for death grants after normal retirement age, in respect of the abovementioned time of service.

Accordingly, Caixa's pensions liability at 31 December 2012 and 2011 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 2012 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 sets 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 FIDELIDADE – COMPANHIA DE SEGUROS, S.A.

The insurance area has several defined benefit pensions plans. Therefore, Fidelidade assumed the commitment to pay its employees from Fidelidade - – Mundial, S.A. and Império Bonança – Companhia de Seguros, S.A. 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, permanent 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. The cost of the defined contribution plan of former beneficiaries is recorded as "Staff costs".

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 2012 and 2011.

The assumptions and technical bases used in respect of CGD and the Group insurance companies were as follows:

	31/12/2012		31/12/2011	
	CGD	Caixa Seguros e Saúde	CGD	Caixa Seguros e Saúde
Actuarial method	Projected Unit Credit		Projected Unit Credit	
Mortality table				
Men	TV 73/77 (-1 year)	TV 73/77 (-2 years)	TV 73/77 (-1 year)	TV 73/77 (-2 years)
Women	TV 88/90 (-1 year)	TV 88/90 (-2 years)	TV 88/90 (-1 year)	TV 88/90 (-2 years)
Disability table	EKV 80		EKV 80	
Discount rate	4.50%	3.50%	5.50%	5.50%
Rate of return of plan assets	5.25%	3.40%	5.25%	3.55%
Salary growth rate	0,5% on 2013/2014 and 2,0% from that date	2.00%	2.25%	2.00%
Pension growth rate	0% on 2013/2014 and 1,0% from that date	0.75%	1.25%	0.75%
Turnover rate:				
Under 30 years old	5%	n/a	5%	n/a
Between 30 and 40 years old	1%	n/a	1%	n/a
Older than 40 years	0%	n/a	0%	n/a

In the studies relating to CGD, for 2012 and 2011, the normal retirement age was considered to be 60 years of age.

As defined by IAS 19, the discount rate is determined on the basis of low risk bonds market rates with a similar duration as Caixa's liabilities (18 years). The sovereign debt crisis, particularly in Southern Europe implied a significant instability in the Eurozone debt market with the subsequent decline on market yields relative to the debt of high grade companies along with a reduction of the available bond basket. In order to reflect these circumstances, and maintaining the representativeness of the discount rate, at 31 December 2012, Caixa included in its determination information on interest rates that can be obtained on bonds from Eurozone issuers which CGD considers to have high-quality credit risk.

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 2012 and 2011 and the amounts effectively considered:

	31/12/2012		31/12/2011	
	Assumption	Real	Assumption	Real
Rate of return of fund asset	5.25%	10.59%	5.25%	(2.83%)
Salary growth rate	2.25%	2.08%	2.25%	1.28%
Pension growth rate	1.25%	0.00%	1.25%	0.00%

At the end of December 2012, CGD changed the salary growth rate to 0.5% in 2013 and 2014, and 2% after that date, as well as the pension growth rate – 0% in 2013 and 2014 – and 1% as from that date, considering the impacts of the global costs cut proposal, namely the salaries of the State-owned corporate sector included in Budget Law for 2013.

The Group's past service liability in accordance with the actuarial calculations and the funds and provisions available to cover them at 31 December 2012 and 2011, are as follows:

	31/12/2012				31/12/2011			
	CGD	Caixa Seguros e Saúde	Other	Total	CGD	Caixa Seguros e Saúde	Other	Total
Past service liability:								
Current employees	1 013 065	6 568	34 676	1 054 309	842 685	23 710	32 867	899 262
Retired and early retired employees	528 689	194 875	20 093	743 656	465 214	178 329	20 160	663 703
	1 541 754	201 443	54 768	1 797 965	1 307 899	202 038	53 027	1 562 965
Autonomous pension funds	1 560 979	147 547	885	1 709 411	1 423 271	139 936	768	1 563 975
Mathematical provisions	–	60 223	–	60 223	–	63 784	–	63 784
Provision for pensions and similar charges								
	–	–	53 978	53 978	–	–	52 688	52 688
	1 560 979	207 771	54 863	1 823 613	1 423 271	203 720	53 455	1 680 447
Difference	19 225	6 328	95	25 648	115 372	1 682	428	117 482
Funding level	**101.25%**	**103.14%**	**100.17%**	**101.43%**	**108.82%**	**100.83%**	**100.81%**	**107.52%**

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 2012 and 2011 was funded at 101.25% and 108.82%, respectively.

The value of the pensions fund reflects the market value of its assets and contributions to be paid on 31 December 2012.

The future service liability for CGD's current employees at 31 December 2012 and 2011 totalled EUR 903 357 thousand and EUR 800 717 thousand, respectively.

At 31 December 2012 and 2011, the provision for pension and similar costs under the heading "Other entities" include EUR 10 600 thousand and EUR 1 500 thousand relating to healthcare charges.

The number of beneficiaries of CGD and CGD Group insurance companies in Portugal in 2012 and 2011, was as follows:

	31/12/2012		31/12/2011	
	CGD	Caixa Seguros e Saúde	CGD	Caixa Seguros e Saúde
Current employees	8 926	1 185	9 374	1 988
Retired and early retired employees	5 318	2 790	4 899	3 098
	14 244	**3 975**	**14 273**	**5 086**

The change in the number of beneficiaries of Caixa Seguros e Saúde between 2011 and 2012 is the result of the change in the collective labour agreement for the insurance activity as referred to above.

The changes in the pension funds, mathematical provisions and provision for pensions and similar costs in 2012 and 2011, were as follows:

	CGD	Caixa Seguros e Saúde	Other	Total
Balances at 31 December 2010	**1 424 864**	**211 874**	**53 657**	**1 690 395**
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
Balances at 31 December 2011	**1 423 271**	**203 720**	**53 455**	**1 680 447**
Contributions paid				
Regular contributions				
By employees	22 865	–	181	23 045
By the entity	–	27 000	360	27 360
Change in provisions for pensions and similar charges	–	(150)	2 762	2 612
Change in mathematical provisions	–	(3 561)	–	(3 561)
Pensions paid	(35 079)	(14 080)	(1 363)	(50 522)
Net income of the pension fund	149 922	13 287	88	163 298
Other changes	–	(18 447)	(621)	(19 067)
Balances at 31 December 2012	**1 560 979**	**207 771**	**54 863**	**1 823 613**

The assets of both CGD and Caixa Seguros e Saúde pension funds at 31 December 2012 and 2011 can be analysed as follows:

Pension Fund – CGD		
	31/12/2012	31/12/2011
Shares	78 268	69 287
Participating units in trust and property investment funds	290 424	301 180
Debt securities	377 892	346 456
Property	473 219	478 730
Deposits at credit institutions	478 026	247 364
Other (net liability)	(136 850)	(19 746)
Total	**1 560 979**	**1 423 271**

At 31 December 2012 and 2011 CGD's and Caixa Seguros e Saúde's pension funds were managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A..

At 31 December 2012 and 2011 the heading "Other" includes EUR 133 995 thousand and EUR 97 865 thousand, respectively, relative to sale operations with repurchase agreement on several financial instruments signed up with Caixa Geral de Depósitos.

At 31 December 2012, EUR 5 509 thousand were added to the value of CGD's pension fund calculated by CGD Pensões relative to the ajustment of the fair value measurement of public debt securities recorded in the Fund's accounts at amortised cost.

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 ajustment 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 2012 and 2011, CGD's pension fund had property leased to Group companies in the amount of EUR 408 369 thousand and EUR 409 008 thousand, respectively. In addition, CGD's pension fund had securities and trust funds units managed by Group companies in the amount of EUR 210 371 thousand and EUR 194 842 thousand, respectively.

Pension Fund – Caixa Seguros e Saúde		
	31/12/2012	31/12/2011
Shares	13 946	12 518
Participating units in trust and property investment funds	2 983	4 913
Debt securities	84 339	89 486
Property	16 057	14 073
Deposits at credit institutions	30 117	14 210
Other (net liability)	105	4 736
Total	**147 547**	**139 936**

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:

	31/12/2012		31/12/2011		31/12/2010		31/12/2009		31/12/2008	
	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan
Liabilities	1 541 754	452 245	1 307 899	415 857	1 308 213	436 698	1 332 368	460 025	1 137 181	427 832
Value of the fund	1 560 979	–	1 423 271	–	1 424 864	–	1 332 368	–	1 137 181	–
Provisions	–	452 245	–	415 857	–	436 698	–	460 025	–	427 832
Under(Over)financed liabilities	(19 225)	–	(115 372)	–	(116 651)	–	–	–	–	–
Gains/(Losses) resulting from liabilities	(123 745)	(27 354)	120 947	30 850	163 567	36 095	(64 890)	(19 720)	102 449	27 526
Gains/(Losses) resulting from the fund's assets	75 617	–	(116 514)	–	(45 628)	–	21 735	–	(140 187)	–
	(48 128)	**(27 354)**	**4 433**	**30 850**	**117 939**	**36 095**	**(43 155)**	**(19 720)**	**(37 738)**	**27 526**

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 2012 and 2011 are as follows:

	CGD	Caixa Seguros e Saúde	Other	Total
Situation at 31 December 2010	**116 651**	**6 491**	**3 471**	**126 613**
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
Changes with impact on profit or loss	(52 598)	(6 919)	(3 928)	(63 445)
Liability	120 947	(2 858)	194	118 283
Income	(116 514)	(7 462)	351	(123 626)
Actuarial gains and losses	4 433	(10 321)	545	(5 343)
Contributions made	46 886	12 430	341	59 657
Other	–			–
Situation at 31 December 2011	**115 372**	**1 682**	**428**	**117 482**
Current service cost	(74 703)	(2)	(1 328)	(76 033)
Interest cost	(45 230)	(5 101)	(1 828)	(52 159)
Expected return on plan assets	74 306	3 917	32	78 255
Normal cost for the year (Note 38)	(45 627)	(1 185)	(3 125)	(49 937)
Increase in liabilities due to early retirements (Note 38)	(2 392)	(11 255)	–	(13 647)
Other	–	(146)	–	(146)
Changes with impact on profit or loss	(48 019)	(12 586)	(3 125)	(63 730)
Liability	(123 746)	(19 137)	65	(142 819)
Income	75 618	9 370	2 366	87 354
Actuarial gains and losses	(48 128)	(9 768)	2 431	(55 465)
Contributions made	–	27 000	360	27 360
Other	–	–	–	–
Situation at 31 December 2012	**19 225**	**6 328**	**95**	**25 648**

Actuarial gains and losses relating to CGD's liability in 2012 and 2011 were as follows:

	31/12/2012	31/12/2011
Change in the salary growth rate	49 602	20 774
Change in pension growth rate	55 394	70 025
Change in the discount rate	(251 584)	–
Other actuarial gains and losses	22 843	30 148
	(123 746)	**120 947**

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 2012 and 2011, in the amount of EUR 452 245 thousand and EUR 415 857 thousand respectively, is recognised in the heading "Provisions".

Fidelidade also assumed the commitment to provide lifelong healthcare benefits to its retired and pre-retired employees. In addition, the former Império Bonança also assumed the commitment to provide lifelong healthcare benefits to its retired and pre-retired employees between June 1998 and July 2005. These liabilities correspond to EUR 23 375 thousand and EUR 11 635 thousand respectively, at 31 December 2012 and 2011 and are covered by provisions.

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 2012 and 2011 amounted to EUR 37 918 thousand and EUR 40 042 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 2012 and 2011, the corresponding liability amounted to EUR 744 thousand and EUR 1 750 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 2012 and 2011 amounted to EUR 10 600 thousand and EUR 15 500 thousand, repectively.

PROVISIONS

The provisions for employee benefits at 31 December 2012 and 2011 are made up as follows:

	31/12/2012	31/12/2011
CGD		
Provision for post-employment healthcare	452 245	415 857
Provision for labour suspension agreements	4 425	4 425
Provision for death grant liability	744	1 750
France branch liability	10 600	1 500
	468 014	423 532
Provision for pension and other liabilities		
Banco Comercial do Atlântico, S.A.	49 679	48 674
Other	1 830	1 894
	51 509	50 568
Provision for post-employment healthcare		
Caixa Seguros e Saúde (Império-Bonança)	23 566	12 075
Other	2 837	2 203
	26 403	14 278
Other	4 025	9 115
	549 950	**497 493**

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 2012 and 2011 are as follows (Note 25):

	31/12/2012	31/12/2011
Balances at the beginning of the year	**497 493**	**530 192**
Provisions recognised as staff costs:		
Healthcare - CGD (Note 38)	29 306	32 434
Labour suspension agreements (Note 38)	-	(90)
Actuarial gain and loss on post-employment healthcare liability:	34 900	(30 850)
Other	(1 870)	(5 301)
	62 335	(3 807)
Net increase recorded by corresponding entry to "Provisions"		
	15 398	(1 527)
Utilisation:		
Payments to SAMS and CGD's Social Services	(20 272)	(22 425)
Other	(4 595)	(4 531)
Other	(409)	(410)
Balances at the end of the year	**549 950**	**497 493**

40. OTHER ADMINISTRATIVE COSTS

This heading comprises the following:

	31/12/2012	31/12/2011
Specialised services		
– IT services	93 790	95 046
– Cleaning	10 292	9 818
– Studies and consultancy	9 224	9 964
– Contracts and service fees	5 945	7 331
– Safety and security	10 456	9 257
– Information services	7 724	7 674
– Other	165 848	180 602
Leases	94 570	93 395
Advertising and publications	41 147	44 035
Communications and postage	53 356	51 097
Maintenance and repairs	42 088	43 583
Water, energy and fuel	29 543	25 575
Transport of cash and other values	9 359	11 048
Travel, lodging and representation expenses	19 868	19 844
Standard forms and office supplies	9 866	9 746
Other	20 191	20 518
	623 266	**638 533**

The total future payments of the main operating leasing contracts in force at 31 December 2012 and 2011 were as follows:

	31/12/2012	31/12/2011
Up to one year	20 879	22 378
One to five years	70 498	94 559
Over five years	215 649	232 180

In 2012, the amounts invoiced by Sociedade de Revisores Oficiais de Contas relative to the statutory audit of annual accounts and other services, are as follows:

	31/12/2012	31/12/2011	
Statutory audit of annual accounts	265	265	
Other services	80	80	
	344	**344**	(a)

(a) Balances include VAT

41.
ASSET IMPAIRMENT

The changes in impairment in 2012 and 2011 were as follows:

	Balances at 31/12/2011	Changes in consolidation perimeter	Addition	Reversals	Write-offs	Exchange differences	Transfers and other	Balances at 31/12/2012	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 13)	3 383 246	43	3 342 625	(2 298 965)	(213 261)	(6 169)	(18 127)	4 189 393	(33 356)
Impairment of loans and advances to credit institutions (Note 6)	12 312	–	4 844	(5 113)	(4 643)	12	5 002	12 413	
Impairment of available-for-sale financial assets (Note 8)									
Equity instruments	724 212	(660)	142 725	–	(339 159)	(37)	(115)	526 965	
Debt instruments	52 629	–	1 637	(914)	(41 153)	(185)	779	12 794	
Other instruments	103 641	–	80 922	–	(19 569)	(336)	501	165 158	
Impairment of held-to-maturity investments (Note 12)	120 035	–	49 556	–	(169 591)	–	–	0	
Impairment of other tangible assets (Note 16)	11 068	–	6 671	(3 555)	(112)	0	(46)	14 026	
Impairment of intangible assets (Note 17)	12 027	–	238	–	–	–	(11 069)	1 196	
Impairment of non-current assets held for sale									
Property and equipment (Note 14)	103 374	–	187 819	(31 333)	(6 510)	–	(18 483)	234 867	
Impairment of other assets (Note 21)	191 424	–	65 635	(15 102)	(4 913)	(461)	(20 014)	216 570	
	1 330 720	(660)	540 047	(56 016)	(585 651)	(1 008)	(43 444)	1 183 989	–
	4 713 966	**(617)**	**3 882 672**	**(2 354 980)**	**(798 911)**	**(7 177)**	**(61 571)**	**5 373 382**	**(33 356)**

	Balances at 31/12/2010	Changes in consolidation perimeter	Addition	Reversals	Write-offs	Exchange differences	Transfers and other	Balances 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)**

During the first half 2011, Caixa sold its rights on receivables in the scope of transactions made with a North American bank which were recorded in the "Loans and advances to credit institutions" heading. As a result of this operation, impairment of EUR 39 557 thousand, previously created for this asset was used.

The columns "Additions" and "Reversals" of the table of changes in impairment for 2011, includes net charges of EUR 19 639 thousand which were reclassified in the income statement heading "Results in subsidiaries held for sale" for the referred to period, as a result of HPP Saúde's assets and liabilities transfer to the non-current assets and liabilities held for sale category (Note 14).

In addition, the column "Transfers and other" of the table of changes in impairment for 2012 includes accumulated impairment of EUR 11 079 thousand and EUR 17 679 thousand which were recognised in intangible assets and debtors, other investments and other assets, in the scope of the HPP business, which at 31 December that year were recognised in the non--current asses held for sale category (Note 14).

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 e Saúde insurance companies and Garantia – Companhia de Seguros de Cabo Verde, S.A.. 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 2012 and 2011, distributed by business segment and geographic market, are as follows:

BUSINESS SEGMENT

	31/12/2012								
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Insurance (life)	Non-life insurance	Other	Total
Net interest income	(49 553)	1 156 538	21 140	5 803	170 169	30 833	5 732	3 353	1 344 015
Income from equity instruments	21 180	49	65 237	25 648	3	1 001	203	5 621	118 942
Income from services rendered and commissions	42 409	181 792	113 839	35 128	82 151	2 529	–	220 108	677 957
Cost of services and commissions	(18 482)	(19 992)	(4 581)	(5 002)	(11 356)	(172)	(55)	(109 674)	(169 314)
Results from financial operations	313 744	61 447	(614)	(2 188)	(700)	2 534	(205)	(11 019)	362 999
Other net operating income	(1 192)	(4 138)	(1 405)	(8 885)	(4 969)	–	(2 407)	114 286	91 291
Premiums net of reinsurance	–	–	–	–	–	237 518	965 314	–	1 202 831
Results of investments relating to insurance contracts	–	–	–	–	–	102 751	76 821	–	179 572
Claims costs net of reinsurance	–	–	–	–	–	(153 786)	(629 258)	1	(783 043)
Commissions and other income and costs relating to insurance contracts	–	–	–	–	–	(1 025)	(85 340)	118	(86 247)
Net operating income from banking and insurance operations	308 106	1 375 697	193 616	50 506	235 297	222 183	330 805	222 793	2 939 004
Other costs and income									(3 333 719)
Net income attributable to the shareholder of CGD									(394 715)
Cash balances and loans and advances to credit institutions (net)	4 439 762	900 219	32 901	2 064	1 164	19 548	25 790	4 617	5 426 064
Investments in securities and derivatives (net)	17 909 682	503 807	493 433	585 048	(44 211)	7 482 327	1 608 203	255 992	28 794 281
Loans and advances to customers (net)	1 877 356	36 305 575	36 352 378	95 472	65 906	1 491	2 454	12 469	74 713 101
Technical provision for outwards reinsurance	–	–	–	–	–	22 406	169 991	5 030	197 427
Total net assets	24 868 586	38 372 525	36 978 566	837 006	173 845	7 168 457	2 265 520	6 191 997	116 856 501
Resources of central banks and credit institutions	11 501 728	190 931	489 991	33 646	–	–	–	26 985	12 243 281
Customer resources	1 263 028	53 187 753	11 223 675	64 294	–	5 600 888	–	64 516	71 404 154
Debt securities	10 203 616	342 987	44 024	–	–	–	–	–	10 590 627
Technical provision for insurance contracts	–	–	–	–	–	2 140 303	2 074 091	9 750	4 224 143
Liability to subscribers of unit-linked products	–	–	–	–	–	1 148 225	–	–	1 148 225

	31/12/2011								
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Insurance (life)	Non-life insurance	Other	Total
Net interest income	79 650	1 377 672	(56 462)	8 651	193 267	45 252	3 667	33 796	1 685 493
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)	(92 949)	(151 008)
Results from financial operations	(78 972)	42 791	(10 743)	13 332	1 270	(9 876)	1 279	16 157	(24 762)
Other net operating income	769	(5 893)	141	(2 658)	(3 870)	(111)	8 955	133 782	131 114
Premiums net of reinsurance	–	–	–	–	–	244 945	998 721	–	1 243 666
Results of investments relating to insurance contracts	–	–	–	–	–	85 578	57 821	(11)	143 388
Claims costs net of reinsurance	–	–	–	–	–	(184 466)	(604 265)	(35 194)	(823 924)
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	22 554	1 554 235	139 010	68 380	262 771	180 383	379 457	306 562	2 913 352
Other costs and income									(3 401 777)
Net income attributable to the shareholder of CGD									(488 425)
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

* The amounts presented for 2011 were restated in order to reflect the classification of HPP Saúde assets and liabilities as held for sale

GEOGRAPHIC MARKETS

	31/12/2012								
	Portugal	Rest of European Union	Rest of Europe	North America	Latin America	Asia	Africa	Other	Total
Net interest income	849 170	220 248	397	5 818	27 207	52 671	156 138	32 366	1 344 015
Income from equity instruments	180 289	16 568	–	–	–	147	12 576	(90 637)	118 942
Income from services rendered and commissions	569 535	49 288	59	1 281	17 902	32 362	84 061	(76 531)	677 957
Cost of services and commissions	(163 159)	(15 825)	(0)	(64)	(632)	(17 856)	(19 084)	47 305	(169 314)
Results from financial operations	318 420	(3 353)	(35)	(328)	(2 907)	6 552	85 337	(40 685)	362 999
Other net operating income	208 019	(12 094)	(50)	1 449	(7 960)	2 737	14 539	(115 349)	91 291
Premiums net of reinsurance	1 198 308	–	–	–	–	–	4 523	–	1 202 831
Results of investments relating to insurance contracts	195 260	–	–	–	–	–	–	(15 689)	179 572
Claims costs net of reinsurance	(781 365)	1	–	–	–	–	(1 679)	–	(783 043)
Commissions and other income and costs relating to insurance contracts	(118 002)	–	–	–	–	–	1 223	30 533	(86 247)
Net operating income from banking and insurance operations	2 456 475	254 834	370	8 156	33 610	76 613	337 634	(228 687)	2 939 004
Other costs and income									(3 333 719)
Net income attributable to the shareholder of CGD									(394 715)
Cash balances and loans and advances to credit institutions (net)	13 570 924	4 255 996	111 027	1 632 727	295 759	3 272 204	1 210 434	(18 923 006)	5 426 064
Investments in securities and derivatives (net)	34 556 573	3 027 102	–	35 753	75 757	51 486	620 975	(9 573 365)	28 794 281
Loans and advances to customers (net)	62 062 939	13 623 981	–	680 360	114 091	1 449 049	2 359 671	(5 576 991)	74 713 101
Technical provision for outwards reinsurance	192 397	–	–	–	–	–	5 030	–	197 427
Total net assets	123 677 396	21 265 789	111 503	2 349 895	592 500	5 186 598	4 753 332	(41 080 511)	116 856 502
Resources of central banks and credit institutions	19 297 289	7 913 507	7	1 681 385	74 819	194 121	157 832	(17 075 680)	12 243 281
Customer resources	60 724 593	5 311 873	–	696 769	189 411	4 113 925	3 286 936	(2 919 353)	71 404 154
Liability to subscribers of unit-linked products	1 148 225	–	–	–	–	–	–	–	1 148 225
Debt securities	12 062 611	6 573 650	–	22 784	–	–	67 688	(8 136 105)	10 590 627
Technical provision for insurance contracts	4 214 393	–	–	–	–	–	9 750	–	4 224 143

	31/12/2011								
	Portugal	Rest of European Union	Rest of Europe	North America	Latin America	Asia	Africa	Other	Total
Net interest income	1 170 061	231 673	26 716	6 681	26 941	42 747	143 169	37 505	1 685 493
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	(143 685)	(14 749)	(1 475)	(52)	(316)	(16 884)	(18 633)	44 786	(151 008)
Results from financial operations	(38 491)	73 555	(554)	(4 061)	(622)	5 816	65 730	(126 135)	(24 762)
Other net operating income	430 369	(92 631)	(49)	(564)	(1 627)	3 298	4 331	(212 013)	131 114
Premiums net of reinsurance	1 238 995	–	–	–	–	–	4 671	–	1 243 666
Results of investments relating to insurance contracts	161 631	–	–	–	–	–	–	(18 243)	143 388
Claims costs net of reinsurance	(823 092)	11	–	–	–	–	(843)	–	(823 924)
Commissions and other income and costs relating to insurance contracts	(119 085)	–	–	–	–	–	949	24 810	(93 326)
Net operating income from banking and insurance operations	2 706 700	254 691	24 905	3 591	33 003	67 584	284 531	(461 652)	2 913 352
Other costs and income									(3 401 777)
Net income attributable to the shareholder of CGD									(488 425)
Cash balances and loans and advances to credit institutions (net)	(117 441 452)	(13 066 736)	(20 426)	(800 935)	(338 409)	(1 871 116)	(3 539 475)	145 726 887	8 648 338
Investments in securities and derivatives (net)	31 580 439	2 727 609	19 312	50 383	222 898	58 959	553 622	(9 929 329)	25 283 893
Loans and advances to customers (net)	62 672 163	9 063 396	(10)	669 564	75 871	1 272 127	2 037 318	2 457 196	78 247 625
Technical provision for outwards reinsurance	440 048	–	–	–	–	–	12 356	(226 202)	226 202
Total net assets	622 557	(885 395)	1 083	(72 774)	(8 915)	145 609	293 237	120 546 847	120 642 249
Resources of central banks and credit institutions	161 709 228	24 784 383	403 812	4 837 265	380 902	4 471 859	4 515 785	(185 243 483)	15 859 751
Customer resources	122 813 328	9 354 315	253 603	1 346 241	154 603	7 110 401	5 796 311	(76 241 311)	70 587 491
Debt securities	2 012	–	–	–	–	–	–	582 867	584 879
Technical provision for insurance contracts	17 893 720	1 139 486	–	23 359	–	–	26 668	(4 159 924)	14 923 309
Liability to subscribers of unit-linked products	1 006	7 051	–	–	–	5	172	4 602 936	4 611 170

* The amounts presented for 2011 were restated in order to reflect the classification of HPP Saúde assets and liabilities as held for sale

The column "Other" includes the balances between Group companies reversed in consolidation.

In 2012 and 2011, the Group's contribution for results by business sector, according to the internal management criteria is broken-down as follows:

	31/12/2012					
	Banking business in Portugal	International business	Investment banking	Insurance and healthcare business	Other	Total
Interest and similar income	5 069 178	1 176 396	299 962	436 048	(1 907 286)	5 074 298
Interest and similar costs	(4 423 401)	(715 370)	(267 757)	(338 228)	2 014 474	(3 730 283)
Income from equity instruments	64 089	17 082	6 279	1 204	30 289	118 942
Net interest income including income from equity investments	**709 865**	**478 107**	**38 484**	**99 024**	**137 478**	**1 462 957**
Income from services rendered and commissions	453 114	184 894	71 155	2 532	(33 738)	677 957
Cost of services and commissions	(109 915)	(52 403)	(22 545)	(5 082)	20 631	(169 314)
Results from financial operations	321 623	84 785	(13 453)	(2 582)	(27 374)	362 999
Other net operating income	70 392	(1 329)	2 010	1 503	18 716	91 291
Non-interest income	**735 214**	**215 947**	**37 167**	**(3 629)**	**(21 765)**	**962 933**
Premiums net of reinsurance	–	4 523	–	1 198 308	–	1 202 831
Results of investments relating to insurance contracts	–	–	–	195 260	(15 689)	179 572
Claims cost net of reinsurance	–	(1 678)	–	(781 365)	–	(783 043)
Commissions and other income and cost relating to insurance contracts	–	1 223	–	(118 002)	30 533	(86 247)
Technical margin on insurance operations	–	4 068	–	494 202	14 844	513 113
NET INCOME FROM BANKING AND INSURANCE OPERATIONS	**1 445 079**	**698 122**	**75 651**	**589 596**	**130 557**	**2 939 004**
Other costs and income	(1 799 484)	(739 422)	(78 255)	(500 737)	(215 821)	(3 333 720)
Net income attributable to the shareholder of CGD	**(354 405)**	**(41 301)**	**(2 604)**	**88 860**	**(85 265)**	**(394 715)**

	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	354 917	(2 123 915)	5 367 805
Interest and similar costs	(4 560 436)	(805 173)	(307 382)	(252 979)	2 243 657	(3 682 312)
Income from equity instruments	108 994	4 466	2 648	1 343	29 274	146 724
Net interest income including income from equity investments	**1 088 731**	**455 676**	**35 513**	**103 281**	**149 016**	**1 832 218**
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)	(6 037)	16 236	(151 008)
Results from financial operations	(51 433)	140 000	(26 522)	(3 700)	(83 109)	(24 762)
Other net operating income	56 690	(87 194)	(552)	57 380	104 790	131 114
Non-interest income	**350 935**	**172 171**	**24 210**	**52 124**	**11 892**	**611 332**
Premiums net of reinsurance	–	4 671	–	1 238 995	–	1 243 666
Results of investments relating to insurance contracts	–	–	–	161 631	(18 243)	143 388
Claims cost net of reinsurance	–	(832)	–	(823 092)	–	(823 924)
Commissions and other income and cost relating to insurance contracts	–	949	–	(119 085)	24 810	(93 326)
Technical margin on insurance operations	**–**	**4 787**	**–**	**458 448**	**6 567**	**469 803**
NET INCOME FROM BANKING AND INSURANCE OPERATIONS	**1 439 666**	**632 635**	**59 723**	**613 854**	**167 475**	**2 913 352**
Other costs and income	(1 985 248)	(622 628)	(59 743)	(609 007)	(125 150)	(3 401 777)
Net income attributable to the shareholder of CGD	**(545 583)**	**10 007**	**(21)**	**4 847**	**42 325**	**(488 425)**

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 2012 and 2011 include the following balances and transactions with related parties, excluding management boards:

	31/12/2012			31/12/2011		
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates	The Portuguese State (Treasury)	Other Portuguese State entities	Associates
Assets:						
Loans and advances to credit institutions	–	–	–	–	434 249	–
Bonds and trading derivatives	10 598 232	2 967 947	60 746	7 167 801	1 899 039	65 665
Loans and advances to customers	21 834	4 446 002	436 213	–	4 134 783	641 243
Impairment for loans and advances to customers	–	31 864	75 419	–	(18 097)	(57 388)
Other assets	143	481 463	4 491	2 018	521 280	2 986
Liabilities:						
Customer resources	445	2 202 584	15 365	1 580 213	529 886	19 961
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–
Other liabilities	7 952	–	37 423	16 275	769	61 080
Guarantees given	22 323	611 451	6 509	–	564 375	11 460
Income:						
Interest and similar income	454 472	206 732	5 223	166 212	174 507	6 958
Gains from financial operations	137 600	152 359	3 666	58 057	122 134	819
Income from services rendered and commissions	84	1 255	3	78	6 216	6
Other operating income	–	16	599	–	10 221	840
Costs:						
Interest and similar costs	–	2 995	212	33 989	4 629	499
Losses from financial operations	1 743	155 135	–	58 755	105 328	133
Commissions	–	1	629	–	33	1 323
Other operating costs	2	–	449	–	238	1 312
General administrative costs	–	–	4 810	–	–	–

Transactions with related parties are generally made based on market values on the respective dates.

At 31 December 2012 and 2011, 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).

MANAGEMENT BOARDS

In 2012 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 17 531 thousand (EUR 20 234 thousand in 2011). The referred to costs in 2012 were as follows:

	31/12/2012	31/12/2011
Short-term emploee benefits	16 121	19 831
Post-employment benefits	359	163
Other long-term benefits	1 051	240
	17 531	**20 234**

In addition, on 31 December 2012 and 2011, the amount of credit granted to the members of the Boards of Directors was EUR 7 373 thousand and EUR 6 978 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, collateral, 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 (LGD) 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/ /conditions 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 in 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 tthat 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. (Securities pledged in funding operations with the Eurosystem or in any other operations, are excluded from this analysis). Shares and other variable-yield securities presenting adequate liquidity are globally considered in the bucket up to 1 month.

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.

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 atractive interest rates.

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. 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 sensitivity level of the economic balance value to changes in interest rates.

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 (as opposed to the trading portfolio).

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 19/2005). 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 2012 and 2011, the Group's maximum exposure to credit risk is broken down as follows:

	31/12/2012	31/12/2011
Trading securities		
Public debt	509 357	483 747
Corporate debt	40 466	114 197
i)	549 822	597 944
Financial assets at fair value through profit and loss		
Public debt	27 513	27 122
Corporate debt	108 505	146 100
ii)	136 019	173 222
Available-for-sale financial assets		
Public debt	9 640 807	5 857 476
Corporate debt	8 741 851	8 783 027
iii)	18 382 658	14 640 502
Investments held to maturity		
Public debt	1 902 659	2 160 346
Corporate debt	566 619	677 033
iv)	2 469 277	2 837 379
Assets with repurchase agreement		
Public debt	68 576	330 764
Corporate debt	435 584	447 190
v)	504 160	777 954
i)+ii)+iii)+iv)	22 041 937	19 027 001
Derivatives	2 181 287	2 084 059
Loans and advances to credit institutions	2 517 399	4 956 118
Loans and advances to customers	74 789 153	78 256 740
Other debtors	3 267 987	3 229 558
Other operations pending settlement	172 681	336 282
	82 928 508	88 862 757
Other commitments		
Personal/institutional guarantees given		
Guarantees and sureties	4 418 988	5 120 509
Stand-by letters of credit	67 309	123 534
Open documentary credits	410 835	382 499
Other personal guarantees and other contingent liabilities	1 091	11 349
Forward deposits agreements	2 000	–
Irrevocable lines of credit	1 764 341	2 457 880
Other irrevocable commitments	–	840 000
Credit default swaps	164 740	400 943
	6 829 304	9 336 714
Maximum exposure to credit risk	**111 799 749**	**117 226 472**

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 2012 and 2011 considering the rating fixed in accordance with the internal assessment model developed by Caixa for financial institutions, and by country of the counterparty:

	31/12/2012						
	Portugal	Rest of European Union	North America	Asia	Brazil	Other	Total
AA– to AA+	–	9 833	38 138	665	–	34 917	83 553
A– to A+	–	86 616	1 188	43 513	–	–	131 316
Lower than A–	920 737	67 519	105	25 474	66 080	14 940	1 094 854
No rating	150 666	236	–	19 915	–	86 932	257 748
Central and supranational banks	–	–	161 457	389 711	172 762	225 998	949 928
	1 071 403	**164 204**	**200 888**	**479 277**	**238 842**	**362 786**	**2 517 399**

	31/12/2011						
	Portugal	Rest of European Union	North America	Asia	Brazil	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	389	34 136	4 239 488
No rating	3 908	411	–	–	–	98 908	103 227
Central and supranational banks	–	–	–	203 104	–	27 648	230 752
	4 144 788	**156 040**	**42 385**	**374 902**	**389**	**237 615**	**4 956 118**

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 2012 and 2011 broken down by Standard & Poor's rating or similar, by guarantee or issuer and by their respective geographical region:

	31/12/2012				
	Portugal	Rest of European Union	North America	Other	Total
Financial assets at fair value through profit or loss					
AAA	–	21 834	–	–	21 834
AA+ to AA–	–	228 386	–	–	228 386
A+ to A–	–	105 899	–	39 587	145 486
BBB+ to BBB–	9 870	9 940	2 126	2 227	24 163
BB+ to BB–	234 025	10 703	1 130	–	245 858
B+ to B–	5 222	–	–	–	5 222
No rating	4 630	3 916	–	6 346	14 892
	253 747	380 678	3 256	48 160	685 841
Issued by:					
Corporates	14 428	11 381	–	586	26 395
Governments and local authorities	197 437	299 846	–	39 587	536 870
Financial institutions	31 712	19 782	3 256	2 907	57 657
Othet issuers	10 170	49 669	–	5 080	64 919
	253 747	380 678	3 256	48 160	685 841
Financial assets at fair value through revaluation reserves					
AAA	–	536 494	62	35 541	572 097
AA+ to AA–	–	604 630	49 014	169 945	823 589
A+ to A–	–	1 591 837	150 971	92 570	1 835 378
BBB+ to BBB–	494 350	1 804 864	188 730	63 677	2 551 621
BB+ to BB–	11 686 645	368 657	–	266 968	12 322 270
B+ to B–	75 155	56 687	119	297 483	429 444
Lower than B–	–	65 388	101	1 565	67 054
No rating	216 445	16 912	–	52 008	285 365
	12 472 595	5 045 469	388 997	979 757	18 886 818
Issued by:					
Corporates	202 149	677 847	54 426	23 677	958 099
Governments and local authorities	8 502 459	622 434	35 651	513 761	9 674 305
Financial institutions	3 767 987	3 461 458	297 596	405 566	7 932 607
Othet issuers	–	283 730	1 324	36 753	321 807
	12 472 595	**5 045 469**	**388 997**	**979 757**	**18 886 818**

	31/12/2011				
	Portugal	Rest of European Union	North America	Other	Total
Financial assets at fair value through profit or loss					
AAA	–	226 297	–	–	226 297
AA+ to AA–	–	601	–	–	601
A+ to A–	8 060	131 114	2 914	16 572	158 660
BBB+ to BBB–	1 534	6 894	–	5 465	13 893
BB+ to BB–	244 175	19 599	–	9	263 783
B+ to B–	71 767	–	–	–	71 767
No rating	11 795	5 188	–	19 182	36 165
	337 331	389 693	2 914	41 228	771 166
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
Othet issuers	8 938	55 531	–	17 917	82 386
	337 331	389 693	2 914	41 228	771 166
Financial assets at fair value through revaluation reserves					
AAA	–	868 110	58	57 400	925 568
AA+ to AA–	–	842 467	75 947	167 331	1 085 745
A+ to A–	256 938	2 955 626	238 105	267 792	3 718 461
BBB+ to BBB–	129 150	775 640	113 403	57 598	1 075 791
BB+ to BB–	7 363 213	248 568	–	303 757	7 915 538
B+ to B–	17 369	3 526	78	228 761	249 734
Lower than B–	–	127 998	199	13	128 210
No rating	269 493	2 078	–	47 838	319 409
	8 036 163	5 824 013	427 790	1 130 490	15 418 456
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
Othet issuers	10 573	280 154	1 577	40 101	332 405
	8 036 163	**5 824 013**	**427 790**	**1 130 490**	**15 418 456**

EXPOSURE OF THE SOVEREIGN DEBT OF EUROZONE PERIPHERAL COUNTRIES

Credit markets of the Eurozone sovereign debt, particularly peripheral countries characterised by significant budget imbalances, have been affected by a growing uncertainty and instability. 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 2012 and 2011 are as follows:

	Book value net of impairment at 31/12/2012					Fair value	Accumulated impairment	Fair value reserve	Rating
	Residual periods to maturity								
	2013	2014	After 2014	No maturity	Total				
Financial assets at fair value through profit or loss									
Portugal	129 549	49 480	18 409	–	197 437	197 437	–	–	
Greece	–	–	–	–	–	–	–	–	
Ireland	–	–	–	–	–	–	–	–	
Spain	–	–	134	–	134	134	–	–	
Italy	–	–	147	–	147	147	–	–	
	129 549	49 480	18 690	–	197 719	197 719	–	–	
Financial assets at fair value through revaluation reserves									
Portugal	3 953 784	2 265 236	2 280 949	2 490	8 502 459	8 502 459	–	128 814	
Greece	–	–	2 608	–	2 608	2 608	–	(3 799)	
Ireland	105	–	–	–	105	105	–	1	
Spain	141 945	20 367	25 446	–	187 758	187 758	–	(2 204)	
Italy	14 344	17 492	120 275	–	152 111	152 111	–	2 259	
	4 110 178	2 303 095	2 429 278	2 490	8 845 042	8 845 042	–	125 070	
Investments held to maturity									
Portugal	5	190 004	1 666 952	–	1 856 962	2 067 765	–	(203 437)	
Greece	–	–	–	–	–	–	–	–	
Ireland	520	–	–	–	520	523	–	1	
Spain	–	–	–	–	–	–	–	–	
Italy	–	22 811	22 366	–	45 177	46 339	–	650	
	525	212 815	1 689 318	–	1 902 659	2 114 626	–	(202 786)	
Total									
Portugal	4 083 338	2 504 720	3 966 310	2 490	10 556 858	10 767 661	–	(74 624)	BB–
Greece	–	–	2 608	–	2 608	2 608	–	(3 799)	CCC
Ireland	624	–	–	–	624	627	–	2	BB+
Spain	141 945	20 367	25 580	–	187 892	187 892	–	(2 204)	BBB–
Italy	14 344	40 303	142 788	–	197 436	198 598	–	2 909	BBB
	4 240 252	**2 565 390**	**4 137 287**	**2 490**	**10 945 419**	**11 157 386**	**–**	**(77 716)**	

	Book value net of impairment at 31/12/2011						Fair value	Accumulated impairment	Fair value reserve	Rating
	Residual periods to maturity									
	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)**	

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 with effect still in 2011.

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. As a result of the participation in this operation the Group, during 2012, did not recognise additional losses in its financial statements.

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) which amounted to EUR 213 627 thousand and EUR 411 25 thousand of unrealised losses at 31 December 2012 and 2011, respectively.

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 2012 and 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 2012 and 2011, 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:

	Rating	Seniority level of the tranche held	Geographical area of the issuer	31/12/2012			31/12/2011		
				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									
	A- to A+	Senior	European Union	-	-	-	17 372	-	(2 091)
	C	Senior	European Union	-	-	-	2 697	-	(448)
i)				-	-	-	20 069	-	(2 538)
Residential mortgage-backed securities	AAA	Senior	European Union	215	-	(3)	19 385	-	2 052
	AA- to AA+	Senior	European Union	2 598	-	(861)	12 377	-	(27)
		Mezzanine	European Union	-	-	-	200	-	(1)
	A- to A+	Senior	European Union	13 404	-	(6 211)	15 687	-	(6 438)
	Lower than A-	Senior	European Union	19 232	-	(4 511)	24 767	-	(12 438)
		Mezzanine	European Union	2 645	-	(2 714)	2 487	-	(3 310)
	CCC	Mezzanine	North America	101	(9 364)	-	199	(9 503)	41
	D	Mezzanine	European Union	1 308	-	(5 111)	746	-	(5 689)
ii)				39 504	(9 364)	(19 410)	75 849	(9 503)	(25 810)
Collateralised Loan obligations									
	AAA	Senior	European Union	7 000	-	(250)	6 642	-	(678)
			Other	-	-	-	36 702	-	(1 017)
	AA- to AA+	Mezzanine	European Union	97	-	(4)	80	-	(21)
	A- to A+	Senior	European Union	92	-	(4)	87	-	(10)
		Mezzanine	European Union	252	-	(50)	202	-	(101)
	Lower than A-	Mezzanine	European Union	12 381	-	(2 359)	6 984	-	(7 660)
	CCC	Mezzanine	European Union	-	-	-	434	-	(385)
iii)				19 822	-	(2 666)	51 131	-	(9 872)
Other financial instruments	No rating	Senior	European Union	1	(49)	-	6 703	(26 885)	-
iv) = i)+ii)+iii)				59 327	(9 413)	(22 077)	153 752	(36 388)	(38 221)
Financial assets at fair value through profit or loss									
Other financial instruments **v)**	A- to A+	Senior	European Union	33 467	-	-	39 258	-	-
iv)+v)				**92 794**	**(9 413)**	**(22 077)**	**193 010**	**(36 388)**	**(38 221)**

The change in these securities in 2012 and 2011 was as follows:

	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Net book value at 31/12/2011	Sales and amortisations	Acquisitions	Impact on results for the year		Change in the fair value reserve	Other	Net book value at 31/12/2012
							Capital gains/ /(losses) recognised against results	Impairment			
Available-for-sale financial assets											
Commercial mortgage-backed securities											
	A- to A+	Senior	European Union	17 372	(18 452)	–	(1 011)	–	2 091	–	–
	C	Senior	European Union	2 697	(3 128)	–	(17)	–	448	–	–
Residential mortgage-backed securities											
	AAA	Senior	European Union	19 385	(19 443)	–	2 328	–	(2 055)	–	215
	AA- to AA+	Senior	European Union	12 377	(10 191)	–	1 246	–	(834)	–	2 598
		Mezzanine	European Union	200	(201)	–	(1)	–	1	–	–
	A- to A+	Senior	European Union	15 687	(2 397)	–	(112)	–	227	–	13 404
	Lower than A-	Senior	European Union	24 767	(1 969)	–	(93)	–	7 928	(11 400)	19 232
		Mezzanine	European Union	2 487	(518)	–	79	–	596	–	2 645
	CCC	Mezzanine	North America	199	–	–	(57)	–	(41)	–	101
	D	Mezzanine	European Union	746	–	–	(16)	–	578	–	1 308
Collateralised Loan obligations											
	AAA	Senior	European Union	6 642	–	–	(70)	–	428	–	7 000
			Other	36 702	(37 127)	–	(592)	–	1 017	–	–
	AA- to AA+	Mezzanine	European Union	80	–	–	–	–	17	–	97
	A- to A+	Senior	European Union	87	–	–	–	–	5	–	92
		Mezzanine	European Union	202	–	–	(1)	–	52	–	252
	Lower than A-	Mezzanine	European Union	6 984	–	–	95	–	5 302	–	12 381
	CCC	Mezzanine	European Union	434	(303)	–	(517)	–	385	–	–
Other financial instruments											
	No rating	Senior	European Union	6 703	(6 700)	–	(2)	–	–	–	1
				153 752	(100 428)	–	1 260	–	16 144	(11 400)	59 327
Financial assets at fair value through profit or loss											
Other financial instruments											
	A- to A+	Senior	European Union	39 258	(6 411)	3	617	–	–	–	33 467
				39 258	(6 411)	3	617	–	–	–	33 467
				193 010	**(106 839)**	**3**	**1 877**	**–**	**16 144**	**(11 400)**	**92 794**

(a) Presentation of securities made in accordance with information on rating available on 31/12/2012, except for securities sold whose information should refer to 31/12/2011.

	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Net book value at 31/12/2010	Sales and 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
Collateralized Debt obligations	Lower than A-	Outros	European Union	680	–	–	–	–	6 109	(6 790)	–
Other financial instruments											
	No rating	Senior	European Union	8 922	–	–	(699)	(1 400)	–	(120)	6 703
		Outros	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

	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Net book value at 31/12/2010	Sales and 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			
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) Presentation of securities made in accordance with information on rating available on 31/12/2011.

The "capital gains/(losses) recognised against results" heading includes accrued interest and the result of foreign exchange revaluation.

QUALITY OF LOANS AND ADVANCES TO CUSTOMERS

The gross amount of loans and advances to customers at 31 December 2012 and 2011 comprises the following:

	31/12/2012						
	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	5 422 910	572 022	381 082	–	2 432 164	8 808 178	
Past due	13 160	28 741	962 576	–	82 182	1 086 658	
Individual analysis							
Due for payment	21 070 969	525 017	248 880	5 275 770	942 303	28 062 939	
Past due	18 325	10 726	104 478	2 043 788	21 851	2 199 168	
	26 525 364	1 136 506	1 697 015	7 319 558	3 478 500	40 156 943	7 066 025
of which							
Central Government	1 376 170	–	–	4 603	28	1 380 800	
Local and Regional Government	2 055 639	10 413	87 617	51 978	–	2 205 648	
Mortgage loans							
Due for payment	32 158 456	877 108	1 270 525	–	953 615	35 259 705	
Past due	3 352	7 013	1 024 943	30	7 439	1 042 777	
	32 161 808	884 121	2 295 469	30	961 054	36 302 482	2 585 954
Consumer loans							
Due for payment	1 201 298	83 300	46 543	887	177 224	1 509 251	
Past due	261	4 224	99 281	2 439	9 319	115 524	
	1 201 559	87 523	145 824	3 326	186 543	1 624 775	91 568
Other loans							
Due for payment	264 769	14 839	16 862	–	236 894	533 363	
Past due	2 276	2 399	53 030	–	11 436	69 141	5 072
	267 045	17 237	69 892	–	248 329	602 504	
Total loans due for payment	60 118 402	2 072 285	1 963 892	5 276 657	4 742 200	74 173 436	
Total past due loans	37 374	53 102	2 244 308	2 046 257	132 226	4 513 268	
Total loans	**60 155 776**	**2 125 388**	**4 208 199**	**7 322 914**	**4 874 427**	**78 686 704**	
of which							
Restructured operations	870 619	394 384	292 021	1 985 859	95 094	3 637 977	

	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
of which							
Central Government	905 510	10	–	–	–	905 520	
Local and Regional Government	2 448 835	8 595	26 449	–	–	2 483 879	
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	7 238
	371 069	22 871	59 954	211	138 983	593 087	
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**	
of which							
Restructured operations (*)	422 690	119 555	48 538	595 276	–	1 186 059	

(*) As identified from June 2011 onward

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 2012 and 2011 comprise the following:

	31/12/2012	31/12/2011
Due for payment	478 377	403 717
Past due	31 166	54 862
Total	509 543	458 580
Attributed impairment – collective analysis	(18 795)	(19 376)
Fair value of collateral	355 032	603 855

RESTRUCTURED OPERATIONS:

CGD has made significant investments to diagnose, prevent and process credit at risk as well as credit in default, over the last decade.

The Credit Recovery Office was set up in 2003 and focuses on the development of actions aimed at implementing extrajudicial solutions to settle the mortgage loan defaults of individual customers. The referred to office's latter transformation into the Credit Recovery Division enabled the number of customers to be expanded to include individual customers in default on other products and companies.

In January 2012 with the creation of DAE (Corporate Monitoring Division) whose mission is to monitor and recover loans granted to companies and their respective groups, whose involvement with CGD (i) comprises more than EUR 5 million; (ii) is impaired by 10% or more or, (iii) notwithstanding the amount of the impairment, when belonging to high risk activity sectors, CGD was a pioneer in changing the credit recovery approach in preferring negotiated solutions as opposed to legal proceedings.

Together with the paradigmatic change associated with the current socioeconomic crisis, in Portugal, with the exponential increase in non-performing loans, CGD has continued to implement the model it set up a decade ago consisting in its development of new approaches, always aiming to recover the amount of the loan while promoting the viability of the companies involved (in the case of corporate loans) as well as in continuing to adopt a social support stance with its customers as demonstrated by its continuous quest and development of extrajudicial solutions enabling customer relationships to be maintained to the advantage of both parties.

Also of note are the initiatives adopted in the risk management process, notably mortgage loans and credit cards based on the implementation of mechanisms for automatically identifying situations involving the potential financial challenges of the customers involved and the proposing of solutions designed to avoid default. This is exemplified by the implementation of Bank of Portugal Instruction 18/2012 under which CGD and other subsidiaries on domestic territory have adapted their applications systems to enable customers in financial difficulties and operations which have been restructured on the basis of customers' financial difficulties to be automatically flagged, based on the verification of certain pre-established indicators. For prevention purposes, the possibility of manual flagging of customers in financial difficulties when detected by the branch office network was also created although this is not based on the use of indicators deriving from the above referred to mechanisms.

Based on the corporate segment monitored by it, DAE works on a case-by-case basis, bearing in mind potential segment synergies in light of the aggravated risk affecting several sectors of activity and assesses the viability of companies from a broader viewpoint i.e. also considering the position held by shareholders. Equity structure, management capacity, business sustainability, investment and future treasury requirements are therefore assessed in the quest for solutions, while also bearing in mind the value of pledged collaterals regarding the risks assumed.

The solution is applied on a corporate level, based on an assessment of both management capacities and the possibilities of corporate restructuring as well as recoverable credit. This may involve debt restructuring, adjusting debt servicing requirements and in several cases renegotiating the amounts owed in line with the company's capacity to generate sufficient cash flow, accompanying special procedures for corporate recovery or insolvencies which are recovered by the assignment of the actual companies or their assets to Corporate Restructuring Funds or Real Estate Funds, respectively, for loan settlement purposes and inter alia, the provision of guarantees. The option to renegotiate and restructure the debt is always undertaken only if, in accordance with the analysis performed, this is expected to permit corporate restructuring (in the case of companies) and the recovery of loans granted by CGD (both to companies and individual customers and the self-employed).

Also of relevance in terms of the management of customers in financial difficulties in banking activity in Portugal, are the normative requirements of Decree Law 227/2012, of 25 October, relative to the Action Plan for Risk of Default (PARI) and the Extrajudicial

Procedure for the Settlement of Defaults (PERSI) which came into force on 1 January 2013, in addition to Law 58/2012 of 9 November, under which an extraordinary regime for the protection of mortgage loan debtors in a very difficult economic situation was created and which largely reflect the recovery models, procedures and solutions in force in Caixa.

ASSESSMENT OF IMPAIRMENT LOSSES

In all situations, impairment always reflects the Group's recovery expectations of the amounts owed to it in accordance with the proposed solution and the valuation of collaterals pledged.

As specifically regards credit operations which have been restructured due to customers' financial difficulties, the Risk Management Division has undergone the revision of the criteria in order to differentiate between the risks on this type of operations, with its consequent impact on the measurement of the respective loss, complementary to the current impairment model definitions.

A restructuring event based on customers' financial difficulties is now considered as an impairment trigger and is one of the criteria for the selection of individual impairment assessment. In addition, these operations are subject to more conservative parameters in the assessment of the impairment on a collective basis.

Information on restructured operations, at 31 December 2012, is as follows:

	31/12/2012						
	Loans not due	Overdue loans	Total	Impairment			Fair value of collateral
				Collective analysis	Individual analysis	Total	
Restructured operations							
Non-financial entities and public administration	2 859 224	329 803	3 189 027	(97 796)	(536 297)	(634 093)	1 090 875
Financial entities	60 517	26 596	87 113	(42)	(17 678)	(17 720)	84 436
Individuals							
Housing	325 720	10 039	335 759	(31 434)	–	(31 434)	89 174
Other	24 842	1 238	26 080	(4 562)	–	(4 562)	14 902
Total	**3 270 303**	**367 676**	**3 637 977**	**(133 834)**	**(553 975)**	**(687 809)**	**1 279 387**

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 2012 and 2011 are as follows:

	31/12/2012									
	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	1 603 147	–	–	–	–	–	–	–	–	1 603 147
Cash balances at other credit institutions	1 300 616	–	–	–	–	–	–	–	109	1 300 725
Loans and advances to credit institutions	1 490 055	696 902	15 330	264 400	30 622	2 115	2 428	24 298	8 874	2 535 024
Securities										
Trading	2 165	20 904	58 179	74 650	143 087	54 802	230 090	13 364	2 143 375	2 740 616
Other	531 458	1 743 405	1 775 121	2 938 866	6 049 921	2 936 885	4 083 512	880 475	3 026 757	23 966 399
Investments associated to unit-linked products	–	–	–	–	–	–	–	–	1 283 786	1 283 786
Loans and advances to customers (gross)	4 549 845	4 734 498	5 917 046	4 241 421	13 250 782	10 118 168	16 237 665	29 676 280	(910 138)	87 815 568
Investments held to maturity	18 081	50 017	161 357	144 702	1 738 586	501 548	438 921	3 673	(210 561)	2 846 324
Assets with repurchase agreement	946	17 976	15 184	11 556	140 609	319 946	26 681	–	(2 221)	530 676
Hedging derivatives	–	–	–	–	–	–	–	–	98 725	98 725
	9 496 314	7 263 702	7 942 217	7 675 594	21 353 607	13 933 464	21 019 296	30 598 089	5 438 707	124 720 990
Liabilities										
Resources of central banks and credit institutions	(2 756 482)	(1 581 948)	(226 531)	(365 844)	(6 770 636)	(830 322)	(1 590)	–	(19 312)	(12 552 666)
Customer resources	(23 314 111)	(6 637 328)	(7 660 559)	(9 053 731)	(17 284 488)	(8 429 072)	(955 648)	(1 874 320)	580 621	(74 628 636)
Liabilities associated with unit-linked products	–	–	–	–	–	–	–	–	(1 283 786)	(1 283 786)
Debt securities	(255 105)	(837 772)	(884 062)	(1 188 909)	(4 174 931)	(2 056 293)	(1 788 585)	(471 255)	56 157	(11 600 756)
Financial liabilities at fair value through profit or loss	(1 786)	(122)	(42)	(228)	(1 203)	–	(11 623)	–	(2 203 001)	(2 218 006)
Hedging derivatives	–	–	–	–	–	–	–	–	(84 479)	(84 479)
Subordinated liabilities	(5 375)	(16 461)	(53 369)	(57 000)	(234 138)	(2 075 225)	(968 996)	(138 337)	9 350	(3 539 550)
Consigned resources	–	(657)	(671)	(3 579)	(92 888)	(9 442)	(312 015)	(487 239)	(218)	(906 708)
	(26 332 860)	(9 074 288)	(8 825 234)	(10 669 290)	(28 558 285)	(13 400 354)	(4 038 458)	(2 971 151)	(2 944 668)	(106 814 587)
Derivatives	7 693	(11 047)	21 863	26 782	(12 469)	(7 114)	(18 217)	124 463	–	131 953
Difference	**(16 828 853)**	**(1 821 633)**	**(861 153)**	**(2 966 914)**	**(7 217 147)**	**525 996**	**16 962 621**	**27 751 401**	**2 494 039**	**18 038 356**

	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
Investments held to maturity	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**

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 2012 and 2011.

In the case of mortgage loans – the distribution of capital and interest cash flows took into account the expectations relative to early repayment of contracts, based on the analysis of the historical information as well as on the current macroeconomic context.

The following tables show the information relative to the liquidity risk of CGD at 31 December 2012 and 2011. These tables difer 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.

	31/12/2012									
	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
Assets										
Cash and cash equivalents at central banks	1 603 129	–	–	–	–	–	–	–	–	1 603 129
Cash balances at other credit institutions	1 300 441	–	–	–	–	–	–	–	109	1 300 550
Loans and advances to credit institutions	1 488 495	693 700	15 217	259 332	29 610	1 411	440	21 289	8 874	2 518 368
Securities										
Trading	1 031 072	3 093	8 458	9 930	18 153	5 950	31 686	2 005	1 561 533	2 671 878
Other (net of impairment)	8 450 811	258 231	259 262	411 930	822 285	380 751	564 035	124 629	10 630 080	21 902 015
Investments associated to unit-linked products	–	–	–	–	–	–	–	–	1 148 225	1 148 225
Loans and advances to customers (gross)	4 402 978	4 324 791	5 122 221	3 592 663	11 044 115	8 437 221	13 187 492	24 972 093	(910 138)	74 173 436
Assets with repurchase agreement	–	–	–	–	–	–	–	–	504 160	504 160
Investments held to maturity	15 161	18 100	138 050	97 915	1 556 058	436 450	414 605	3 500	(210 561)	2 469 277
	18 292 088	5 297 914	5 543 208	4 371 770	13 470 220	9 261 783	14 198 259	25 123 515	12 732 282	108 291 039
Liabilities										
Resources of central banks and credit institutions	(2 754 869)	(1 559 844)	(223 533)	(338 760)	(6 501 839)	(760 146)	(1 590)	–	(19 312)	(12 159 893)
Customer resources	(5 905 074)	(5 177 649)	(4 634 191)	(9 686 064)	(21 014 457)	(10 773 543)	(2 888 817)	(11 361 010)	679 835	(70 760 970)
Liabilities associated with unit-linked products	–	–	–	–	–	–	–	–	(1 148 225)	(1 148 225)
Debt securities	(202 391)	(767 338)	(836 411)	(1 011 043)	(3 694 127)	(1 879 724)	(1 611 449)	(445 898)	56 157	(10 392 224)
Financial liabilities at fair value through profit or loss	(1 786)	(122)	(42)	(228)	(1 203)	–	(11 623)	–	(2 203 001)	(2 218 006)
Subordinated liabilities	(5 161)	(9 369)	(453)	(453)	(907)	(1 880 522)	(905 973)	(101 145)	9 350	(2 894 634)
Consigned resources	–	–	–	–	(83 333)	–	(289 242)	(481 189)	(218)	(853 983)
	(8 869 282)	(7 514 323)	(5 694 631)	(11 036 548)	(31 295 866)	(15 293 935)	(5 708 694)	(12 389 242)	(2 625 414)	(100 427 935)
Difference	**9 422 806**	**(2 216 409)**	**(151 423)**	**(6 664 778)**	**(17 825 646)**	**(6 032 152)**	**8 489 565**	**12 734 273**	**10 106 867**	**7 863 103**

	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
Assets										
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 held to maturity	148 544	68 054	76 604	66 325	896 130	1 408 744	426 786	42 598	(176 370)	2 957 414
	15 150 458	6 056 471	7 259 548	5 315 762	14 266 111	12 256 301	16 392 442	20 144 943	15 072 610	111 914 646
Liabilities										
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)
	(15 534 935)	(11 031 012)	(10 994 507)	(10 663 201)	(22 894 110)	(12 996 675)	(5 933 283)	(13 699 298)	(2 554 979)	(106 302 000)
Difference	**(384 477)**	**(4 974 541)**	**(3 734 959)**	**(5 347 439)**	**(8 627 999)**	**(740 374)**	**10 459 159**	**6 445 645**	**12 517 631**	**5 612 647**

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 detail of interest rate risk sensitive financial instruments, based on maturity or repricing dates at 31 December 2012 and 2011 is summarised in the following table:

	31/12/2012								
	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	1 171 874	431 252	–	–	–	–	–	3	1 603 129
Cash balances at other credit institutions	1 300 441	–	–	–	–	–	–	109	1 300 550
Loans and advances to credit institutions	1 091 247	402 946	698 181	35 434	247 747	11 249	20 905	10 660	2 518 368
Securities									
Trading	–	–	20 050	56 374	65 774	119 663	257 426	2 152 591	2 671 878
Other (net of impairment)	166 677	1 381 252	2 788 988	1 846 634	5 708 755	4 397 754	2 685 528	2 926 426	21 902 015
Investments associated to unit-linked products	–	–	–	–	–	–	–	1 148 225	1 148 225
Loans and advances to customers (gross)	2 960 414	18 179 906	26 373 555	20 838 673	1 676 134	1 879 909	3 169 548	(904 704)	74173436
Assets with repurchase agreement	–	–	80 000	204 000	–	–	–	220 160	504159.727
Investments held to maturity (gross)	–	28 261	170 450	96 423	47 915	1 500 135	836 654	(210 561)	2469277.441
	6 690 654	20 423 618	30 131 224	23 077 537	7 746 325	7 908 710	6 970 061	5 342 909	108 291 039
Liabilities									
Resources of central banks and credit institutions	(2 414 415)	(340 454)	(2 309 844)	(223 850)	(336 581)	(6 503 751)	(11 865)	(19 131)	(12 159 893)
Financial liabilities at fair value through profit or loss	(3 114)	(291)	(1 086)	(42)	(228)	–	(140 705)	(2 072 541)	(2 218 006)
Liabilities associated with unit-linked products	–	–	–	–	–	–	–	(1 148 225)	(1 148 225)
Customer resources	(17 935 364)	(9 168 310)	(9 603 668)	(11 481 749)	(7 793 633)	(14 319 173)	(1 174 405)	715 331	(70 760 970)
Debt securities	(51 391)	(182 800)	(1 756 041)	(1 169 073)	(606 596)	(3 785 601)	(2 896 879)	56 157	(10 392 224)
Subordinated liabilities	–	(105 161)	(190 198)	(558 904)	(762 320)	(1 360)	(1 286 040)	9 350	(2 894 634)
Consigned resources	–	–	(762 855)	–	–	–	(90 932)	(196)	(853 983)
	(20 404 284)	(9 797 016)	(14 623 692)	(13 433 619)	(9 499 358)	(24 609 885)	(5 600 827)	(2 459 254)	(100 427 935)
Derivatives									
Interest Rate Swaps (IRSs)	6 240 660	(925 885)	(2 596 453)	(207 400)	(930 521)	(1 042 648)	(497 883)	(3 010)	36 860
Interest rate futures	–	–	1 436 487	99 830	2 046 640	–	11 624	–	3 594 581
Forward Rate Agreements (FRAs)	–	–	–	–	–	–	5 000	–	5 000
Interest rate options	–	–	–	–	–	–	–	(24 466)	(24 466)
	6 240 660	(925 885)	(1 159 966)	(107 570)	1 116 119	(1 042 648)	(481 259)	(27 476)	3 611 974
Net exposure	**(7 472 970)**	**9 700 717**	**14 347 566**	**9 536 348**	**(636 914)**	**(17 743 824)**	**887 975**	**2 856 179**	**11 475 078**

	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	77 992 162.4
Assets with repurchase agreement	12 366	38 747	437 816	150 000	40 000	100 000	20 000	(20 975)	777 953.832
Investments held to maturity (gross)	–	148 544	253 054	125 077	83 935	720 869	1 802 304	(176 370)	2 957 413.78
	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	524 931	(28 218)	(1 610 350)
Net exposure	**(11 797 343)**	**8 052 804**	**11 163 292**	**8 057 520**	**(7 237 416)**	**(2 585 729)**	**(2 555 564)**	**945 447**	**4 043 012**

The tables above comprise the amounts of principal not due, excluding accrued interests and value adjustments.

In the preparation of the above tables, the following assumptions were adopted:

- Cash and cash equivalents at central banks were classified in the “up to 1 month” column and sight deposits in the “<= 7 days” column;
- Equity instruments were classified In the “Unspecified” column;
- The difference between the nominal value and the market value of debt instruments recorded at fair value is included in the “Unspecified” column, plus the accrued interest component.

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 2012 and 2011:

	31/12/2012				
	Balances analysed			Balances not analysed	Total book value
	Book value	Fair value	Difference	Book value	
Assets					
Cash and cash equivalents at central banks	1 603 284	1 603 098	(185)	–	1 603 284
Cash balances at other credit institutions	1 305 272	1 305 272	–	109	1 305 381
Loans and advances to credit institutions	2 288 458	2 189 512	(98 946)	228 941	2 517 399
Investments held to maturity	2 469 277	2 682 904	213 627	–	2 469 277
Loans and advances to customers	73 291 093	67 898 763	(5 392 330)	1 422 008	74 713 101
	80 957 384	75 679 549	(5 277 835)	1 651 059	82 608 443
Liabilities					
Resources of central banks and other credit institutions	12 139 023	12 227 185	(88 162)	104 258	12 243 281
Customer resources	70 498 238	70 828 277	(330 039)	905 916	71 404 154
Debt securities	10 570 171	10 110 118	460 053	20 457	10 590 627
Subordinated liabilities	2 889 862	2 501 217	388 645	(795)	2 889 067
Consigned resources	853 960	877 647	(23 687)	23	853 983
	96 951 254	**96 544 444**	**406 810**	**1 029 859**	**97 981 113**

	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
Investments held to maturity	2 837 379	2 426 254	(411 125)	–	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	(4 230 491)	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**

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 incorporating average spreads on new loan operations and resources from credit institutions occurred in December 2012. (On 31 December 2011, fair value of those instruments did not comprise the average spreads used at that date);
  - Market interest rates incorporating average spreads on Caixa's loan operations occurred in December 2012 and 2011, 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 2012 and 2011 can be summarised as follows:

	31/12/2012			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Financial assets held for trading	565 106	24 210	–	589 317
Other financial assets at fair value through profit or loss (*)	999 784	162 712	162 632	1 325 129
Available-for-sale financial assets	10 642 987	9 438 599	315 600	20 397 185
Assets with repurchase agreement	279 355	224 805	–	504 160
Trading derivatives	(9)	(132 854)	–	(132 863)
Hedging derivatives	–	14 246	–	14 246
	12 487 223	**9 731 719**	**478 232**	**22 697 174**

(*) The amounts presented exclude loans and other receivables

	31/12/2011			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Financial assets held for trading	542 755	133 721	–	676 477
Other financial assets at fair value through profit or loss (*)	1 125 278	185 623	167 065	1 477 966
Available-for-sale financial assets	7 880 738	8 434 746	341 933	16 657 417
Assets with repurchase agreement	455 253	322 701	–	777 954
Trading derivatives	19	57 423	–	57 442
Hedging derivatives	–	15 057	–	15 057
	10 004 043	**9 149 271**	**508 997**	**19 662 312**

(*) 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 quotations;

- **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 2012 and 2011, the changes in the financial instruments classified in column "Other measurement techniques" are as follows:

	Financial assets at fair value through profit or loss			Available-for-sale financial assets			Total
	Equity instruments	Debt instruments Corporate bonds	Subtotal	Equity instruments	Debt instruments Corporate bonds	Subtotal	
Book value (net) at 31/12/2011	157 044	10 021	167 064	284 628	57 302	341 932	508 997
Acquisitions	43 981	–	43 981	41 789	467	42 257	86 238
Sales	(25 220)	(5 225)	(30 446)	(26 376)	(8 223)	(34 599)	(65 045)
Gains/(losses) recognised as against results – sold instruments	1 214	–	1 214	(1)	–	(1)	1 213
Gains/(losses) recognised as against results – portfolio instruments	(19 096)	(165)	(19 261)	(244)	(528)	(772)	(20 033)
Impairment for the period	–	–	–	(28 277)	–	(28 277)	(28 277)
Gains/(losses) recognised as against fair value reserves	–	–	–	(5 217)	632	(4 585)	(4 585)
Other	79	–	79	23	(377)	(354)	(275)
Book value (net) at 31/12/2012	**158 002**	**4 630**	**162 633**	**266 325**	**49 272**	**315 599**	**478 232**

	Financial assets at fair value through profit or loss			Available-for-sale financial assets			Total
	Equity instruments	Debt instruments Corporate bonds	Subtotal	Equity instruments	Debt instruments Corporate bonds	Subtotal	
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 against results – sold instruments	753	17	770	(4 755)	–	(4 755)	(3 984)
Gains / (losses) recognised as against 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 against 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)
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**

At 31 December 2012 and 2011, 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 147 thousand and EUR 351 thousand in their fair value and revaluation reserves, respectively.

Transfers between fair value hierarchy levels result essentially from changes in the sources available for measurement of those assets (market sources or external counterparties).

DEBT INSTRUMENTS OF FINANCIAL AND NON-FINANCIAL ENTITIES

Whenever possible, securities are valued at market prices, in accordance with an algorithm developed internally. This algorithm searches for the most appropriate price for each security in accordance with a hierarchy of contributors defined internally by CGD. Price changes are analysed on a daily basis in order to monitor the quality of the prices used.

There are some securities for which market prices cannot be obtained: assets classified in levels 2 and 3 of the fair value hierarchy. The price of these securities can be obtained by resorting to internal/external theoretical measurements. In general, the valuations include the discount of estimated future cash flows. This estimate can be the result of a more or less complex model ranging from the simple discount of cash flows resulting from forward rates (based on the most appropriate interest rate curve, which in turn is constructed by resorting to money market rates and swaps rates, the money market part being adjusted to interest rate future prices) to a CLO (collaterised loan obligations) cascade payment (an estimate made based information disclosed by Investor Reports).

For discount purposes, internal valuations use a listed credit curve referring to the currency/sector/rating trinomial of the issue in order to consider the risk for each issue. The separation between levels 2 and 3 basically refers to the origin of the rating considered: level 2 for ratings from agencies, level 3 for internal rating.

Internal ratings are only used where there is no risk classification for the issue, issuer or guarantor. Level 2 also includes the valuations granted by the stucturers, issuers or counterparties (external measurements).

In general, inputs used in internal measurements are obtained through Bloomberg and Reuters systems.

Interest rate curves are calculated based on money market interest rates and swaps curves. In the case of EUR, GBP and USD interest rates curves, an adjustment is made using the market price of interest rate futures and/or FRAs.

At 31 December 2012 and 2011, the values of the curves referring to currencies with major exposure were as follows:

	31/12/2012			31/12/2011		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	0.0100	0.3000	0.4250	0.3000	0.3000	0.5550
1 month	0.0600	0.3500	0.5300	0.9800	1.5600	0.7631
2 months	0.0947	0.4000	0.5400	1.1500	1.5600	0.9166
3 months	0.1290	0.4149	0.5600	1.2229	1.6698	1.0605
6 months	0.2351	0.3660	0.5505	1.2423	1.1609	1.0841
9 months	0.2504	0.3621	0.5512	1.1631	1.0138	1.0846
1year	0.2781	0.3652	0.5544	1.1110	0.9403	1.0756
2 years	0.3790	0.4035	0.7076	1.0396	0.8690	1.1716
3 years	0.4727	0.4930	0.7696	1.3900	0.8655	1.3662
5 years	0.7714	0.8380	1.0197	1.7470	1.2800	1.5427
7 years	1.1317	1.2570	1.3665	2.0840	1.6810	1.8428
10 years	1.5753	1.7630	1.8749	2.3880	2.0600	2.2713
15 years	2.0184	1.9040	2.4388	2.6630	2.4070	2.6392
20 years	2.1715	2.2990	2.7458	2.6830	2.5240	2.8203
25 years	2.2203	2.5210	2.9084	2.6160	2.5840	2.9311
30 years	2.2413	2.6370	2.9885	2.5480	2.6180	2.9805

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 2012 and 2011 the values of the credit curve of the Portuguese and German governments were as follows:

	31/12/2012		31/12/2011	
	Portuguese Government	German Government	Portuguese Government	German Government
3 months	1.1791	−0.0022	4.3065	0.0141
6 months	1.5485	−0.0022	5.4932	0.0010
9 months	2.0127	−0.0022	7.2145	0.0035
1 year	2.1441	−0.0022	9.1332	0.0060
2 years	3.3959	−0.0022	14.3100	0.1374
3 years	4.4682	−0.0022	15.4263	0.3742
5 years	5.2956	0.0462	15.0227	0.8644
7 years	6.4514	0.3132	15.2723	1.3822
10 years	6.7529	0.7502	13.5735	1.8504
15 years	6.8670	1.2968	13.1005	2.5092
20 years	6.8889	1.7265	12.0148	2.6113
25 years	6.8973	2.0333	10.8056	2.5015
30 years	6.9084	2.1204	10.5070	2.4056

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 2012 and 2011:

	31/12/2012	31/12/2011
EUR/USD	1.3194	1.2939
EUR/GBP	0.8161	0.8353
EUR/CHF	1.2072	1.2156
EUR/AUD	1.2712	1.2723
EUR/JPY	113.61	100.20
EUR/BRL	2.7036	2.4159

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.

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.

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: 730 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 2012 and 2011, 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)				
	31/12/2012	Maximum	Minimum	31/12/2011
VaR by type of risk				
Interest rate	10 123	16 737	4 354	4 576
Foreign exchange rate	134	4 755	8	28
Price	165	1 968	116	186
Volatility	–	1	–	–
Diversification effect	(282)	–	–	(232)
	10 139	17 305	4 391	4 559

Treasury management (VaR 95%, 1 day)				
	31/12/2012	Maximum	Minimum	31/12/2011
VaR by type of risk				
Interest rate	8 437	10 068	3 992	5 779
Foreign exchange rate	1 504	6 255	370	6 230
Price	–	–	–	–
Volatility	–	–	–	–
Diversification effect	(1 749)	–	–	(4 932)
	8 192	11 226	4 206	7 076

Own portfolio (VaR 99%, 10 days)				
	31/12/2012	Maximum	Minimum	31/12/2011
VaR by type of risk				
Interest rate	477	483	313	326
Foreign exchange rate	117	11 695	10	502
Price	3 832	4 513	1 729	3 606
Volatility	–	59	59	–
Diversification effect	(605)	–	–	(917)
	3 821	13 674	2 423	3 517

Investment portfolio (VaR 99%, 10 days)				
	31/12/2012	Maximum	Minimum	31/12/2011
VaR by type of risk				
Interest rate	152 665	168 277	14 265	22 517
Foreign exchange rate	99	1 231	99	798
Price	–	–	–	–
Volatility	–	–	–	–
Diversification effect	(61)	–	–	(527)
	152 703	168 163	13 922	22 788

London branch activity (VaR 99%, 10 days)				
	31/12/2012	Maximum	Minimum	31/12/2011
VaR by type of risk				
Interest rate	16 147	18 716	1 922	2 063
Foreign exchange rate	39	174	13	32
Price	223	1 246	58	110
Volatility	182	1 624	101	272
Diversification effect	(374)	–	–	(434)
	16 217	18 895	1 925	2 043

INVESTMENT BANKING ACTIVITY

Caixa BI (VaR 99%, 10 days)				
	31/12/2012	Maximum	Minimum	31/12/2011
VaR by type of risk				
Interest rate	27 291	37 039	16 029	21 022
Foreign exchange rate	855	3 546	24	257
Price	72	542	28	94
Volatility	451	556	29	62
Diversification effect	(1 189)	–	–	(282)
	27 481	37 140	15 900	21 153

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 2012 and 2011, 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:

	31/12/2012					
	– 200 bp	– 100 bp	– 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
Cash and cash equivalents at central banks	12	12	12	(100)	(201)	(401)
Cash balances at other credit institutions	3 853	2 207	1 420	(2 235)	(4 414)	(8 618)
Securities						
Trading	21 575	17 638	9 510	(9 721)	(19 133)	(37 076)
Other	281 528	180 817	112 931	(132 989)	(263 417)	(516 970)
Investments held to maturity (gross)	136 382	66 735	33 013	(32 326)	(63 982)	(125 361)
Assets with repurchase agreement	3 011	2 940	2 187	(2 639)	(5 234)	(10 297)
Loans and advances to customers (gross)	307 784	204 055	117 506	(150 321)	(297 174)	(581 239)
Total sensitive assets	**754 146**	**474 404**	**276 580**	**(330 331)**	**(653 554)**	**(1 279 963)**
Resources of other credit institutions	(56 718)	(56 718)	(56 716)	74 067	147 356	291 637
Customer resources	(365 857)	(249 391)	(188 983)	246 808	490 067	966 424
Debt securities	(463 617)	(228 434)	(112 599)	109 524	216 126	421 120
Subordinated liabilities	(126 429)	(62 552)	(30 894)	30 156	59 602	116 460
Total sensitive liabilities	**(1 012 622)**	**(597 095)**	**(389 193)**	**460 555**	**913 151**	**1 795 641**
Total Profit/Loss	**(258 476)**	**(122 692)**	**(112 613)**	**130 224**	**259 597**	**515 678**

	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)
Investments held to maturity (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)
Total sensitive assets	**902 085**	**543 430**	**270 066**	**(264 101)**	**(522 615)**	**(1 023 925)**
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
Total sensitive liabilities	**(1 135 736)**	**(675 666)**	**(337 101)**	**331 135**	**655 840**	**1 287 107**
Total Profit/Loss	**(233 651)**	**(132 236)**	**(67 035)**	**67 034**	**133 225**	**263 182**

Reference should also be made to the fact that, at 31 December 2012 and 2011, 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 S.A., Banco Nacional Ultramarino, Mercantile Bank, Banco Nacional de Investimento (in 2012 Caixa sold its shareholding in BNI), Banco Comercial do Atlântico, S.A., Banco Comercial e de Investimento, S.A.R.L. and Banco Interatlântico, S.A., Banco Caixa Geral Totta – Angola and BPD – Banco para a Promoção e Desenvolvimento.

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 2013 and 2012, respectively, of the parallel displacement of the interest rates curve of ±50, ±100 and ±200bps:

	ESTIMATED NET INTEREST INCOME					
	– 200 bp	– 100 bp	– 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
2012	(221 416)	(261 375)	(147 664)	152 133	302 600	611 392
2013	10 005	1 247	(26 037)	146 036	291 610	582 999

Reference should also be made to the fact that, at 31 December 2012 and 2011, the analysis presented in the table above excludes the effect on net interest income of the parallel shifts in the interest rates curves for operations of Luxembourg, Timor and Zhuhai Branches and for operations of Caixa Leasing e Factoring, IFIC, S.A., Banco Caixa Geral – Brasil SA, Banco Nacional Ultramarino, Mercantile Bank, Banco Nacional de Investimento (in 2012 Caixa sold its equity investment in BNI), Banco Comercial do Atlântico, S.A., Banco Comercial e de Investimento, S.A.R.L., Banco Interatlântico, S.A., Banco Caixa Geral Totta – Angola and BPD – Banco para a Promoção e Desenvolvimento.

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 2013 and 2012, 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 2012 and 2011.

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 2012 and 2011, the financial instruments are broken down by currency as follows:

	31/12/2012											
	Currency											
	Euros	US Dollars	Pounds Sterling	Yen	Macau Patacas	Hong Kong Dollar	Mozambican Meticais	South African Rand	Cape Verde Escudo	Other	Book value of trading derivatives	Total
Assets												
Cash and cash equivalents at central banks	978 456	195 502	1 989	996	7 804	85 733	176 211	17 145	27 192	112 257		1 603 284
Cash balances at other credit institutions	566 111	91 599	8 965	7 357	243 799	264 376	2 762	81 922	1 101	37 388		1 305 381
Loans and advances to credit institutions	1 064 145	406 080	13 994	39	405 462	129 604	111 114	14 090	104 711	280 574		2 529 813
Financial assets at fair value though profit or loss	1 648 718	164 963	30 333	373	–	–	–	21 380	2 298	46 790	2 082 561	3 997 417
Available-for-sale financial assets	20 467 099	198 639	7 408		7 769	–	252 625	3 448	62 898	281 508		21 281 393
Investments associated with unit-linked products	1 148 225	–	–	–	–	–	–	–	–	–		1 148 225
Investments held to maturity	2 465 023	4 255	–	–	–	–	–	–	–	–		2 469 277
Loans and advances to customers (gross)	74 338 771	1 264 072	98 406	6 810	410 515	845 833	572 921	484 826	535 375	344 965		78 902 494
Assets with repurchase agreement	444 778	59 382	–	–	–	–	–	–	–	–		504 160
Other assets	2 858 093	311 240	1 872	212 328	386 947	3 114	25 505	9 895	23 145	(122 055)		3 710 084
Accumulated impairment (financial instruments)	(4 900 747)	(120 722)	(1 751)	(132)	(21 523)	(25)	(21 388)	(7 687)	(41 912)	(17 407)		(5 133 292)
	101 078 672	2 575 009	161 216	227 771	1 440 774	1 328 635	1 119 750	625 020	714 808	964 021	2 082 561	112 318 236
Liabilities												
Resources of central banks and other credit institutions	(11 206 989)	(872 094)	(29 134)	(614)	(14 705)	(8 512)	(23 687)	(10 573)	(2 973)	(73 999)		(12 243 281)
Customer resources	(63 553 770)	(2 343 162)	(42 397)	(67 061)	(1 683 917)	(1 075 014)	(973 624)	(426 345)	(643 205)	(595 659)		(71 404 154)
Liabilities associated with unit-linked products	(1 148 225)	–	–	–	–	–	–	–	–	–		(1 148 225)
Debt securities	(10 176 602)	(27 710)	–	(318 336)	–	–	(23 663)	–	–	(44 316)		(10 590 627)
Financial liabilities at fair value through profit or loss											(2 215 425)	(2 215 425)
Subordinated liabilities	(2 865 930)	(14 604)	–	–	–	–	–	–	(8 533)	–		(2 889 067)
Other liabilities												–
Consigned resources	(853 960)	–	–	–	–	–	–	–	(23)	–		(853 983)
Other	(3 039 785)	1 415 920	(52 312)	163 503	(769 937)	332 685	(53 414)	(122 430)	(43 748)	(302 036)		(2 471 554)
	(92 845 261)	(1 841 649)	(123 843)	(222 508)	(2 468 560)	(750 841)	(1 074 388)	(559 348)	(698 482)	(1 016 011)	(2 215 425)	(103 816 317)

	31/12/2012											
	Currency											
	Euros	US Dollars	Pounds Sterling	Yen	Macau Patacas	Hong Kong Dollar	Mozambican Meticais	South African Rand	Cape Verde Escudo	Other	Book value of trading derivatives	Total
Derivatives (Notional)												
Currency swaps	(1 260 537)	550 308	(64 961)	–	–	681 050	–	2 596	–	63 173	–	(28 371)
Interest rate swaps	(567 428)	166 749	–	378 928	–	–	–	–	–	58 610	–	36 859
Other swaps	45 000	37 896	–	–	–	–	–	–	–	–	–	82 896
Futures	(4 040 436)	(2 079)	(980)	(4 401)	–	–	–	–	–	(155)	–	(4 048 051)
Forward Rate Agreements	(5 000)	–	–	–	–	–	–	–	–	–	–	(5 000)
Options and Caps & Floors	(24 459)	22 470	–	–	–	–	–	–	–	–	–	(1 989)
Forward foreign exchange transactions	(41 020)	(222 013)	(26 348)	(2 266)	–	187 743	–	–	–	(11 855)	–	(115 759)
	(5 893 880)	553 331	(92 289)	372 261	–	868 793	–	2 596	–	109 773	–	(4 079 415)
Net exposure	**2 339 531**	**1 286 691**	**(54 916)**	**377 524**	**(1 027 786)**	**1 446 586**	**45 363**	**68 267**	**16 325**	**57 783**	**(132 863)**	**4 422 504**

	31/12/2011											
	Currency											
	Euros	US Dollars	Pounds Sterling	Yen	Macau Patacas	Hong Kong Dollar	Mozambican Meticais	South African Rand	Cape Verde Escudo	Other	Book value of trading 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
Investments held to maturity	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 (financial instruments)	(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)

	31/12/2011											
	Currency											
	Euros	US Dollars	Pounds Sterling	Yen	Macau Patacas	Hong Kong Dollar	Mozambican Meticais	South African Rand	Cape Verde Escudo	Other	Book value of trading derivatives	Total
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
Other swaps	100 000	(15 457)	–	–	–	–	–	–	–	–	–	84 543
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)
	(3 402 306)	1 044 802	(160 022)	451 393	–	425 491	–	42 136	–	49 358	–	(1 549 147)
Net exposure	**2 456 339**	**1 246 938**	**(130 443)**	**450 769**	**(852 043)**	**1 058 189**	**36 859**	**45 813**	**59 655**	**290 195**	**57 442**	**4 719 713**

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 2012 and 2011, VaR (at 10 days with 99% confidence gap) by currency of CGD may be described in the following table:

	VaR			
	Banking		Insurance	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Hong Kong Dollar	44 391	46 590	–	–
Macau Pataca	37 233	46 815	29	34
South African Rand	4 522	16 731	–	–
US Dollar	2 633	178	86	120
Mozambican Meticais	64 688	72 751	–	–
Pound Sterling	487	373	236	543
Japanese Yen	142	93	1	–
Other currencies	18 808	18 735	409	379
Diversification effect	(108 342)	(271 484)	(172)	(433)
Total	**64 562**	**67 963**	**589**	**1 142**

The diversification effect is calculated implicitly.

Information relative to the insurance activity presented in the previous tables refers to Fidelidade – Companhia de Seguros, S.A..

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 two 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, subscription manuals , 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.

The technical units have at their disposal a multidisciplinary technical unit specialised by insurance business segment and assisted by actuarial experts. When necessary, they can recur to 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 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 knowledge on the development of the insurance products and risk behavior by coverage and main characteristics of the insurable objects.

In certain 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 characterisitics.

Pursuant to the control referred to above reports are periodically prepared comprising management indicators, and information is currently prepared for the reinsurance division, with elements of portfolio profiles, with the objective of supporting the 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 acceptance standards and procedures and product manuals have been published, and are accessible and generally acknowledged, 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, transported goods, 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 as well as facultative reinsurance and other types of reinsurance that may be necessary to obtain adequate reinsurance protection for accepted risks.

As regards fire and other risks, engineering and marine, transported goods and air insurance, the Group operates with proportional treaties.

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.

Insurance risks comprising motor, personal and workman's compensation and general third party liability, are covered by an Excess of Loss treaty, which is more adequate to these types of risks and portfolios and to the Group's financial capacity. The statistical evolution of claims and bids received and the corresponding rates determined 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.

In determining retention per event, the fact that catastrophes do not occur frequently in Portugal is taken into account. Retention reflects what is technically expected in terms of the impact of a 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.

The selection criteria for reinsurers is based on their reliability and financial solvency, ability to provide services and constant follow up and monitoring.

Informations from the international markets, namely those disclosed by the rating agencies are fundamental referencies for accompanying the financial situation of reinsurers.

Therefore, the rating analysis attributed to each reinsurer by S&P Rating Agency or similar (A.M. Best, Fitch or Moody's), is used as a selection factor. 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 (*)	70.00%
Sovereign	70.00%
Corporate	50.00%
Fixed income – short rates (**)	100.00%
Alternative (***)	2.00%
Variable income	30.00%
Gross variable income (Private equity and other)	6% (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 Group'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)	Limit 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 15.5 years	AA–	A+	
From 15.5 to 30.5 years	Non authorised	A+	Min [3% ; € 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						
Year	Risk		Annuities		Capitalisation with PS	
	Inflow	OutFlow	Inflow	OutFlow	Inflow	OutFlow
2013	149 077	93 249	–	15 519	24 890	252 230
2014	129 679	80 681	–	14 716	21 362	215 315
2015	120 410	75 680	–	14 012	18 121	200 852

The following tables show the change in these cash inflows and outflows resulting from a 5% increase in expected early redemptions.

Fidelidade						
Year	Risk		Annuities		Capitalisation with PS	
	Inflow	OutFlow	Inflow	OutFlow	Inflow	OutFlow
2013	145 548	90 993	–	15 519	24 229	314 222
2014	119 713	74 474	–	14 716	19 703	255 415
2015	105 189	66 121	–	14 012	15 842	224 197

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
Fixed income	9 427 045	100.0%	-
Fixed rate bonds	6 460 870	68.5%	3
Maturity 1 to 3	4 796 128	74.2%	2
Maturity 4 to 5	1 215 239	18.8%	5
Maturity 6 to 7	283 673	4.4%	6
Maturity 8 to 10	127 931	2.0%	7
Maturity 11 to 19	15 201	0.2%	13
Maturity 20 to 29	22 538	0.3%	15
Maturity > 30 years	159	0.0%	39
Variable rate bonds	2 384 121	25.3%	0
Inflation-linked bonds	73 045	0.8%	6
Perpetual (fixed rate)	149	0.0%	-
Non-performing	1	0.0%	-
Bonds with maturity < 1 year	508 860	5.4%	1

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 2012, 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
11 000	mEur	K Investe	30/03/2013	4.000%	3.300%
125 000	mEur	Caixa Seguro 2 x 4.15	18/04/2013	Euribor_3M_360	Euribor_12M_360 +0318%
76 500	mEur	Caixa Seguro Eurocampeão	13/05/2013	Euribor_3M_360 - 0.25%	Euribor_12M_360
50 000	mEur	Levexpert Série B	21/07/2013	Euribor_3M_360	Euribor_12M_360 - 0.14%
15 000	mEur	Postal PPR 20%	20/05/2013	3.710%	3.923%
50 000	mEur	Levexpert Série A	20/05/2013	4.500%	4.781%
16 000	mEur	Postal Valor Premium	15/09/2013	4.730%	5.010%
125 000	mEur	Caixa Seguro Duplo Invest	06/11/2013	Euribor_3M_360	Euribor_3M_360 + 0.04%
40 000	mEur	Levexpert Série L	01/09/2021	4.750%	Euribor_6M_360 + 1.134%
5 200	mEur	Vantagem Dupla 2013	01/10/2013	Euribor_6M_360 + 0.45%	4.670%
4 000	mEur	Vantagem Dupla 2013	01/10/2013	Euribor_6M_360 + 0.45%	4.710%
100	mEur	Vantagem Dupla 2013	01/10/2013	Euribor_6M_360 + 0.45%	4.250%
12 000	mEur	Garantido 4%	30/03/2012	4.000%	4.300%
9 500	mEur	Garantido 4.14%	20/05/2013	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	%
TOTAL	9 427 045	100%
PUBLIC DEBT – EUROPEAN UNION	3 631 228	38.52%
Portugal	3 092 982	32.81%
Italy	199 780	2.12%
France	117 858	1.25%
Belgium	114 960	1.22%
Spain	53 600	0.57%
Germany	37 496	0.40%
Netherlands	9 490	0.10%
Austria	4 438	0.05%
Ireland	624	0.01%
Caixa Geral de Depositos, S.A.	1 534 273	16.28%
EDP – Energias de Portugal, S.A.	193 330	2.05%
Banco Santander, S.A.	157 372	1.67%
Barclays PLC	147 031	1.56%
General Electric Co	136 424	1.45%
Banco Espirito Santo, S.A.	135 583	1.44%
ING Groep NV	132 846	1.41%
Royal Bank of Scotland Group PLC	121 288	1.29%
Intesa Sanpaolo SpA	107 825	1.14%
HSBC Holdings PLC	98 810	1.05%
Fortis	94 935	1.01%
Enel SpA	94 400	1.00%
REN – Redes Energeticas Nacion	90 249	0.96%
Lloyds Banking Group PLC	89 907	0.95%
BNP Paribas, S.A.	88 449	0.94%
Rabobank Nederland NV	88 031	0.93%
Westpac Banking Corp	81 948	0.87%
Dexia, S.A.	76 379	0.81%
Deutsche Bank AG	75 684	0.80%
UniCredit SpA	70 827	0.75%
National Australia Bank Ltd	68 744	0.73%
Bank of America Corp	68 030	0.72%
Eni SpA	67 802	0.72%
Unione di Banche Italiane SCPA	65 723	0.70%
Banco Bilbao Vizcaya Argentari	65 335	0.69%
Credit Agricole Groupe	62 618	0.66%
Svenska Handelsbanken AB	61 990	0.66%
Banco BPI, S.A.	58 182	0.62%
Credit Suisse Group AG	55 839	0.59%
JPMorgan Chase & Co	55 357	0.59%
Montepio Geral Associacao Mutu	55 162	0.59%
Citigroup Inc	50 164	0.53%
Other (< € 50M)	1 445 281	15.33%

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 the 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.

2012 and 2011 were 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 sub-paragraphs 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 (2011-2015) – Capital Funding Plan, pursuant to which the Bank of Portugal was given responsibility for its quarterly monitoring as well as the development of special inspections programmes.

The Capital Funding Plan aims to achieve a set of objectives, namely those established in the referred to Financial Assistance Programme communicated by the Bank of Portugal which, highlights the achievement by the financial institutions of a minimum core tier I ratio of 9% in 2011 and 10% in 2012 (under the terms of Basel II Accord).

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.

The Bank of Portugal's ruling 5/2012, of 20 January 2012 determined that CGD Group should comply with EBA's Recommendation (EBA/REC/2011/1, of 8 December) and requested the elaboration of a Capital Plan for the said purpose.

On 8 December 2011, CGD identified and informed the market, of additional capital requirements of EUR 1 834 million, of which amount EUR 1 073 million correspond the public debt buffer calculated based on the exposures as of September 2011 and in the scope of EBA's stress test. In June 2012, the additional capital requirements of CGD were recalculated reaching an amount of EUR 1 650 million. The initial amount of EUR 1 073 million corresponding to the public debt buffer was maintained in accordance with EBA's recommendation and the additional capital necessary to meet the more demanding requirements of Core Tier 1 was set in EUR 577 million. The capital requirements of EUR 1 650 million were covered by the sole shareholder through a capital increase of EUR 750 million and the issuance of hybrid instruments (CoCos) eligible for Core Tier 1 in the amount of EUR 900 million, under the terms of Bank of Portugal's Notice 4/2012.

BASEL III

The set of reforms agreed and published by the Basel Committee on Banking Supervision known as "Basel III", is mainly focused on Pilar 1 of Basel II Accord (determination of minimum own funds requirements). It also includes a number of guidelines and recommendations for Pilar 2 (Assessment Process by the Supervision Authority) and Pilar 3 (Market Discipline).

At European level, these reforms are included in the so called CRD 4 that changes the rules in terms of capital requirements for banks and Investment companies, namely the reinforcement of capital requirements and the creation of a mandatory capital conservation buffer and a countercyclical buffer and foresees a new regulatory framework on liquidity and leverage as well as additional capital requirements for systemically important institutions.

The main changes can be summarised by the following general principles:

- Significant increase of capital requirements both in quantitative (gradual increase of core tier 1 and tier 1 ratios, higher deductions in core tier 1, creation of different capital buffers) and qualitative (better capital quality required, establishing 14 eligible criteria for core tier 1);
- Core Tier 1 ratio – definition of a minimum of 4.5% of the risk weighted assets (from 4% to 4.5% until December 2014);
- Minimum solvency ratio remains at 8%;
- To introduce liquidity requirents of EU as from 2015, after an initial period of observation, through minimum global liquidity standards consisting of a short term liquidity coveraged ratio (LCR), as well as a long term structural net stable funding ratio (NSFR);
- LCR will be gradual, from 60% in 2015 to 100% in 2018. The review in 2016 will enable the Commission to delay the introduction of the 100% rate when justified by international events. Until the LCR is fully implemented, the member states may maintain or introduce domestic liquidity requirements;
- To solve issues pertaining to net stable funding ratio (NSFR), the Commission will have to submit until 31 December 2016 a legislative proposal aiming to ensure that the institutions use stable funding sources;
- To promote the accumulation of capital buffers 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 additional capital requirements though the accumulation of capital buffers, namely a conservation core tier 1 capital buffer of 2.5% of total risk exposure, similar to all banks in the EU, and an anticyclical capital buffer up to 2.5% for a specific institution. In addition, member states will be able to introduce an additional core tier 1 systemic risk buffer for the financial system or one or more sub-groups, or buffers for systemically important institutions;

- The regulation will enable the introduction of a leverage ratio at 1 January 2018, in the event of a consensus between the Council and the Parliament, based on a report to be submitted by the Commission until 31 December 2016. A period of initial observation will follow as from 1 January 2015, where institutions are required to disclose their leverage ratio;

- To raise the standards for the supervision process (Pilar 2) and market discipline (Pilar 3), along with additional guidelines in the area of good measurement practices, stress tests, liquidity risk management, corporate governance and remunerations.

The definition of the contents of the new prudential standards and respective implementation in the European Union depends on the completion of the legislative process (CRD IV) and respective transposition to the legislation of the member states. However, they are expected to enter into force in 2014.

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 2012 and 2011 for consolidated operations, is summarised in the table below:

CONSOLIDATED SOLVENCY RATIO

(EUR million)

		31-12-2011 (1)	31/12/2012 (2)	Change (2)-(1)
A –	BASICS OWN FUNDS (TIER I)	6 229	7 629	1 400
	Share Capital	5 150	5 900	750
	Contigent Capital ("CoCos")		900	900
	Reserves and retained earnings	1 175	866	(309)
	Net income for the year	(477)	(406)	71
	Non controlling interest	874	823	(51)
	Impacts of the adoption of IAS (transitional regime)	70	45	(25)
	Deductions to basis own funds (*)	(562)	(499)	63
B –	COMPLEMENTARY OWN FUNDS (TIER II)	1 820	1 749	(71)
	Subordinated liabilities with unspecified maturity	1	1	(0)
	Subordinated liabilities with specified maturity	2 089	1 993	(97)
	Revaluation reserves	139	147	8
	Other (*)	(410)	(392)	17
C –	DEDUCTIONS TO TOTAL BASIS OWN FUNDS	(42)	(47)	(5)
D –	TOTAL ELIGIBLE OWN FUNDS (A+B+C)	8 007	9 331	1 324
E –	WEIGHTED RISK POSITIONS	69 021	68 383	(638)
	Credit Risk	63 667	63 017	(650)
	Market Risk	1 451	1 440	(10)
	Operational risk	3 903	3 925	22

RATIOS

	31/12/2011 (1)	31/12/2012 (2)	Change (2)-(1)
TIER I (A/E)	9.0%	11.2%	2.1%
CORE TIER I	9.5%	11.6%	2.1%
CORE TIER I – EBA		9.4%	9.4%
TIER II (B/E)	2.6%	2.6%	0.0%
DEDUCTIONS (C/E)	-0.1%	-0.1%	0.0%
SOLVENCY RATIO (D/E)	11.6%	13.6%	2.0%

(*) Include deductions of investments in insurance companies and credit institutions in which equity investment is ≥ 10%.

47. 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.

|02.2.
EBA REPORTS

ADOPTION OF STABILITY FORUM (FSF) AND COMMITTEE OF EUROPEAN BANKING AUTHORITY (EBA) RECOMMENDATIONS ONTRANSPARENCY 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: • Message from the Chairmen; • Business and Strategy Model. See Corporate Governance Report.
2.	Description of strategies and objectives (including strategies and objectives specifically related with securitisation operations and structured products);	See I.1 above. See Board of Directors' Report – Chapters: • Strategic Objectives; • Financial Analysis – Balance Sheet Evolution (on securitisation operations). See Notes 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 Notes to the Consolidated Financial Statements.
4.	Description of the type of activities performed, including a description of the instruments used, their operation and qualification criteria with which the products/investments must comply;	See items I.1 to I.3 above. See Board of Directors' Report – Chapter on Risk Management. See Note 2.7. of the Notes 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: • Chapter on Risk Management. See Notes to the Consolidated Financial Statements: • 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 • Note 45: describing risk management for Insurance and Reinsurance
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 Notes 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), assetbacked securities (ABS);	See Board of Directors' Report – Chapter: • Financial Analysis – Results and Profitability See Note 44 of Notes 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: • Message from the Chairmen • Macroeconomic framework • 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 Notes 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– Main Risks and Uncertainties in 2013.
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 Notes to the Consolidated Financial Statements: • Note 2.7. • 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 Notes to the Consolidated Financial Statements: • Note 2.7, 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 Note 44 of Notes to the Consolidated Financial Statements.
19.	Movements occurring in exposures between relevant reporting periods and reasons underlying such changes (sales, write-downs, purchases, etc.);	See Board of Directors' Report on exposure of assets affected by the period of turmoil: See items III.8 to III.15 above.
20.	Explanations of exposures (including "vehicles" and, in this case, respective activities) which have not been consolidated (or which have been recognised during the crisis) and associated reasons;	N.A.
21.	Exposure to monoline type insurance companies and quality of insured assets: – Nominal amount (or amortised cost) of insured exposures in addition to the amount of credit protection acquired; – Fair value of "live" exposures and respective credit protection; – Value of write-downs and losses, split up between realised and unrealised amounts; – Breakdown of exposures by rating or counterparty;	CGD does not have any exposure to monoline type insurance companies.

V.	Accounting policies and valuation methods	
22.	Classification of transactions and structured products for accounting and respective processing purposes;	See Notes to the Consolidated Financial Statements: • Note 2, setting out a description of the financial instruments and how they are processed in the accounts.
23.	Consolidation of Special Purpose Entities (SPEs) and other "vehicles" and their reconciliation with the structured products affected by the period of turmoil;	N.A.
24.	Detailed disclosure of the fair value of financial instruments: – Financial instruments at fair value; – Fair value ranking (breakdown of all exposures measured at fair value in the fair value ranking and breakdown between liquid assets and derivative instruments in addition to disclosure of information on migration between ranking levels); – Processing of “day 1 profits” (including quantitative information); – Use of fair value option (including conditions of use) and respective amounts (with an adequate breakdown);	See Notes 7 and 44 of the Notes to the Consolidated Financial Statements. See item IV.16 above, particularly the presentation of the determination of the fair value of the financial instruments.
25.	Description of modelling techniques used to value financial instruments, including information on: – Modelling techniques and instruments on which they are applied; – Valuation processes (particularly including the assumptions and inputs upon which the models are based); – Types of adjustment applied to reflect the modelling risk and other valuation uncertainties; – Sensitivity of fair value (namely changes to assumptions and key inputs); – Stress Scenarios.	See Notes to the Consolidated Financial Statements: • Note 2.7, setting out information and processes applied by CGD in the valuation of financial instruments • Note 44 and 45

VI.	Other relevant disclosure aspects	
26.	Description of disclosure policies and principles used for reporting disclosures and financial reporting.	See Note 2. of the Notes to the Consolidated Financial Statements.

N.A. Not avaible

|02.3. AUDIT REPORTS AND OPINIONS

|02.3.1. STATUTORY AUDIT CERTIFICATE

INTRODUCTION

1. We have examined the separate financial statements of CAIXA GERAL DE DEPÓSITOS, S.A. comprising its balance sheet, at 31 December 2012 (showing a total balance sheet value of €102 213 089 thousand and total shareholders' equity of €5 929 260 thousand, including net losses of €679 067 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 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 policies and criteria 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;
    - 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, S.A. at 31 December 2012, 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.

REPORT ON OTHER LEGAL REQUIREMENTS

8. We also consider that the information contained in the board of directors' report is in agreement with the financial statements for the year.

Lisbon, 27 March 2013

OLIVEIRA REGO & ASSOCIADOS – SOCIEDADE DE REVISORES OFICIAIS DE CONTAS
Represented by Manuel de Oliveira Rego (partner)

|02.3.2. AUDIT REPORT – CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of Euro – EUR thousand)

(Translation of a report originally issued in Portuguese – see Note 47)

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, S.A. and subsidiaries ("Caixa" or "CGD") for the year ended 31 December 2012, which comprise the consolidated balance sheet as of 31 December 2012, that reflects a total of EUR 116 856 502 thousand and total equity of EUR 7 280 046 thousand, including a net loss attributable to the shareholder of CGD of EUR 394 715 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 or 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, S.A. and its subsidiaries as of 31 December 2012, 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.

REPORT ON OTHER LEGAL REQUIREMENTS

6. It is also our opinion that the 2012 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, 27 March 2013

DELOITTE & ASSOCIADOS, SROC S.A.
Represented by João Carlos Henriques Gomes Ferreira

|02.3.3. STATUTORY AUDIT CERTIFICATE ON THE CONSOLIDATED ACCOUNTS

INTRODUCTION

1. We have examined the consolidated financial statements of CAIXA GERAL DE DEPÓSITOS, S.A. comprising its balance sheet, at 31 December 2012 (showing a total balance sheet value of €116 856 502 thousand and total shareholders' equity of €7 280 046 thousand, including net losses of €394 715 thousand attributable to its shareholder CGD), 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, as well as to use adequate accounting policies and criteria 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 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, S.A. at 31 December 2012 and the consolidated results of its operations and consolidated cash flows for the year then ended, in conformity with the international financial reporting standards.

EMPHASIS OF MATTERS

7. In terms of CGD's consolidation perimeter, our company performs statutory audit functions on the companies Caixa Leasing e Factoring – Instituição Financeira de Crédito S.A., Caixagest Técnicas de Gestão de Fundos, S.A. Caixanet – Telemática e Comunicações, S.A. and Credip – Instituição Financeira de Crédito, S.A., 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.

REPORT ON OTHER LEGAL REQUIREMENTS

8. We also consider that the information contained in the board of directors' report is in agreement with the financial statements for the year.

Lisbon, 27 March 2013

OLIVEIRA REGO & ASSOCIADOS – SOCIEDADE DE REVISORES OFICIAIS DE CONTAS
Represented by Manuel de Oliveira Rego (partner)

|02.3.4. REPORT AND OPINION OF AUDIT BOARD

Notice to Shareholder,

1. In conformity with the dispositions of sub-paragraph g) of no. 1 of articles 423-F and 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 Caixa Geral de Depósitos's (hereinafter referred to as Caixa or CGD) separate and consolidated accounting documents for the year ended 31 December 2012.

2. The audit committee, in the sphere of its competencies, has monitored and inspected the management acts performed in CGD, on the basis of information set out in the minutes of the weekly meetings held by the executive committee, when considered necessary, and its consultation of documentation upon which the decisions were made and which was prepared by the various internal services, taskforces and external bodies.

3. The non-executive directors on the audit committee are also members of the strategy, governance and assessment committee, in conformity with the governance model in CGD. Pursuant to the described framework meetings were held with Caixa's main central structures and Group units with the objective of verifying the modus operandi of each division/unit, their respective contribution to value creation and interconnection with different functional areas within CGD Group. Risk areas and/or processes were also identified and factors influencing CGD's Strategic Plan were analysed.

4. During the course of the year, the audit committee also arranged for meetings to be held with the statutory and external auditors dealing with the main areas and subjects of relevance to Caixa's activity. The committee also took note of the works performed by the referred to entities and their respective conclusions.

5. The audit committee also ascertained that the law and CGD's articles of association were complied with, having issued the quarterly report referred to in no. 2 of article 6 of Decree Law 287/93 of 20 August, sent to the offices of the Ministers of State and Finance and Secretary of State for the Treasury and Finance having duly informed the chairman of CGD's board of directors thereof.

6. On 27 June 2012, the audit committee, under the terms of the Bank of Portugal's official notice 5/2008 of 25 June, issued its opinions on the adequacy and effectiveness of CGD's separate and Group internal control system. In general terms, the audit committee considered that the adequacy of the internal control system within CGD is in line with the dimension and the nature and risk of the activities performed although improvements should be made to certain aspects, whose evolution it will continue to monitor over the course of 2013.

7. The audit committee, on 1 October 2012, issued an opinion on the quality of CGD's anti-money laundering and countering the financing of terrorism (AML/CFT) internal control system, under the terms of the Bank of Portugal's official notice 9/2012 of 29 May. In general terms, the audit committee considered that the adequacy of the internal control system within CGD, on an AML/CFT level, is in line with the dimension and the nature and risk of the activities performed and that the control procedures and measures adopted by CGD provide a reasonable response to materially relevant aspects in line with the requirements described in the Bank of Portugal's official notice 9/2012.

8. The audit committee took note of the statutory auditor's opinions on the internal control system associated with the process for the preparation and disclosure of the separate and consolidated financial information under the terms of the Bank of Portugal's official notice 5/2008 and the external auditor's opinion on the adequacy of the procedures and measures adopted by CGD for safeguarding its customers' assets, in conformity with the dispositions defined in articles 306 to 306-D of the securities market code.

9. The audit committee took note of the impairment reports on CGD's credit portfolio, produced every six months by the external auditor, as established by the Bank of Portugal in its circular letters 17/2002/DSB of 14 February and 38/2008/DSB of 29 May.

10. Over the course of the year, the audit committee monitored the performance and adjustments made to CGD's Capital and Funding Plan for the period 2011-2015, for compliance with the objectives defined by the international bodies subscribing for

the Economic and Financial Assistance Programme for Portugal, in terms of Caixa's increased solvency and liquidity and the definition of measures needed to restructure its respective corporate model.

11. The audit committee took note of the presentation of the Recapitalisation Plan required by the European Banking Authority (EBA) for the purpose of achieving the regulatory Core Tier 1 capital objectives fixed by the EBA upon which it issued a favourable opinion, under the terms of no. 3 of article 349 of the Commercial Companies Code, on the operation for the issue of hybrid financial instruments. Following the European Authorities' classification of the recapitalisation process as State aid, the committee has monitored the discussion between the Portuguese State and the Directorate–General for Competition (DG Comp) relative to CGD Group's Restructuring Plan, designed to ensure its viability and limit impacts on its competition.

12. The audit committee wishes to make reference to the following situations related to the decisions made and/or implemented last year:

(i) On 30 March 2012 the Portuguese State entered into a contract for the sale of Banco Português de Negócios, S.A. (BPN), thus terminating the bank's reprivatisation process beginning July 2011.

Deriving from the process of the reorganisation of BPN's assets and liabilities structure underpinning the disposal process, ownership of the vehicles Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. was transferred to the sphere of the Portuguese state and, *ipso facto*, the debts incurred by these companies from Caixa in the form of bond issues and loans and advances to customers with nominal values of €3.1 billion and €381.7 million, respectively at 31 December 2012 (down €411.3 million over 31 December 2011, under the terms agreed between the Portuguese state, European Central Bank, International Monetary Fund and the European Union, in the framework of the current intervention programme).

This was complemented by the state's acceptance of liabilities deriving from the €1 billion commercial paper programme subscribed for by Caixa, owing to an assignment of the contractual position between BPN and Parvalorem.

(ii) At the shareholders' meeting of 15 May 2012, the inclusion of €316.3 million in negative net income for 2011, on CGD's separate operations, in the "other reserves and retained earnings account" was approved.

(iii) At 31 May 2012, Império–Bonança – Companhia de Seguros, S.A. was incorporated into Companhia de Seguros Fidelidade–Mundial, S.A. This was accompanied by a name change to Fidelidade – Companhia de Seguros, S.A. (Fidelidade) together with a capital increase from €400 million to €520 million owing to the effect of the merger.

Fidelidade's share capital was increased from €520 million to €605 million, in June 2012, based on a resolution of its shareholder Caixa Seguros e Saúde SGPS, S.A. This capital increase was fully subscribed for by CGD, which now has a direct equity investment of 14% in Fidelidade, with Caixa Seguros e Saúde's share having been reduced to 86%. CGD later sold this investment to Caixa Seguros e Saúde for €85 million (equivalent to the nominal amount of the share capital increase).

In June 2012, Caixa Seguros e Saúde also increased its share capital by €351.5 million to €799.9 million, fully owned by CGD.

(iv) Following Camargo Corrêa Group's takeover bid, CGD disposed of the full amount of its investment in Cimpor – – Cimentos de Portugal, SGPS, S.A., to InterCement Austria Holding GmbH, in June 2012, for an overall amount of €354.2 million, having, for the purpose obtained the agreement of Votorantim Cimentos, S.A., under the terms of the shareholders' agreement in force on the referred to date. These shares, acquired in February 2009 for €317.8 million, increased in value to €342.4 million at 31 December 2011.

(v) In a unanimous written statement of 27 June 2012, with the objective of complying with the goals defined in the Economic and Financial Assistance Programme and EBA demands, the Portuguese State as CGD's sole shareholder, approved Caixa's recapitalisation plan for a total amount of €1 650 million, comprising: (i) a share capital increase of €750 million through the issue of 150 million new nominative shares, fully paid up in cash and (ii) the issue of hybrid financial instruments eligible as Core Tier 1 own funds for a global amount of €900 million, fully subscribed for by the Portuguese State with a yield of 8.5% in the first year (recognition of €38.2 million in interest, with reference to 31 December 2012), with annual increases of 25 basis points in the following two years and 50 basis points in the two years thereafter.

(vi) In June 2012, Caixa and Fidelidade – Companhia de Seguros, S.A. entered into an agreement with the Jadeium B.V. company for the sale of 33 181 144 and 215 000 ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. shares for 10.805% of its respective share capital for a global amount of €86.8 million. The Group posted capital gains of €10.9 million on this transaction, in 2012.

(vii) CGD sold its full holding to Tagus Holdings, relating to its takeover bid on the shares of Brisa – Auto Estradas de Portugal, S.A. for the amount of €24.8 million, posting capital gains of €2.1 million.

(viii) In November 2012, Caixa sold 1% of the shares and voting rights in Galp Ener. gia, SGPS, S.A. (Galp) for the amount of €95.2 million in a stock exchange operation, having recognised capital losses of €10.8 million on this operation. The sale was made in exercising the tag along right provided for in the consent & waiver agreement entered into between CGD, Amorim Energia B.V. and ENI S.p.A. (dated March 2012), as the latter had decided to sell off its investment to Galp on the market.

(ix) On 19 November 2012, Caixa Seguros e Saúde, SGPS, S.A. formalised its sale of the full amount of the share capital of HPP – Hospitais Privados de Portugal, SGPS, S.A. (HPP) to Amil Participações S.A. (Amil).

The sale of HPP to Brazilian healthcare group Amil was completed in March 2012 for the amount of €85.6 million, with a potential increase of €6.0 million if certain objectives are achieved. As a result of this transaction, the Group will recognise capital gains of around €40.0 million in first quarter 2013.

(x) The Bank of Portugal's Special On-Site Inspections Programme included a specific inspection on exposure to the construction and real estate development sectors in Portugal and Spain, with reference to 30 June 2012. CGD increased the impairment seen to be required during the course of second half 2012, a part of which deriving from the analysis of the information and events such as new insolvencies/ /bankruptcies and collateral reassessments occurring after the assessment's reference date.

(xi) At 31 December 2012, a corporate investments purchase/sales contract was entered into between CGD Group companies Gerbanca, SGPS, S.A., CGD and Caixa – Participações, SGPS, S.A. and Sonangol Group companies Sociedade Nacional de Combustíveis de Angola, Empresa Pública and Sonip – Sonangol Imobiliária e Propriedades, Lda, relative to the sale of the investment in Banco para a Promoção e Desenvolvimento, S.A. for the amount of USD 29.7 million. As established in the contract, the sale is subject to the need to acquire the necessary permits, namely authorisation from Banco Nacional de Angola for the transfer of the equity investments and a capital export licence.

(xii) On 10 December 2012, a purchase/ /sales agreement was entered into between IGEPE – Instituto de Gestão das Participações do Estado and CGD, for the alienation of 1 108 million shares for a global amount of 1 067 255 132 meticais (€27.7 million), comprising 49.5% of the share capital of Banco Nacional de Investimento, S.A., with capital losses of around €3.6 million having been posted as a result of the operation.

(xiii) The amount of impairment on equity instruments recognised by CGD Group in 2012, as a charge to results totalled €142.7 million, particularly on Portugal Telecom, SGPS, S.A. (€57.5 million), La Seda Barcelona (€24.5 million) and BCP – Banco Comercial Português, S.A. (€14.6 million).

(xiv) In 2012, reference should be made to the recognition of dividends on equity investments in Portugal Telecom, SGPS, S.A. (€34.8 million), EDP – Energias de Portugal, S.A. (€6.2 million), ZON – Serviços de Telecomunicações e Multimédia, SGPS, S.A. (€5.3 million), Galp Energia, SGPS, S.A. (€4.5 million) and ADP – Águas de Portugal, S.A. (€2.9 million).

(xv) During the course of 2012, Banco Nacional Ultramarino, S.A. (BNU Macau) increased its share capital by 1 600 million patacas, fully subscribed for and paid up by CGD. This transaction gave Caixa ownership of 99.43% of BNU Macau, at 31 December 2012, In the same period a subordinated loan (authorised in advance by the Monetary Authority of Macau) was made to BNU Macau, for the amount of 900 million patacas (€85.4 million at the exchange rate in force at 31 December 2012).

(xvi) Considering the evolution noted in the activity of Wolfpart, SGPS, S.A. (Wolfpart) and its subsidiary companies Caixa Imobiliário, S.A. and Vale de Lobo, S.A. during the course of 2012, essentially deriving from the depreciation of investments in the real estate sector to which these companies are exposed, Caixa posted impairment of €64.4 million to provide for potential losses on partners' loans to Wolfpart.

(xvii) CGD's credit operations associated with the acquisition of the shares of listed companies has merited the special attention of the audit committee, in conformity with the quarterly reports issued by the supervisor in which the restoring of contractual guarantees, based on the value of the shares given as collateral for such operations, for the purpose of safeguarding CGD's exposure, has been recommended.

(xviii) The balance sheet value of investments in the sovereign debt securities of peripheral Eurozone countries (net of accumulated impairment), at 31 December 2012, totalled €10.6 billion on the Portuguese Republic, €197.4 million on the Republic of Italy, €187.9 million on the Kingdom of Spain, €2.6 million on the Republic of Greece and €0.6 million on the Republic of Ireland. CGD Group did not recognise any additional losses in its financial statements relative to such exposures, in 2012.

(xix) CGD had secured loans of €6.95 billion from the European Central Bank at 31 December 2012, down €2.05 billion over the same period last year.

(xx) Details on CGD's exposure to securities subscribed for under financial assets lending operations (loans and advances to customers), net of impairment, at 31 December 2012, were as follows: (i) *Fundo de Recuperação*, FCR (€135.4 million); (ii) Flit-Ptrel SIVAC (€113.8 million); (iii) Vallis Construction Estate Fund (€62.5 million); (iv) Discovery Portugal Real Estate Fund (€50.2 million); and (v) Fundo Recuperação Turismo, FCR (€27.6 million).

To ensure the neutrality of operations at the time of their execution, impairment of €67.4 million (equivalent to the amounts of losses expected) was set against the investments in vehicles, allocated to credit operations and reversed in the process of the balance sheet derecognition of such assets.

(xxi) CGD's liabilities for its employees' retirement pensions and healthcare, at 31 December 2012, totalled €1.5 billion and €0.5 billion respectively according to an actuarial study produced by an independent entity. 101.25% of retirement pension liabilities are funded by CGD's Pension Fund. Liabilities associated with healthcare have been fully provisioned.

(xxii) In November 2012, CGD resumed its financing operations in the international financial markets in the form of an issue of €500 million in non-guaranteed senior debt with a maturity of 3 years at a coupon rate of 5.625%. In January 2013, Caixa returned to the market with a €750 million covered bonds issue with a maturity of 5 years at a fixed coupon rate of 3.75%. In 2012 CGD's continuation of its own debt repurchasing strategy both in the form of private and pubic issues, resulted in relevant capital gains.

13. Reference should be made to the following indicators, characterising the company's separate accounts for the year:

    (i) Net assets were down 6.1% by €6.7 billion over the preceding year to €102.2 billion, essentially on account of reductions in investments in credit institutions and loans and advances to customers, partly offset by the increase in available for sale financial assets.

    (ii) Liabilities totalled €96.3 billion (down 7.6% by €7.9 billion over the preceding year), particularly on account of the reduction in debt securities and central banks' and other credit institutions' resources.

    (iii) Shareholders' equity was up €1.3 billion over the preceding year to € 5.9 billion mainly on account of the positive change in revaluation reserves and increases in CGD's share capital.

    (iv) The cost-to-income ratio was 57.1% (55.7% in the preceding year). The change particularly derived from the reduction of net operating income from banking activity, essentially explained by the decrease in net interest income.

    (v) Separate net income was negative for the amount of €679.1 million, deteriorating by €362.8 million over the preceding year, particularly on account of the unfavourable evolution of net interest income, including income from equity instruments and provisions on loans and advances to customers.

14. 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 3.1% by €3.7 billion over the preceding year to €116.9 billion, essentially on account of the reductions in loans and advances to customers and investments in credit institutions which were partly offset by the increase in available for sale financial assets.

    (ii) Liabilities totalled €109.6 billion (down 4.9% by €5.7 billion over the preceding year), particularly on account of the reductions in debt securities and central banks' and other credit institutions' resources.

    (iii) Shareholders' equity was up €1.9 billion over the preceding year to €7.3 billion, particularly on account of the negative change in fair value reserves and the increase in CGD's share capital.

    (iv) The cost-to-income ratio of 58.4% (60.8% in the preceding year), particularly derived from the reduction in operating costs, especially staff costs.

    (v) The solvency ratio was up 2.0 pp, to an end of year 13.6%. Tier 1 was 11.2% (9.0% in the same period last year) with a Core Tier I ratio of 11.6% (9.5% in the same period last year), under Bank of Portugal rules and 9.4% under EBA rules but is higher than the minimum defined in the Economic and Financial Assistance Programme for Portugal.

    (vi) Consolidated net income was negative for the amount of €394.7 million, down by a further €93.7 million over the preceding year. The losses made in 2012 particularly derived from the unfavourable evolution of net interest income including income from equity instruments and recognition of significant impairment on loans and advances to customers.

15. 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.

16. The audit committee has 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.

17. 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' report on separate and consolidated activity for 2012;

    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, 27 March 2013

AUDIT COMMITTEE

Eduardo Manuel Hintze da Paz Ferreira
(Chairman)

Pedro Miguel Duarte Rebelo de Sousa
(Member)

Álvaro José Barrigas do Nascimento
(Member)

03 REPORT ON CORPORATE GOVERNANCE

|03.
REPORT ON CORPORATE GOVERNANCE

ASSESSMENT OF LEVEL OF COMPLIANCE WITH GOOD GOVERNANCE PRINCIPLES BINDING UPON CGD UNDER COUNCIL OF MINISTERS' RESOLUTION 49/2007

GGP	Recommendations	Level of compliance(1)	References in report
Mission, objectives and general operating principles	Obligation of compliance, respect and disclosure, of mission, objectives and policies, both for the company and for the subsidiaries it controls, established in an economically, financially, socially and environmentally efficient manner, based on demanding quality parameters, designed to safeguard and expand competitiveness, in due respect for established social responsibility, sustainable development and satisfying collective principles and needs	Accomplished	3.1.1. to 3.1.3.
	To produce adequate activity plans and budgets in accordance with available resources and sources of finance based on its mission and the established objectives;	Accomplished	3.1.4.
	To define sustainability strategies in the economic, social and environmental domains;	Accomplished	3.9.
	Adoption of equality plans 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.
	Reporting of annual information 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.
	Compliance with legislation and regulations, 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
	Obligation to treat all workers with respect and integrity, contributing towards their personal advancement;	Accomplished	3.2.4.3.
	Obligation to treat customers, suppliers and other lawfully entitled persons fairly, 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 € 1 million);	Accomplished	3.3. and 3.4.
	To manage all of the company's business affairs with integrity, with no confidential or undocumented expenditure being permitted;	Accomplished	3.2.2.
	To have or subscribe for a code of ethics (with demanding ethical and deontological behaviour and the disclosure thereof).	Accomplished	3.2.2.

(1) Level of compliance – accomplished, accomplished in part, not accomplished, not applicable

GGP	Recommendations	Level of compliance(1)	References in report
Administration and Inspection Structures	Number of members should not exceed the number in private companies, of a similar dimension operating in the same sector;	Accomplished	3.5.2.
	The governance model should ensure an effective division between administration and inspection functions (with larger and more complex companies spinning off the supervisory function by creating an audit committee or a committee for financial issues);	Accomplished	3.5.
	Issue of annual assessment report on the performance of executive managers and a global assessment of the governance structures and mechanisms in force in the company, by members of the inspection body;	Accomplished	3.5.3.1.
	The accounts of the larger, more complex companies should be audited by independent entities with identical standards to those used for companies admitted to trading in regulated markets, with the members of the inspection body being responsible for the selection, confirmation and contracting of the auditors, 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	Annual disclosure of total remuneration (fixed and variable) earned by each member of the board of directors;	Accomplished	3.6. and Annex II
	Annual disclosure of information on remuneration earned by each member of the inspection body;	Accomplished	3.6. and Annex II
	Annual disclosure of information on other benefits and incentives (healthcare insurance, use of vehicles and other 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.
	Obligation of members of statutory bodies 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	To publicly and immediately disclose all information of which they are aware, which may have a relevant effect on the company's economic and financial situation and net worth;	Accomplished	3.8.1. to 3.8.3.
	To provide for the disclosure of information on the state's corporate websites, 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.
	To include an item on corporate governance in the board of directors' report (internal and external regulations binding on the company, information on relevant transactions with related entities, remuneration of members of statutory bodies, sustainability analysis and assessment of level of compliance with GGP);	Accomplished	3.8.6.
	Nomination of ombudsman, when justified.	Not applicable	3.10.

(1) Level of compliance – accomplished, accomplished in part, not accomplished, not applicable

|03.1. MANAGEMENT GUIDELINES, MISSION, OBJECTIVES AND CORPORATE POLICIES

|03.1.1. INFORMATION ON MANAGEMENT GUIDELINES APPLICABLE TO CGD, NOTABLY STRATEGIC GUIDELINES ON COMPANIES OPERATING IN THE STATE'S CORPORATE SECTOR, GENERAL GUIDELINES ON THE FINANCIAL SECTOR AND SPECIFIC GUIDELINES ON THE INSTITUTION AS A SEPARATE ENTITY, AS DEFINED BY THE MINISTER OF FINANCE

CGD is subject to the strategic guidelines on the state's business sector in the form of Council of Ministers' Resolution 70/2008.

In 2011, owing to the profound change in the Portuguese economic-financial context and under the scope of the Financial Assistance Programme entered into between the Portuguese government, IMF, European Commission and the ECB, capital and liquidity goals with a conditioning effect upon Caixa Geral de Depósitos's activity were established.

For the three year period 2011-2013, given the environment in the country and the Portuguese financial sector and consequent need to make adjustments, CGD's board of directors decided to revise the Group's Strategic Challenge, defining a set of specific management guidelines in which the above referred to regulatory goals were decisive.

CGD's sole shareholder, the Portuguese state, did not establish management objectives for 2012.

|03.1.2. MISSION

CGD has the following mission:

- To consolidate its position as a Portuguese financial system structuring group, based on the major relevance and responsibility of its contribution to:
  - Economic development;
  - Reinforced competitiveness, innovation capacity and the internationalisation of Portuguese companies;
  - The stability and strength of the domestic financial system.
- As the market leader, the quest for balance in the evolution between profitability, growth and financial strength, always pursuant to a prudent risk management approach.

|03.1.3. MAIN STRATEGIC OBJECTIVES

CGD Group's strategic plan for the three year period 2011-2013 is structured on two key challenges:

- **1st Challenge:** To protect and reinforce CGD Group's financial health (solvency, liquidity and profitability) in response to the needs generated by the new economic and financial sector framework.
- **2nd Challenge:** To transform CGD, focusing activity on its banking activity, in order to achieve the Group's sustainability and competitiveness on an organisational and business model level.

The furtherance of these two challenges is based on a collection of 9 directives, with different timelines in respect of their impact:

I. To ensure funding sustainability;

II. To protect and promote revenue generation;

III. To optimise efficiency in terms of organizational costs and effectiveness;

IV. To optimise and develop key processes on credit monitoring and recovery and real estate business management;

V. To boost profitable and sustainable growth in the international area;

VI. To optimise the value proposal in key segments, particularly companies, affluent individual customers and non-residents;

VII. To optimise the commercial approach model and infrastructure;

VIII. To promote procedural rationalisation and excellence;

IX. To optimise human resources policies and management.

Underpinning these directives were the specific guidelines conveyed to diverse entities and organic structures of the Group under the scope of its respective activity plan and budget for 2012, particularly:

a) To manage the balance sheet, converging to a consolidated loan-to-deposits ratio of 120% by 2014;

b) 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;

c) To increase market share in the SME segment - Caixa Geral de Depósitos should assume the role of the leading bank for the best SMEs

d) To increase support for exports/internationalisation - Caixa should operate as a support bank for export companies, increasing its contribution to the country's economic development by reinforcing the competitiveness and internationalisation of Portuguese companies.

e) To support the capitalisation of companies and microfinance – intervention in this area is considered fundamental to ensure the development of new sectors of the knowledge economy, funding of investments required to increase companies' competitiveness, particularly when associated with innovation, internationalisation and the technological updating of traditional sectors;

f) To improve net interest income and the profitability of financial operations;

g) To restructure the corporate model:

- To proceed with the works related with the Group's insurance activity;
- To dispose of the investments portfolio in non-financial entities;
- To restructure several business areas in the domestic market;
- To reinforce the mechanisms needed for corporate functions associated with strategic management, risk control and management and liquidity management;

h) To analyse CGD Group's model for its international presence, particularly in Spain, in light of the need to increase profitability and deleverage the separate and consolidated balance sheet, adopting the most suitable forms for its presence in support of companies' internationalisation processes;

i) To improve efficiency – Adoption of a programme enabling efficiency levels to be improved, both in the case of the branch office network and central services based on the redesign of processes and the identification of staff for each organic unit's functions;

j) To reinforce the multichannel strategy in relationships with customers. Closer proximity with customers while rationalising operating costs in improving operational efficiency should include the development of distance banking and reconfiguration of the geographical branch office network, in new locations and adopting new, more flexible formats.

Lastly, the strategies and policies defined for the Group aim to comply with the following objectives, which were achieved in 2012:

- Liquidity
  - Loans-to-deposits ratio of less than 120%
  - Use of ECB funding of less than 10 times minimum cash reserves
  - Convergence of stable funding ratio to 100%
- Solvency
  - Core Tier I ratio:
    - » 10%, in line with Basel II rules
    - » 9%, in line with EBA rules
    - » To comply with the minimum capital levels in for EBA stress tests
- Efficiency
  - Convergence of net commissions/staff costs ratio to 100%
  - Convergence of cost-to-income (BdP) to 50%.

|03.1.4.

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 on the consolidated accounts of the Group's diverse business units. This exercise establishes the objectives deriving from its corporate mission and Strategic Framework.

The execution of the approved activity plan and budget is accompanied by a management information system, comprising a vast range of periodic reports on various areas of activity.

Activities and compliance with objectives are assessed in the annual report.

|03.2. GENERAL OPERATING PRINCIPLES

|03.2.1. 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[8].

In general, CGD is governed by European Community 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[9], the Securities Code approved by Decree Law 486/99 of 13 November[10], and all regulatory standards issued by the Bank of Portugal and the Portuguese Securities Market Commission (CMVM).

In terms of such regulatory standards reference should be made to Official Notices 15/2012 of 13 December, issued by the Bank of Portugal which establishes the disclosure of information duties to be complied with by credit institutions subscribing to Minimum Banking Services regulations in disclosing information on their subscription to this regime and the conditions of access and provision of these services, in addition to CMVM Regulation 2/2012 of 26 November, on information and the advertising of complex financial products which, *inter alia*, aim to improve the transparency and rigour of information provided by credit institutions to their customers.

Significant changes were made to the legislation on consumer credit and mortgage loans, with the publication of a series of statutes and regulations having an impact in this domain, particularly Laws 57/2012, 58/2012, 59/2012 and 60/2012, all of 9 November, Decree Law 226/2012 of 18 October and Decree Law 227/2012 of 25 October, in addition to the Bank of Portugal's *Official Notices* 16/2012 and 17/2012, both of 17 December and Bank of Portugal *Instructions* 18/2012, 44/2012 and 45/2012.

CGD is also subject to compliance with the good practice recommendations defined by the supervisory authorities.

CGD is a party to the measures for the reinforcement of the strength of the financial system set out in Decree Law 140-A/2010 of 30 December, transposing 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 terms of the regulating of such measures and own funds and risk management, reference should be made to the BdP's issue of its *Official Notices* 1/2012, 2/2012 and 5/2012 of 20 January.

Reference should also be made to the application, to CGD, of Law 25/2008[11] of 5 June and EU Regulation 1781/2006 which establish preventative and repressive measures of anti-money laundering and combating of terrorism financing.

Special reference should also be made, in this domain, to the Bank of Portugal's *Official Notice* 9/2012 of 29 May which created a specific report on the internal control system anti-money laundering and the prevention of financing of terrorism activities, to be sent periodically to the Bank of Portugal in addition to *Instruction* 46/2012 which defines an informational report in the sphere of anti-money laundering and the prevention of financing of terrorism activities to be sent to the Bank of Portugal each year.

Deriving from CGD's status as a public corporation, members of its board of directors enjoy *Public Manager Status* whose regulations were revised by Decree Law 8/201 of 18 January and applied to CGD with the changes justified under Council of Ministers' Resolution 16/2012 of 14 February, whichh approves the criteria governing the remuneration of public managers and Council of Ministers' Resolution 36/2012 of 26 March, that classifies public corporations for the purposes of determining the remuneration of their respective managers.

In this domain, the Bank of Portugal, in its *Official Notice* 10/2011, published on 9 January 2012, regulated the principles and rules governing the remuneration policy of members of the board of directors and inspection bodies, in addition to employees fulfilling certain criteria, in credit institutions, investment companies and the Portuguese branches of credit institutions and investment companies headquartered outside the European Union.

In parallel and as a state-owned company operating in the state's corporate sector CGD is bound by good governance principles for 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.

CGD's activity is also subject to its articles of association as approved by its shareholders' meeting of 22 July 2011[12].

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.

|03.2.2. CODE OF CONDUCT

CGD's code of conduct, published for the first time in July 2008 and updated and reissued in October 2010 as an integral part of its internal standards system, represents and enshrines the operating principles and standards of professional behaviour to be complied with in and by Caixa, in the performance of its activity, helping to consolidate an organisational culture based on ethical principles and good practice recognised by all stakeholders.

Considering the importance and management of the code of conduct, in September 2010 CGD approved the "Code of Conduct Management Model". This model includes a collection of intervention initiatives, specific objectives and measures, in what are considered to be the most critical areas in terms of the code's application, for the purposes of its implementation, operationalising, monitoring and ongoing improvements thereto.

The impact of the code of conduct on its intended recipients (i.e. members of CGD's statutory bodies, workers, trainees, service providers and mandataries), has been calculated in three dimensions referred to as "knowing the code" (values, operating principles and standards of professional behaviour as set out in the code), "modus operandi" (how to react in practical situations in accordance with the standards set out in the code), and "commitments" (to CGD's values and principles). Such dimensions include performance, ethical indicators aiming to contribute to the periodic revision of CGD's Code of Conduct Management Model.

CGD's initiatives, in 2012, particularly included the launch of the three year programme (2012 – 2014) for training in ethics and the code of conduct for cen-

8 Republished by Decree Law 300/2007 of 23 August and changed by Decree Law 64-A/2008 of 31 December and Law 55-A/2010 of 31 December

9 Republished by Decree Law 31-A/2012 of 10 February and changed by Decree Law 242/2012 of 7 November and Law 64/2012 of 20 December

10 Republished by Decree Law 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, Law 46/2011 of 24 June and Decree Law 85/2011 of 29 June

11 Changed by Decree Law 317/2009 of 30 October, Law 46/2011 of 24 June and Decree Law 242/2012 of 7 November

12 Later changed in a Unanimous Written Declaration of 27 June 2012

tral departments, to complement the training for the branch office network on this subject, starting 2011.

As part of this three year programme, 48 training sessions totalling 144 training hours comprising 666 classroom participations were given in 2012. Workers who participated recognised in this training project a highly positive commitment towards increasing and consolidating CGD's principles, ethical values and brand.

As regards the branch office network, 56 sessions comprising 303 classroom training hours for 1 133 workers and another 3 100 using the *cascade* (i.e. "train-the-trainer") system, in which classroom participants pass on what they have learned to employees in their respective work areas, were given.

The "Workshop for CGD Entities Compliance Officers" was also held in 2012 and attended by 23 compliance officers. The items covered by the workshop included several of the most relevant in terms of compliance risk management, including issues related to ethics and the code of conduct.

The compliance office accompanies the adoption of the code of conduct by the diverse subsidiaries, branches and corporate groupings and comments on the adaptations required by legislation or local circumstances, to be approved by Caixa's board of directors.

The process of the adoption of the new version of the code of conduct by almost all CGD Group units to which it applies, was completed in 2012 with only one CGD Group unit in a process of change and approval.

CGD's code of conduct may be viewed on its intranet and website at:

https://www.cgd.pt/Investor-Relations/Governo-Sociedade/Regulamentos/Codigo-Conduta/Pages/Codigo-Conduta-CGD-Introducao.aspx

|03.2.3. COMPLIANCE WITH LEGISLATION AND REGULATIONS

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.

|03.2.3.1. APPLICATION OF FISCAL REGULATIONS

CGD has two inter-complementary technical units for compliance with legislation and regulations currently in force. One is geared to compliance with its own fiscal obligations and the other focuses on logistical support for the interpretation of legislative regulations, both pertaining to CGD itself and for products geared to customers, in addition to other functions attributed to it in matters of tax disputes.

|03.2.3.2. APPLICATION OF ANTI-MONEY LAUNDERING REGULATIONS

Caixa Geral de Depósitos has an anti-money laundering (AML) and combating the financing of terrorism programme to identify, mitigate and manage these risks.

Its daily AML/FT prevention activity rigorously complies with legal, regulatory, ethical deontological and internationally accepted good practice.

The development of a culture of compliance is permanently promoted, particularly anti-money laundering and combating the financing of terrorism, in addition to active training of staff in this domain.

Policies, principles and procedures include all of CGD Group's international operations based on the performance of compliance officers who work permanently with GFC (Compliance Office).

Units based abroad are accompanied centrally by GFC and assessed on the basis of periodic visits with the objective of certifying the effective operation of anti-money laundering and combating the financing of terrorism activities.

|03.2.3.3. APPLICATION OF STANDARDS RELATING TO COMPETITION AND CONSUMER PROTECTION

Caixa Geral de Depósitos has achieved a state of balance in the context of competition, while simultaneously furthering objectives of quality, customer satisfaction, 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 on the evolution of funding and product costs, the evolution of the bank's financial and operational situation and estimates of impacts for the Group. Information on price changes is sent in advance to customers and the Bank of Portugal, in strict compliance with the guidelines issued by the supervisory bodies.

Comprehensive information on the price list is displayed at all customer points and on access channels to the bank in conformity with the model defined by the Bank of Portugal's *Official Notice* 8/2009 and *Instruction* 21/2009, guaranteeing the comparability of prices i.e. interest rates, fees/commissions and charges for banking services between different banks.

Loan agreements for consumers covered by Decree Law 133/2009 have been subject to the maximum rates defined quarterly by the Bank of Portugal since 1 January 2009.

CGD took several actions to comply with Decree Law 226/2012, of 18 October 2012, which extended the legal framework on mortgage loans to all loan contracts for individual customers backed by a mortgage or other right over property. The application of this standard, starting January 2013, guarantees the same commissions and disclosure of information duties as applicable to mortgage loans for customers with mortgage-backed loans (personal and other loans to individual customers)

Under the scope of the regulation on defaults and following the publication of *Instruction* 18/2012 and Decree Law 227/2012, CGD developed solutions to mitigate defaults on all personal loan products, including LDN and credit cards, to promptly identify signs of a deterioration of customers' compliance capacities, the indication, in information systems of customers whose credit has been restructured owing to their financial difficulties and effective commercial control. Such measures include the implementation of processes for the collection, processing and analysis of information on customers, risk assessments or default situations, a customer's financial capacity and submission of loan agreement proposals to individual customers and the self-employed in financial difficulty.

CGD is permanently concerned to promote and collaborate directly on the implementation of the transparency of its commercial practice relating to investment, savings products and services, 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 the Bank of Portugal's *Official Notices* 4/2009, in the first case and 5/2009 in the second, as well as the respective agreements and provision of simulators and presentation of standard cases on its website (more than 38,000 visits in 2012) and electronic newsletters, sent to more than 900 000 customers every month.

CGD is also concerned that the disclosure of information on products should use a clear, transparent language in order to be easily read and understood by customers as set out in CGD's code of conduct, complying with the duty of information and transparency established by law and regulation, The information is previously and internally submitted for the consideration of the Compliance Office, Risk Management Division and Communication and Brand Division and externally to the supervisors in the case of complex financial products.

|03.2.3.4. APPLICATION OF ENVIRONMENTAL STANDARDS

During the course of its activity, CGD has committed to the promotion of environmental responsibility with its main groups of stakeholders, both internal and external, comprising, *inter alia*, compliance with current environmental legislation and raising the environmental awareness of its surrounding community.

CGD has complied with the commitments assumed in its environmental policy as one of the thrusts of its sustainability strategy which has been published on its website.

In addition to its active promotion of compliance with the applicable environmental legislation, demonstrated by the fact that it has not been subject to any fines or non-monetary sanctions for failures to comply with environmental laws and regulations, CGD has adopted a preventative approach in this field, aiming at constantly improving its environmental performance.

A sustainability management model has been implemented for the purpose, embracing various other Group structural organs and companies in the formation of taskforces whose function consists of monitoring compliance with policies on this subject matter in addition to the identification of future sustainability trends in general and particularly when related with climate change, having a potential impact on the bank's activity.

CGD has consequently implemented a climate change combat strategy which consists of various operating aspects such as quantification, reduction, compensation, business and awareness. It produces an annual inventory of greenhouse gas emissions on banking activity in Portugal, in accordance with the internationally recognised *The Greenhouse Gas Protocol* (*GHG Protocol*). CGD offsets its greenhouse gas emissions on the basis of credits deriving both from the *Voluntary Carbon Standard Certification* project and the Caixa Carbon Zero Forestry Project at the *Tapada Nacional de Mafra*.

CGD is aware of the impact of management, remodelling and maintenance of its facilities on the quality of the environment. It has systematically implemented a series of eco-efficiency measures based on best environmental practice which include the management of energy and water consumption, waste management, as well as the management of the air quality in its buildings. These measures are annually published in its sustainability report.

Environmental responsibility is also incorporated on a business level and on its direct impact on the environment, through the supply of environmentally safe products in the bank's portfolio as well as an assessment of compliance risks in the project finance area, implemented by Caixa - Banco de Investimento, S.A.. Socio-environmental criteria have been defined in securing and organising operations, at the time of the analysis of projects and corporate candidatures, based on an environmental opinion required by law in the form of an Environmental Impact Statement and/or Environmental Impact Assessment on all of the main financing projects of infrastructures. No financing is issued prior to the confirmation of the environmental permit involved in the legal due diligence process. Independent technical consultants are solely responsible for validating projects' technical and environmental premises (including all relevant permits) required during the construction and operation stage. Financing agreements include contractual obligations related with socio-environmental aspects.

CGD, through CaixaGest, also has investment funds with environmental benefits, designed to provide investors with access to a diversified portfolio of assets both directly and indirectly associated with renewable energies, quality of the environment and carbon assets.

CGD is a party to the *Banking & Environment Programme*, under the aegis of UNEP-FI, which aims to improve banks' and the corporate sector's knowledge of environmental risks for the gradual inclusion of companies' environmental risks in banks' credit analyses. Its participation, in 2012, took the form of a questionnaire on environmental risks targeted as municipal customers, for the purpose of compiling environmental information on this market segment.

CGD's environmental responsibility was, once again, recognised externally, in 2012, by the *Carbon Disclosure Project* initiative. CGD was awarded the highest "A" classification in the performance rating and listed in the *Carbon Performance Leadership Index* (CPLI), which singles out companies with a strong strategic approach in combating climate change and emissions reductions. In 2012, for the first time, a Portuguese company was included in this index - CGD - and achieved the leading position in terms of the performance all financial sector entities in the Iberian Peninsula and the 4th best result of all Iberian companies. This result derived from the continued implementation of objectives and measures to reduce greenhouse gas emissions, particularly focusing on energy efficiency, workforce mobility, waste management, re-use of resources and minimisation of waste.

|03.2.3.5. APPLICATION OF LABOUR REGULATIONS

CGD has high ethical standards and applies highly rigorous technical–juridical principles in the sphere of labour relations.

Based on its permanent quest for excellence in complying with the applicable labour regulations, CGD systematically analyses all legislative changes having an impact on the Group's labour relationships. Special reference should be made to the following, in 2012:

- State Budget Law for 2012;
- Changes to the Labour Code – Law 23/2012 of 25 June;
- Regulations on the extraordinary renewal of fixed–term contracts;
- Obligation to adopt plans for equality between the sexes – Council of Ministers' Resolution 19/2012, published on 8 March 2012.

CGD endeavours to maintain a harmonious social climate in terms of its relationship with employees, with active communication as a *sine qua non* in its quest for consensual solutions, as well as to avoid potential conflict.

Notwithstanding scrupulous compliance with labour regulations and the permanent quest for fair solutions, there are occasional disagreements between CGD and its workers.

In light of the bank's size (10,392 workers at 31/12/2012), the 35 cases of legal proceedings brought against CGD in 2012 is highly inexpressive.

|03.2.4. 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

|03.2.4.1. IMPLEMENTATION OF EFFECTIVE EQUALITY OF TREATMENT POLICIES AND OPPORTUNITIES BETWEEN MEN AND WOMEN

As regards equality of treatment and opportunities between men and women, CGD has developed non––discriminatory practice and an inclusive policy based on fundamental pillars of non–discrimination, social responsibility and promotion of high ethical standards.

CGD continues to develop good non–discriminatory practice in the sphere of equality of treatment and opportunities, based on gender, nationality, ethnicity, religion and sexual orientation.

In 2012 CGD had an even balance between genders (56.3% women and 43.7% men). This trend 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 internal recruitment for qualified or more responsible functions, providing all 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 all on the internet, by entering personal and curricular details on CGD's website.

The recruitment and selection processes comply 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.

In the social responsibility sphere, reference should be made to the adoption of integrated policies linking prevention, education, training, employment and conciliation between work and family measures which have an impact on equality policy.

The implementation of support measures in 2012 particularly included:

- Geographical and functional mobility based on a policy of joining up the interests of CGD and the personal and family interests of employees;
- Extending periods of assistance to families in the case of illness or accident, without loss of wages for periods in excess of the regulatory period in cases of exceptional social need;
- Support for motherhood with the provision of temporary parking spaces for pregnant and breastfeeding mothers in addition to the maintenance of and support for the breastfeeding project and planning consultancies for the preparation of births and medical consultations for newborns.

Based on a policy of inclusion, CGD employs, without any discrimination, handicapped people, providing them with technical assistance and accessibility for their full integration. It currently has 71 women and 58 men with a physical handicap.

The implementation of effective policies designed to achieve equality between the sexes also entails the need to recognise and value different social roles, for which reason CGD promotes measures designed to reconcile personal, family and professional lives as referred to below.

|03.2.4.2.

IMPLEMENTATION OF EFFECTIVE POLICIES TO RECONCILE PERSONAL, FAMILY AND PROFESSIONAL LIVES

CGD bases its policies of effective conciliation between personal, family and professional lives on a culture of social solidarity deriving from its own history, adopting highly sustainable policies in its support for its employees.

In 2012, in light of the economic environment in the country, greater attention was paid to socioeconomic issues affecting employees and their families, with the objective of preventing break-ups and promoting a climate of security and well-being.

Reference should be made to the following measures and actions, in addition to those already referred to in the preceding item:

a) Psycho-social support

- An advisory programme for workers, provided by an interdisciplinary team from the Personnel Division's Social Action and Psychology area with guaranteed confidentiality.

b) Socioeconomic support

- Mortgage and personal loans to employees, with special terms and interest rates, including the possibility of restructuring loans in the event of a household's precarious situation;
- Creation of a temporary credit line, in 2012, to provide for employees' most relevant needs.

c) Healthcare support

- Medical facilities in the main urban centres and protocols with subscribing providers in various areas, guaranteeing nationwide medical cover;
- Protocols guaranteeing continuous, integrated care to employees and families as well as specific treatment in the area of addictions medicine;
- Subsidies and supports for specific treatment for children with special needs;
- Specific subsidies in the event of major illness.

d) Flexibility and socio-professional support policies

- Adjustments to conditions attached to the function/workplace to provide for employees' physical and psychological needs;
- Subsidies for student workers;
- Social subsidies for employees' children;
- Scholarships for employees' children in higher education based on social conditions and merit;
- Priority in the admission of family members of workers who have passed way or who are unable to work.

e) Socio support for families

- Protocols with special terms in the transport, insurance, day-care centres and nurseries, old persons' homes and home support areas;
- Holiday camps, language courses and organised workshops in the school holidays;
- Sharing of books and second hand schoolbooks;
- 2nd Edition of the Employability Workshop for employees' children;
- Expansion of prevention and safety actions to employees' children/family members.

f) Social and family responsibility

- Blood, blood platelets and bone marrow donors' campaign, expanding the action of the SSCGD Blood Donors Group;
- Development of corporate voluntary work, with support for a large number of voluntary social and environmental initiatives, particularly volunteer groups in the sphere of internal solidarity and prevention of social isolation following retirement;
- Support for associations of retirees which, in 2012, benefited from a strong training component in the IT area, related with the commemorations of the European Year of Active Ageing.

g) Sociocultural dynamics

- Access to events for specific target groups;
- Special access terms to the Culturgest Foundation for employees and their family members.

|03.2.4.3. IMPLEMENTATION OF EFFECTIVE PROFESSIONAL ADVANCEMENT POLICIES FOR THE COMPANY'S WORKERS

CGD promotes a culture of performance and individual responsibility, based, *inter alia*, on a performance management system under which employees are assessed on their competencies, attitudes and compliance with annually established objectives. This appraisal is performed on a cascade basis.

In parallel, the internal recruitment pool, which monitors the development of employee potential with the aim of identifying successors for branch office functions is considered a fundamental talent management Instrument, in conjunction with an on-the-job training programme promoting employment and as a talent attraction instrument.

The Personnel Division (DPE) has appointed relationship managers to promote relationships with employees in terms of providing support for career development and motivation and human resources-related management technical support to all departments.

The HR Communications Unit Division, which reports to the Personnel Division (DPE), was created in 2006, considering that communication with employees is relevant to the sphere of CGD's human resources management.

Employees were, simultaneously, provided with the Caixapessoal portal, entirely dedicated to issues related with human resources management.

This portal has, over time, been considered a fundamental instrument in terms of day-to-day management, permitting access to personalised information and HR applications based on an approach of providing information on the organisation and support for the professional and personal development of each CGD worker.

Caixapessoal received an average number of 8 000 monthly accesses, in 2012, as a result of its development policy and the active management of contents of interest, as well as its supply of relevant functionalities for each individual employee . These include access to highlights and news related with HR issues, access to information sharing communities under the scope of internal training projects and the disclosure of information on campaigns providing employees with benefits (IT, telecommunications, vehicle leasing, *inter alia*).

Also accessible by internet, Caixapessoal allows each employee to access the diverse contents whenever most convenient (i.e. from home). This factor is most important in terms of distance training (e-learning courses and/or tutorials). There were around 100 000 accesses to the portal, in 2012, of which approximately 3 000 were from outside the organisation (weekends).

Caixapessoal also has an online helpdesk for situations in which an employee is not able to locate the desired information on the portal or needs to contact DPE for any request relative to HR issues. Around 500 requests were made to the helpdesk in 2012 with an average level of satisfaction regarding responses of 4.2 on a scale of 0 to 5.

Attention to this permanent dialogue with employees undoubtedly continues to be one of the strategic commitments of human resources management in CGD.

The training and development of *Caixa* employees is based on Its annual training plan which, in 2012, as in past years, comprised programmes clearly targeted at personal development based on individual support for more specific functional needs and development potential.

Reference should be made, herein, to three programmes, the first two of which registered growth in the number of employees involved in year-on-year terms:

- Courses, conferences and seminars in Portugal and abroad – this programme provided course enrolment assistance and permitted an individual response to 376 employees on issues related with specific training in line with best international practice;

- Highly specialised training programme – designed to provide professional development conditions for employees identified as having potential. The programme involved 113 employees, in 2012 and paid for direct and indirect expenses related with attendance at higher educational courses, masters, postgraduate and specialised courses while also providing conditions for the preparation of exams in the student workers' sphere;

- Foreign languages training programme for 179 employees in the commercial and support divisions.

Together with such programmes, reference should also be made to several aspects deriving from the 2012 training plan, contributing towards the professional advancement of Caixa employees in a context of change:

- Increase internal training through:

  - Greater employee involvement in diagnosing training needs, creation of training contents and management of training actions;

  - Consolidation of internal trainers' pool, via rotation and pool strengthening with the inclusion of new employees;

  - Implementation of "regional teams" of trainers to reinforce the role of internal trainers on the branch office network permitting greater proximity to management guidelines and accompanying trainees in terms of the practical component;

  - The development of training programmes in conjunction with educational establishments, in line with CGD's needs.

- Increase of local training initiatives, based on fresh launches of local promotional actions, with a greater involvement of line managers in teams' self-training aspects;

- Implementation of a certification process for commercial functions, involving the assessment and evaluation of the practical application of knowledge acquired in the on-the-job training plan for the function;

- Contribution of the executive training programme to Caixa's management bodies with the aim of providing contact with a new outlook on leadership and business needed to mobilise teams for CGD's transformation process;

- Increase in and expansion of training in the corporate area to support the implementation of Caixa's strategic guidelines for major enterprises and SMEs.

There were 94 787 participations in training actions in 2012. 41% involved classroom training, 32% e-learning and 27% comprised training tutorials, enabling Caixa to achieve an average 40.92 training hours per employee.

|03.3.
RELEVANT TRANSACTIONS WITH RELATED ENTITIES

CGD performs transactions with Group Companies, associated companies and other entities controlled by the Portuguese state.

CGD's financial statements, at 31 December 2012, included the following balances and transactions with related entities, excluding management bodies:

(EUR thousand)

	2012				
	Portuguese state (DGT)	Other Portuguese state bodies	Associated companies	Entities in joint control	Other CGD Group companies
Assets:					
Loans and advances to credit institutions	–	–	–	1	5 094 952
Securities and financial trading derivatives	6 591 998	2 965 418	–	–	5 928 929
Loans and advances to customers	21 834	4 441 972	388 304	1 117	166 496
Other assets	–	481 456	1 305	43 235	661 426
Liabilities:					
Credit institutions' resources	–	–	–	483	2 889 475
Customer resources and other loans	446	2 202 584	8 618	883	1 836 071
Debt securities	–	–	–	–	1 368 721
Subordinated liabilities	–	–	–	–	185 419
Financial liabilities held for trading	–	–	–	–	118 485
Other liabilities	–	–	34 556	86 876	189 108
Guarantees provided	22 323	611 451	6 509	765	435 032
Income:					
Interest and similar income	260 161	205 956	3 325	1 106	1 178 838
Income from financial operations	104 094	152 323	–	–	3 657 803
Income from services and commissions	84	1 255	2	77	50 646
Other operating income	–	16	19	274	38 637
Costs:					
Interest and similar costs	–	2 995	8	–	1 117 933
Losses from financial operations	22	155 080	–	–	3 470 067
Costs of services and commissions	–	1	–	–	2 251
Provisions for credit overdue (net of reversals)	–	–9 117	89	–	–
Other operating costs	–	–	241	37	890
General administrative costs	–	–	–	8 022	97

|03.4. OTHER TRANSACTIONS

|03.4.1. 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 by principles of economy and effectiveness.

The procedures are described below:

- Preparation and market consultation, whose process starts with the identification of the need for new services or renewal of contracts, the identification of certified suppliers to be consulted, the production of tender documents, the obtaining of the respective approval, the production of a suppliers' assessment grid, the sending of the tender documents to preselected suppliers (ehit a minimum of three suppliers per item/service), inviting them to submit bids which, and, finaly, the scheduling of meetings to clarify doubts over the tender documents;

- Reception, assessment and negotiation of proposals, which include the reception of proposals from suppliers in a sealed envelope within the period indicated in the tender documents and the opening of the bids by a committee. This procedure is followed by the production and signing of a bid document analysis and a comparison between the bids (preparation of shortlist if required) and the production of an assessment grid based on the previous definition;

- Selection, approval of expenditure and adjudication, which includes the selection of suppliers for the next stage of the negotiating process, the notification of suppliers eliminated from the negotiating process, the negotiations up to the time of the selection of the final bidder, the preparation of information for the decision of the competent body, the budgeting for the amount of the expenditure, preparation of award document and the adjudication of the acquisition of goods/services to the supplier;

- Contract, which includes the preparation of the draft contract based on the contents of the negotiating process, although no aspect of the performance thereof may be initiated prior to the date of the start of the effects as established in the adjudication and sending of the draft contract to the supplier.

|03.4.2. TRANSACTIONS WHICH HAVE NOT BEEN MADE UNDER MARKET CONDITIONS

Contracts with CGD Group companies, without consulting the market, are:

- Transport and processing of valuables – ESEGUR – Empresa de Segurança, S.A.;

- Leasing operations – Caixa Leasing e Factoring, IFIC, S.A.;

- Insurance – Companhia de Seguros Fidelidade – Mundial, S.A.;

- Vehicle hire – Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A..

|03.4.3. 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 external supplies and services, on a separate basis, in 2012:

Tax ID number	Supplier	Total in 2012
PT500068801	Companhia IBM Portuguesa, S.A.	33 213 159.13 €
PT720003490	Fundo de Pensões do Pessoal da Caixa Geral de Depósitos	29 296 772.23 €
PT504940899	SOGRUPO – Sistemas de Informação, ACE	26 289 092.87 €

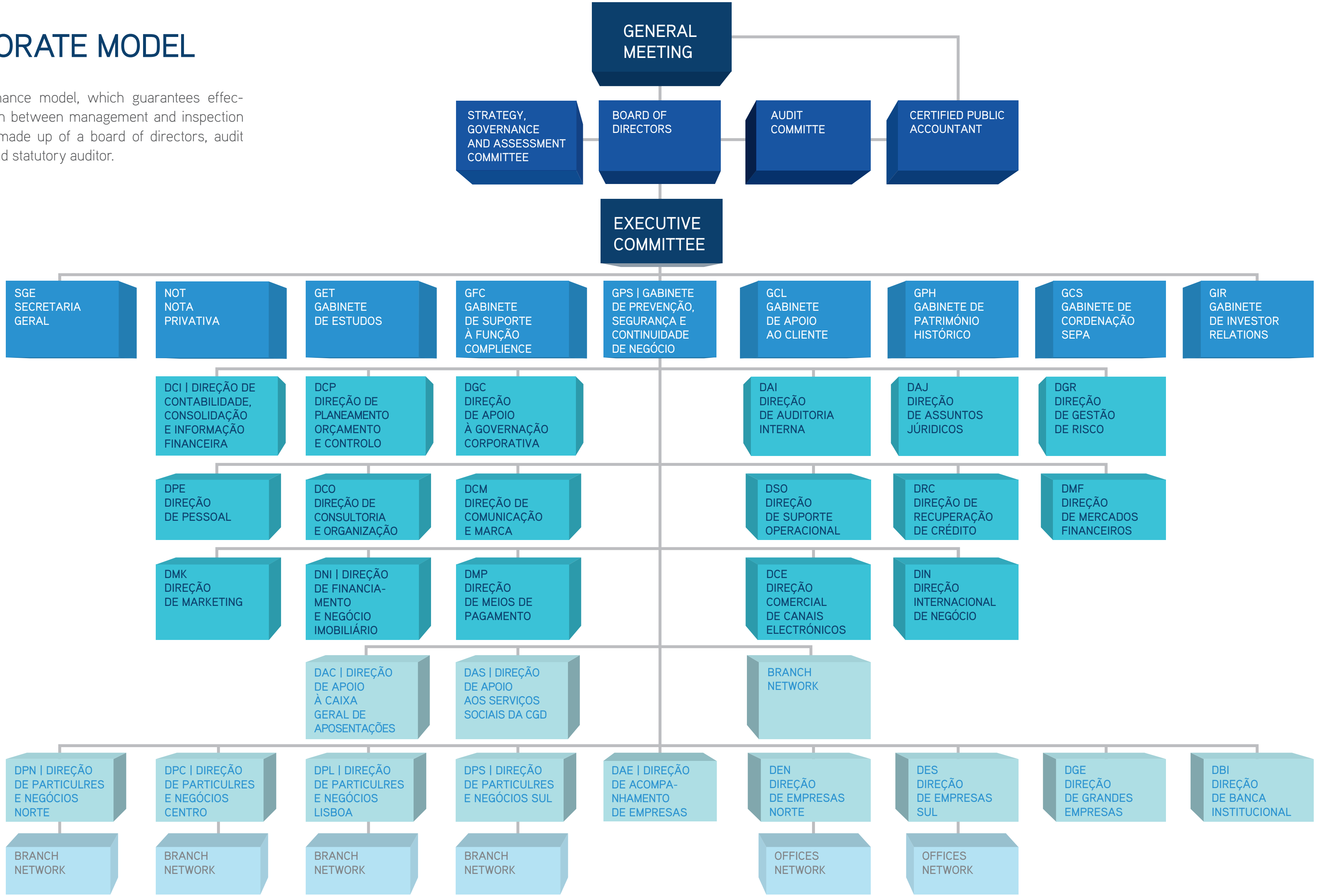
|03.4.4. EVOLUTION OF AVERAGE PAYMENT PERIOD TO SUPPLIERS

The evolution of the average payment period to suppliers, in conformity with Council of Ministers' Resolution 34/2008 of 22 February, approving 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 – 2012	
Quarter	Period
4th Quarter	50 days
3rd Quarter	37 days
2nd Quarter	39 days
1st Quarter	50 days

|03.5. CORPORATE MODEL

CGD's governance model, which guarantees effective separation between management and inspection functions, is made up of a board of directors, 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.

|03.5.1. 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

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;
- An annual general 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 chairmen, 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 committee having the authority to define the said remuneration under the terms of the "Public Manager Statute" and other applicable legislation;
- Authorisation for the acquisition and disposal of real estate and investments when comprising more than 20% of the share capital;
- Dealing with any other issue for which it has been called.

|03.5.2. 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, Rodolfo Vasco Castro Gomes Mascarenhas Lavrador, Nuno Maria Pinto de Magalhães Fernandes Thomaz, João Nuno de Oliveira Jorge Palma, José Pedro Cabral dos Santos, Eduardo Manuel Hintze da Paz Ferreira, Pedro Miguel Duarte Rebelo de Sousa and Álvaro José Barrigas do Nascimento.

Members João Nuno de Oliveira Jorge Palma and José Pedro Cabral dos Santos were appointed with effect from 2 January 2012 and 29 March 2012, to complete the current term of office, following the resignations of members Pedro Manuel de Oliveira Cardoso and Jorge Humberto Correia Tomé, respectively.

Member António do Pranto Nogueira Leite submitted his resignation in a letter dated 19 December 2012, effective from the end of January 2013.

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 on the board of directors approved by the said body on 15 September 2011.

Ordinary meetings of the board of directors are held at least once every two months with 12 meetings having been held in 2012.

COMPOSITION OF EXECUTIVE COMMITTEE

Under the company's articles of association, the board of directors delegates 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: Rodolfo Vasco Castro Gomes Mascarenhas Lavrador, Nuno Maria Pinto de Magalhães Fernandes

Thomaz, João Nuno de Oliveira Jorge Palma and José Pedro Cabral dos Santos.

As already stated, members João Nuno de Oliveira Jorge Palma and José Pedro Cabral dos Santos were appointed with effect from 2 January 2012 and 29 March 2012, to complete the current term of office. following the resignations of members Pedro Manuel de Oliveira Cardoso and Jorge Humberto Correia Tomé, respectively.

Member António do Pranto Nogueira Leite submitted his resignation in a letter dated 19 December 2012, effective from the end of January 2013.

At the referred to meeting of 27 July 2011 the board of directors, 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 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 of the board of directors and the executive committee;

d) Approval of decisions which should be considered strategic owing to the amounts 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 association, including capital increases;

f) Approval of proposals for the appointment of members of corporate bodies and codes of conduct of CGD's 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 the company secretary and deputy.

The board of directors also passed a resolution, at the same meeting, 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.

The executive committee redistributed the areas of responsibility among its members as well as to cover situations of the absences of its chairman and deputy chairman, at its meetings of 11 April and 24 April respectively.

At 31 December 2012, members of the executive committee had the following areas/responsibilities:

Dr. José de Matos Chairman	Prof. Doutor Nogueira Leite Deputy Chairman	Dr. Norberto Rosa Deputy Chairman
Institutional relations (in articulation with the chairman of the board of directors)	Planning, budget and control	Accounting, consolidation and financial information
Institutional communication (in articulation with the chairman of the board of directors)	Risk management	Personnel
Press advisory	Marketing	Social services support
Customer support	Commercial communication	IT
General secretariat	Corporate and organisational development	Operational support
Internal audit	Studies office	Means of payment
Compliance	Investment banking	Electronic channels
Credit risk	Venture capital	SEPA
Financial investments		CGA support
Culturgest		Insurance and healthcare
Heritage		

Dr. Rodolfo Lavrador Member	Dr. Nuno Fernandes Thomaz Member
International business	Individual customers
Foreign trade and correspondent banks	Credit recovery
Legal affairs	Residents abroad banking
Private notarial services	Asset management
	Security

Dr. Joao Nuno Palma Member	Dr. José Cabral dos Santos Member
Chief Financial Officer	Monitoring of Companies
Financial markets	Institutional banking
Property finance	Major companies
Caixa Imobiliário	Companies (SMEs)
Property management	Specialised credit
Administrative services	
Investor Relations	

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, having held 56 meetings in 2012.

|03.5.3. 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.

|03.5.3.1. COMPOSITION OF THE 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.

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 integrity 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 the 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 functions in the sphere of internal audit and control;
- To receive communications of irregularities and/or complaints submitted by shareholders, company workers 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 audit committee sends the Ministry of Finance a quarterly report on its control, its detection of anomalies and main deviations from any forecasts under article 6, number 2 of Decree Law 287/93 of 20 August.

The activity of the audit committee is governed by the regulation on the audit committee approved by this body on 19 September and the board of directors on 16 December 2011.

The audit committee meets at least once every two months, having held 17 meetings in 2012.

|03.5.3.2. 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.

|03.5.4. 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 thrust 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 improvements thereto 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, with the management guidelines defined for the company;

The strategy, governance and assessment committee meets at least once every two months, having held 9 meetings in 2012.

03.5.5. EXTERNAL AUDITOR

CGD's annual accounts are audited by an independent body, Deloitte & Associados, SROC, S.A., with the audit committee, as set out at law, articles of association, audit committee regulation 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;

03.5.6. 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

03.5.7. DELEGATE COMMITTEES

CGD has seven delegate committees whose composition, competencies and frequency of meetings are as follows:

- Credit committee, comprising all members of the executive committee (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 52 meetings in 2012;

- Expanded credit committee comprising all members of the executive committee (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 49 meetings in 2012;

- Marketing, communication and networks committee (CDMC), with competencies in matters of communication, marketing, financial markets, corporate and individual customers networks and products and services, comprising members of the executive committee with their corresponding areas of responsibility (with a minimum of 3) and which generally meets once a fortnight. It held 24 meetings in 2012;

- Personnel, media and systems committee (CDPM), with competencies for procurement, organisation, personnel, information systems and operational support, comprising members of the executive committee with their corresponding areas of responsibility (with a minimum of 3) and which generally meets once a week. It held 24 meetings in 2012;

- The ALCO Committee with executive functions for the preparation of the proposed strategic guidelines for the Group's funding and risk policy, 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 executive committee and held 1 meeting in 2012, as its competencies were taken over and decided at weekly meetings of the executive committee.

- The real estate business board (CDNI), to which competencies for the Group's real estate business (domestic and international) have been delegated. It comprises members of the executive committee responsible for real estate business and associated areas as well as corporate monitoring and credit recovery, with a minimum of 3 and which generally meets once a fortnight. It was created under the terms of a resolution of the executive committee of 28 March 2012 and held its first meeting on 26 April 2012. It held 14 meetings in 2012;

- Corporate management board (CDGC), with competencies for considering and discussing issues related with the definition and monitoring of the performance of the Group's corporate strategy, comprising all members of the executive committee, with a minimum of 3 members and which generally meets once a month. It was created by resolutions of the executive committee of 28 March 2012 and 04 July 2012 and held its first meeting on 23 August 2012. It held 4 meetings in 2012.

03.5.8. 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 declaration on their involvement and direct or indirect interests in Caixa Geral de Depósitos or in any other company as referred to in article 22, no. 9 of the Public Manager Statute to the Inspectorate General of Finance.

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 the basis 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.

Caixa Geral de Depósitos complies with its special disclosure of information requirements, to the Directorate General of the Treasury and Finance.

|03.6. REMUNERATION OF MEMBERS OF STATUTORY BODIES

|03.6.1. REMUNERATION POLICY OF MEMBERS OF BOARDS OF DIRECTORS AND INSPECTION BODIES

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 and the Bank of Portugal's *Official Notice* 10/2011, requires the board of directors to submit an annual statement on the remuneration policy of the members of the said bodies for the approval of the shareholders' meeting.

As regards the corresponding item on the agenda of the day of the annual shareholders' meeting of 15 May 2012, the state representative proposed and cast its vote in favour of the following resolution: "the resolution on the declaration of the remuneration policy of members of statutory bodies should be passed when it is possible to fully define the remuneration status of executive members of the board of directors".

In a unanimous written resolution of 2 August 2012, considering the changes made to the Public Manager Statute under Decree Law 8/2012 of 18 January the state shareholder defined in the remuneration of the company's statutory bodies for the term of office in question, effective 1 April 2012.

|03.6.2. REMUNERATORY STATUS ESTABLISHED IN 2012

SHAREHOLDERS' MEETING

Shareholders' Meeting	Remuneration
Chairman	Attendance voucher for EUR 650.00
Deputy Chairman	Attendance voucher for EUR 525.00
Secretary	Attendance voucher for EUR 400.00

(1) This remuneration already reflects the reductions of 5% and 10% of article 12 of Law 12-A/2010 of 30 June and article 20 of Law 64-B/2011 of 30 December.

BOARD OF DIRECTORS

In the context of the application of the Economic and Financial Assistance Programme to Portugal, Decree Law 8/2012 of 18 January, subject to the Declaration of Rectification 2/2012 of 25 January, made changes to Decree Law 71/2007 of 27 March, which approved the Public Manager Statute and Council of Ministers' Resolution 16/2012, published in *Diário da República* 1st series of 14 February, which statutes defined the categories and objective criteria for defining the monthly compensation of public managers, based on the monthly compensation of the Prime Minister, as a reference limit.

CGD, for the purposes of the application of the criteria to determine the monthly compensation of public managers, under Resolution 36/2012 of 15 March, published in the *Diário da República* 1st series 61 of 26 March, was allocated the classification of "A".

As established in nos. 8 to 10 of article 28 of the Public Manager Statute, pursuant to the wording of Decree Law 8/2012, public managers may opt to receive the amount of remuneration paid in their last job on the basis of an express authorisation issued under a grounded ruling to be published in the *Diário da República*, without prejudice to, up to the completion of the respective terms of office, the application of the dispositions of no. 2 of article 7 of the referred to Decree Law 8/2012, this not being permitted to result in an increase of the remuneration effectively received at 19 January 2012, the date upon which Decree Law 08/2012 came into force.

In conformity, executive members of CGD S.A.'s board of directors were authorised to opt for the amount of remuneration payable in their last jobs, under Ruling 10296/2012, published in *Diário República*, II Series, 148 of 1 August 2012.

Under the terms of sub-paragraph f) of no. 2 of article 12 of CGD's articles of association the shareholders' meeting is responsible for passing resolutions on the remuneration of members of corporate bodies.

Therefore and as the ruling which authorised the option for the respective remuneration paid in the last job of the executive members of the CGD's board of directors was only published on 01 August 2012, the remuneration of CGD's statutory bodies was defined, as already stated, in a unanimous written corporate resolution of 02 August 2012, effective 01 April 2012.

	Remunerations (1) (2)
Board of Directors	
Chairman	
Eng. Fernando Faria de Oliveira	EUR 16 370.24 (3)
Executive Committee	
Chairman	
Dr. José de Matos	EUR 16 578.28 (4)
Deputy Chairmen	
Prof. Doutor Nogueira Leite	EUR 13 481.60 (4)
Dr. Norberto Rosa	EUR 13 481.60 (4)
Members	
Dr. Rodolfo Lavrador	EUR 13 481.60 (4)
Dr. Nuno Fernandes Thomaz	EUR 5 480.11 (5)
Dr. João Nuno Palma	EUR 13 481.60 (4)
Dr. José Cabral dos Santos	EUR 11 424.33 (4)
Audit Committee	
Chairman	
Prof. Doutor Eduardo Paz Ferreira	EUR 1 304.79
Members	
Dr. Pedro Rebelo de Sousa	EUR 1 304.79
Prof. Doutor Álvaro Nascimento	EUR 1 304.79

(1) Remuneration was payable 12 times owing to the application of article 21 of Law 64-B/2011 of 30 December (non-payment of holiday and Christmas subsidies);
(2) The remuneration of members of the above referred to board of directors already reflect the reductions of 5% and 10% of article 12 of Law 12-A/2010 of 30 June and article 20 of Law 64-B/2011 of 30 December;
(3) This remuneration has been suspended since 1 May 2012, the date upon which an option was taken for the retirement pension paid by the social security system;
(4) The option for remuneration under article 28 of the Public Manager Statute was authorised in accordance with Ruling 10296/2012 issued by the Minister of State and Finance, published on August 2012 (*Diário da República* II Series 148);
(5) Of which €3 914.36 comprised base remuneration, plus €1 565.74 in expense account items.

|03.6.3. REMUNERATION AND OTHER INCENTIVES OF MEMBERS OF STATUTORY BODIES

This information is set out in annex II of the report.

|03.6.4. INFORMATION ON WORKER REMUNERATION POLICY

Caixa Geral de Depósitos, as a credit institution, when submitting its annual accounts, pursuant to articles 1, 16 no. 3 and 17 of the Bank of Portugal's Official Notice 0/2011 of 9 January, is required to disclose aggregate information on the remuneration paid to its workers.

For the said purpose and taking the criteria set out in the referred to Official Notice into account, CGD considers that elements with managerial functions in CGD's structures are included in the concept of workers.

Therefore under article 1 no. 2 of the referred to Official Notice CGD hereby discloses information on workers with managerial functions in CGD's structures.

REMUNERATION POLICY AND PERFORMANCE APPRAISAL

The remuneration policy applicable to CGD's managerial staff is defined by the board of directors, without prejudice to compliance with the regulations set out in the company's current agreements.

The board of directors is also the competent body for defining the remuneration and allocating variable remuneration to the managerial staff in question.

The remuneration of managerial staff, as in the case of other workers, has a fixed and variable component.

To keep pace with market evolution in due acknowledgement of the performance and merit of its workers, CGD has implemented a series of incentives of which special reference should be made to variable annual remuneration.

This remuneration is paid on a discretionary basis and is closely associated with the appraisal of performance and level of fulfilment of objectives.

CGD has a performance management system which aims to encourage workers' efficient contribution to the development of its activity, ensuring that the organisation as a whole is fully aligned with strategic objectives and the company's budget plan.

The performance management system consists of an annual process on the basis of which CGD plans its activity, monitors its performance and evaluates its results.

The appraisal of performance and fulfilment of objectives are relevant factors to be taken into account when a decision is made to change workers' remuneration status, either in the form of merit-based promotions or a revision of other fixed or variable wage components.

Performance appraisal is based on three components – competence, attitudes and objectives – which are weighted and combined with each other on the basis of the function's profile.

The objectives component is defined on a divisional, individual unit and worker basis. The objectives are closely connected: with a unit's directives being based on divisional objectives and individual objectives being based on a unit's directives. Divisional objectives are split up into corporate, transversal and specific objectives and individual objectives into business/activity and improvement objectives.

Performance appraisal as described above adequately promotes the alignment of workers' interests with those of CGD and discourages excessive risk-taking.

No variable annual remuneration was paid to any CGD workers in 2012 as a consequence of the restrictions imposed under the State Budget Law. Although productivity incentives for elements with managerial functions in commercial areas were attributed, they were relatively insignificant in quantitative terms, as set out in the table on quantitative information.

TABLE ON WORKER REMUNERATION POLICY

CGD as a state-owned company operating in the state's corporate sector with the status of a public limited liability company whose equity capital is fully owned by the state, is covered by the limitations deriving from the State Budget Law for 2012 (Law 64-B/2011 of 30 December).

In 2012, under the terms of article 24 nos. 1 and 2, sub-paragraph b) of Law 55-A/2010 of 31 December (State Budget Law for 2011), remaining in force on account of article 20 no. 1 of the State Budget Law for 2012, any acts comprising increases in the amount of remuneration payable to workers, e.g. performance bonuses or other similar pecuniary payments are forbidden.

CGD therefore did not pay its workers, including managerial staff, any variable remuneration, in 2012 except for productivity incentives.

It should be noted that were no wage increases in 2012.

QUANTITATIVE INFORMATION

As stated, for the purposes of disclosing information on workers, CGD considers the definition of workers to include all elements with managerial functions in CGD structures.

To comply with the disclosure criteria of article 17 of the Bank of Portugal's above referred to Official Notice, a table containing quantitative information on the remuneration paid by CGD, split up between managerial staff in CGD structures (except for control functions) and managerial staff in CGD structures with control functions (DAI, DCO, DGR and GFC), is therefore presented.

Based on the specificities of CGD's legal status, as defined in item III, it is prejudiced for disclosure purposes, notably sub-paragraph b) of no. 1 and sub-paragraphs c), e), g) and g) of no. 2 of article 16 and sub-paragraphs b) to d) of no. 1 of article 17 of the Bank of Portugal's Official Notice 10/2011.

Workers covered by article no. 1 of the Bank of Portugal's Official Notice 10/2011

(euros)

	Managerial staff CGD structures (excluding control functions)	Managerial staff CGD structures (including control functions)
1. Remuneration		
1.1. Base remuneration	18 128 842.80	1 290 531.01
1.2. Variable remuneration	20 477.23 (1)	–
1.3. Number of beneficiaries	262	21
2. Additional information		
2.1. New recruitments in 2012	1	2 (2)
2.2. Amounts paid on early rescissions of work contracts	–	–
2.2.1. Number of beneficiaries of payment	–	–
2.2.2. Largest amount paid to a worker	–	–

(1) Productivity incentives for elements with managerial functions in commercial areas.
(2) Employees belonging to Group Companies already on loan to CGD.

|03.6.5. REMUNERATION OF STATUTORY AND EXTERNAL AUDITORS

REMUNERATION OF STATUTORY AUDITOR IN 2012

Oliveira Rego & Associados, SROC, represented by partner Manuel de Oliveira Rego	(Amounts in euros) (a)
Statutory audit services	215 289.24
Other services	65 000.04

(a) Amounts exclusive of VAT and relating to CGD Group.

REMUNERATION OF EXTERNAL AUDITOR IN 2012

Deloitte & Associados, SROC, S.A.	(Amounts in euros) (a)
External and statutory audits	2 444 877
Other certification services	582 966
Fiscal consultancy	391 900
Other services	166 000

(a) Amounts exclusive of VAT and relating to CGD Group.

|03.7. CONTROL SYSTEM

|03.7.1. 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 CGD's other workers, for the purpose of ensuring:

a) The efficient and profitable performance of activity, over the medium and long term (performance objectives);

b) The existence of full, pertinent, reliable, prompt financial information (information objectives);

c) Compliance with applicable legal and regulatory dispositions (compliance objectives).

CGD Group's management of its internal control system is based on good practice guidelines and methodologies, particularly the 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 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's exposure.

Under this framework and 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 certain structural bodies working together with other Group structures and entities:

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.

CORPORATE MANAGEMENT BOARD (CDGC)

This board is responsible for considering, approving and monitoring the performance of Group entities' activity plans and separate budgets and corrective measures to comply with business plans and mitigate associated risks.

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 continuous evolution of the internal control management process as well as monitoring and assessing its compliance with the defined strategy, policies and methodologies, reporting its respective conclusions to CGRC;
- To assist the executive committee in its preparation of the regulatory separate and group internal control report, periodically review any shortcomings, undertake a critical analysis and develop action plans. These activities are strictly articulated with the Compliance 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, ensuring the adequate management thereof as well as being responsible for promoting and supporting development and the continuous evolution of the said risk's management process in subsidiaries and 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 in branches and subsidiaries up-to-date, 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 of information on the risks and opportunities existing in business transactions, within CGD Group;
- 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 containing a summary of the main shortcomings identified and an indication of the recommendations followed for the executive committee,.

COMPLIANCE OFFICE

The Compliance Office ensures the management co-ordination of CGD's and its respective branches' and subsidiaries' compliance risk, in addition to economic interest groupings and pension management funds.

The office is responsible for coordinating and safeguarding the good performance of anti-money laundering and preventing the financing of terrorism activities and market abuse. It is also responsible for the periodic production of internal control reports on compliance risk for the executive committee, identifying any non-compliances and respective corrective measures.

INTERNAL AUDIT DIVISION

Internal audit is a permanent, independent, objective activity designed to assist the executive committee in monitoring internal control systems, in the form of a systematic, disciplined assessment both within CGD and the Group (except for the insurance area) from a perspective of supervision on a consolidated basis, to promptly identify higher risk areas and assess the effectiveness of management, in addition to the adequacy of the most relevant control procedures, helping the Group to manage its risks and promote effective governance practice in the implementation of its internal control system.

It is also responsible for producing and providing the board of directors and inspection body with an annual report on audit issues, containing a summary of the main flaws identified in its control actions which may indicate deteriorating trends within the internal control system as well as indicating and identifying the recommendations followed.

ACCOUNTING, CONSOLIDATION AND FINANCIAL INFORMATION (DCI)

This body reports directly to the executive committee, with 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 comply with its functions, DCI works with other CGD structural bodies, Group companies and external bodies which are parties to its sphere of attributions.

The circuits and controls pertaining to the process for the preparation and disclosure of separate and consolidated financial information are permanently monitored and validated by the statutory audit company 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.

SECURITY, RISK AND CONTINUITY DIVISION SOGRUPO – SISTEMAS DE INFORMAÇÃO, ACE (SSI)

This body has specific responsibilities in terms of processes within the information systems sphere, which include the assessment of processes under the CobiT framework and identification and reporting of non-conformities and improvement opportunities.

|03.7.2. CONTROL SYSTEM FOR THE PROTECTION OF THE COMPANY'S INVESTMENTS AND ITS ASSETS

To comply with the dispositions of the Bank of Portugal (BdP) in its *Official Notice* 5/2008 (changed by Official Notice 9/2012) 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)", 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 within CGD. The guidelines and regulations are also support tools for the management and control of the financial risks assumed by CGD as they indicate the maximum levels of certain types of financial risks that asset portfolios may incur, with a sufficient degree of precision. 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 management and control purposes. The main risk measure used to manage market risk is Value at Risk (VaR) which is complemented by other sensitivity measures such as: (i) V01 for interest rate risk; and (ii) operational risks which are more adjusted to the specific type of market risk to be measured.

Guidelines defining the roles and responsibilities of the diverse parties, indicators to be monitored, limits on such indicators and 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 regulations on credit risk management and control which, based on risk ratings, define limits on exposures, for use in the decision-making process regarding the credit.

In the credit risk admission process, always accompanied by a commercial proposal, a risk opinion for companies/economic groups whose exposure to CGD is higher than a specific amount must be obtained from the Risk Management Decision (DGR).

Credit portfolios are regularly monitored with the production of reports making reference to performance, notably in terms of default.

A process for assessing impairment provisions related with defaults and the valuation of credit assets has also been implemented in CGD Group and must be validated by the external auditors. A report is produced on the validation and sent to BdP.

Under the Memorandum of Understanding, CGD produces a quarterly capital funding plan comprising a base and an adverse scenario which, in addition to ensuring compliance with regulatory requirements, improves the perception of the risks to which CGD is exposed and helps to ensure better asset protection.

In second half 2012, CGD Group was a member of the collection of eight Portuguese financial groups subject to a specific inspection on the quality of their respective assets, directly or indirectly related with construction and real estate development activities *(On-Site Inspection Programme regarding Commercial and Real Estate)*.

This inspection was performed by independent auditors selected by the Bank of Portugal, on:

- The quality of the bank's assets;
- The internal recognition procedures on restructured operations, with emphasis on the implementation of Bank of Portugal *Instruction* 18/2012;
- The internal policies and procedures related to assets received in kind.

As publicly disclosed by CGD and available at https://www.cgd.pt/Investor-Relations/Divulgacao-Informacao/Informacao-Privilegiada/Documents/IP_03-12-2012.pdf, "The assessment concluded that there was a need to increase impairment by €138 million for around 1.6% of the exposures assessed. €69 million of the €138 million resulted from the analysis of information and events such as new insolvencies//bankruptcies and collateral reassessments occurring after the reference date,…"

"Increases in impairment made by CGD Group in the meantime, with reference to 30 September 2012, have already covered a large proportion of the identified needs, the amount of which was reduced from €138 million to €44 million and which will be registered up to 31 December 2012 …"

"Taking into account the amount of the increase in impairment already planned by CGD Group for fourth quarter 2012, the impact of the OIP's results on the Core Tier 1 ratio forecast for 31 December 2012 should be immaterial and not compromise compliance with the 10% regulatory minimum."

SECURITIES HELD FOR TRADING AND INVESTMENT

Securities trading and investment portfolio activity was included in specific guidelines, approved by the executive committee, which establish levels of risk which may be incorporated in the portfolios, the type of securities, liquidity criteria and the implementation of control mechanisms. The guidelines were revised in 2012 and approved by the executive committee on 14 March, both as regards the component relating to the trading and the investment portfolios.

In terms of asset risk and valuation there is total separation as regards the structural body responsible for managing the 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 committee and the directors responsible for managing these portfolios.

FINANCIAL INVESTMENTS

Caixa has an information management system enabling the management of all CGD's financial investments, each company's respective equity structure and members of statutory bodies, in addition to controlling the dividends to be received from its investments.

The annual reports of associated companies are analysed and submitted to the board of directors/executive committee, as well as the positions to be taken at the shareholders' meeting regarding the approval of accounts, appropriation of net income and other items on the respective agenda. CGD's various business areas 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, threshold impairment value and 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 Corporate Governance Support 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 IAS monitoring steering committee, CGD, depending, on the account in which they are recognised and the amount invested, 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.

REAL ESTATE ASSETS

Caixa Geral de Depósitos initiated a process for the optimisation of CGD Group's real estate business management model on a corporate basis, in 2012.

This process, anchored by CGD's 2011-2013 strategic plan, promotes the reinforcement of an integrated view of all business variables, the presence of specialised competencies in the respective value chain, increasing sophistication, speed and efficiency in the performance of key processes which can minimise real estate risk, global financial and operational impacts and their inevitable consequences in terms of reinforcing the investment and assets protection control system and in terms of the already referred to real estate assets, in the real estate business domain and particularly as regards the management of real estate assets,

On the basis of this optimisation process, the management of real estate assets is now the responsibility of a CGD Division comprising real estate business competencies, previously allocated to other CGD Group structures.

On a level of the organisational model reference should also be made to the development of the initiative of the creation of the Real Estate Delegate Board (CDNI) as CGD's real estate business decision-making body responsible for assessments, discussions, monitoring and decisions on CGD Group's (domestic and international) real estate business bringing it more into line with Group strategy. This body also has a consultancy component for credit involving significant real estate risk and issues advance opinions on its analysis and decisions to CGD's credit boards.

Real estate business can be split up into two different classes i) tangible fixed assets or properties for own use comprising several of the central buildings and a significant number of domestic and international branches which are used for the bank's current activity and ii) non-current assets held for sale and/or rent, received from credit recovery procedures and//or properties previously used for operating purposes.

Over the course of 2012, a policy of reinforcing control measures and increasing the valuation of real estate assets held by CGD or when received as collateral on financing operations was maintained, with the aim of protecting their value in an adverse environment.

This control and valuation policy has been complemented by audits performed under the scope of the Special on-site Inspections Programme (OIP), for the construction and commercial real estate property development sectors by means of which the value of a broad range of real estate assets whose last valuation was prior to January 2012 was updated. This action encompassed a large number of real estate assets given as collateral on loans for a relevant amount in CGD's credit portfolio.

This process of revaluing collateral on real estate assets also comprised an appreciation in value under the Special on-site Inspections Programme (OIP) in 2011, which also included a collection of real estate assets, previously selected by PricewaterhouseCoopers (PwC) and the Bank of Portugal and last valued prior to January 2010. This real estate also accounted for a relevant part of CGD's credit portfolio in the corporate segment.

Caixa has implemented proper procedures for the automatic, systemised control of the periodic revision of the value of its real estate assets used as loan collateral, complying with the requirements set out in various regulatory dispositions issued by the Bank of Portugal.

As real estate management framework principles, functions remain separate and the sustainability and optimisation of asset value, reliability of accounting and IT records and use of independently assessed market value have been maintained.

|03.7.3. CONTROL SYSTEM FOR CGD'S CUSTODIAN SERVICES

The procedures take into consideration the dispositions of the Securities Market Code (CVM), with the aim of ensuring the following objectives (articles 306 to 306 D of the CVM):

- In all acts performed, as well as in accounting records and operations, there must be a clear distinction between CGD's and its customers' property;
- The start of insolvency procedures, a corporate recovery or restructuring of an institution does not have any effect on the acts performed on behalf of their customers;
- An institution may not use the financial instruments of its customers or exercise any rights thereto, in its own or third parties' interests, unless agreed with their owners;
- An institution may not use money received from customers on its own or a third party's behalf.

In compliance with 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 for the protection of its customers' assets.

The most recent opinion of the external auditors available on this date, for 2011, makes it possible to conclude that the procedures and measures adopted by CGD are adequate to enable full compliance with the dispositions of articles 306 to 306 D, of the CVM in all materially relevant aspects, except for several procedures associated with reconciliations of accounts with depository centres/management bodies which have, in the meantime, been corrected and optimised and the maintenance of the evidence of physical counts of several securities which will be recounted.

|03.8. DISCLOSURE OF RELEVANT INFORMATION

|03.8.1. MARKET RELATIONS REPRESENTATIVE

CGD, as an issuer of financial instruments, has appointed a market relations representative to provide prompt information. The representative may be contacted as follows:

CONTACTS OF MARKET RELATIONS REPRESENTATIVE

Market Relations Representative: António José Alves Valente

Telephone: 217905908
Fax: 217953986
E-mail: antónio.valente@cgd.pt

|03.8.2. DISCLOSURE OF PRIVILEGED INFORMATION

CGD as an issuer of financial instruments and as defined under the respective legislation, has appointed a market relations representative to provide 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 at: www.cgd.pt also provides a collection of business-related institutional information.

In fully complying with its duty to immediately and publicly disclose relevant information, CGD announced the following privileged information in 2012:

Date	Subject
06-12-2012	Caixa Geral de Depósitos, S.A. discloses information on changes to its rating from DBRS
05-12-2012	Caixa Geral de Depósitos, S.A. discloses information on changes to its rating from Moodys
03-12-2012	Caixa Geral de Depósitos, S.A. provides information on the results of the on-site inspections programme on CGD Group's exposure to the construction and real estate development sectors
28-11-2012	Caixa Geral de Depósitos, S.A. provides information on its issue of EUR 500 million in unguaranteed senior debt
19-11-2012	Caixa Geral de Depósitos, S.A. informs about the sale of HPP - Hospitais Privados de Portugal, SGPS, S.A.
06-11-2012	Caixa Geral de Depósitos, S.A. informs about 3rd quarter 2012 Results - in English
06-11-2012	Caixa Geral de Depósitos, S.A. informs about 3rd quarter 2012 Results
03-10-2012	Caixa Geral de Depósitos, S.A. informs about final assessment of the capital exercise and fulfilment of the EBA December recommendation
03-08-2012	Caixa Geral de Depósitos, S.A. informs about 1st half 2012 Results - in English
03-08-2012	Caixa Geral de Depósitos, S.A. informs about 1st half 2012 Results
27-07-2012	Caixa Geral de Depósitos, S.A. informs about Public Sector Covered Bond Programme - in English
27-07-2012	Caixa Geral de Depósitos, S.A. informs about Public Sector Covered Bond Programme
17-07-2012	Caixa Geral de Depósitos, S.A. discloses information on changes to its rating from FitchRatings
11-07-2012	Caixa Geral de Depósitos, S.A. discloses information on changes to its rating from Standard e Poors
29-06-2012	Caixa Geral de Depósitos, S.A. informs about Recapitalisation Plan - in English
29-06-2012	Caixa Geral de Depósitos, S.A. informs about Recapitalisation Plan
18-06-2012	Caixa Geral de Depósitos, S.A. discloses information on changes to its rating from FitchRatings
13-06-2012	Caixa Geral de Depósitos, S.A. provides information on the disposal of equity investment in ZON Multimédia
04-06-2012	Caixa Geral de Depósitos, S.A. informs about capital plan - in English
04-06-2012	Caixa Geral de Depósitos, S.A. informs about capital plan
10-05-2012	Caixa Geral de Depósitos, S.A. informs about 1st quarter 2012 Results - in English
10-05-2012	Caixa Geral de Depósitos, S.A. informs about 1st quarter 2012 Results
05-04-2012	Caixa Geral de Depósitos, S.A. informs on change of the Board of Directors' composition
30-03-2012	Caixa Geral de Depósitos, S.A. provides information on the sale of its equity investment in the Cimpor take-over bid
29-03-2012	Caixa Geral de Depósitos, S.A., Amorim Energia, B.V. and ENI S.p.A. provide information on the agreement relative to the terms and conditions under which ENI is entitled to dispose of its investment in GALP Energia, SGPS, S.A.
29-03-2012	Caixa Geral de Depósitos, S.A. discloses information on changes to its rating from Moodys
19-03-2012	Caixa Geral de Depósitos, S.A. informs about public offer to acquire securities and tender offer for its covered bonds and for its public sector covered bonds
19-03-2012	Caixa Geral de Depósitos, S.A. informs about public offer to acquire securities and tender offer for its covered bonds and for its public sector covered bonds
05-03-2012	Caixa Geral de Depósitos, S.A. informs about a public offer to acquire securities
05-03-2012	Caixa Geral de Depósitos, S.A. informs about a public offer to acquire securities
01-03-2012	Caixa Geral De Depósitos, S.A. informs about Competent Member State for the purposes of Article 244-A of the Securities Code
01-03-2012	Caixa Geral De Depósitos, S.A. informs about the results of the Special Inspection Programme
01-03-2012	Caixa Geral De Depósitos, S.A. informs about Competent Member State for the purposes of Article 244-A of the Securities Code
15-02-2012	Caixa Geral de Depósitos, S.A. discloses information on changes to its rating from Standard and Poors
10-02-2012	Caixa Geral de Depósitos, S.A. informs about 2011 Consolidated Results - in English
10-02-2012	Caixa Geral de Depósitos, S.A. informs about 2011 Consolidated Results
07-02-2012	Caixa Geral de Depósitos, S.A. informs about the agreement for the aquisition of a stake of 70% of Banif Corretora de Valores e Câmbio, S.A..
01-02-2012	Caixa Geral de Depósitos, S.A. discloses information on changes to its rating from DBRS

|03.8.3.
DISCLOSURE OF OTHER MARKET INFORMATION

CGD, during the course of 2012, provided the market with a constant stream of information in line with the recommendations of the Securities Market Commission and best international practice in a context of transparency and rigour for its investors, analysts and customers.

Under the scope of compliance with the public duty to disclose information, Caixa Geral de Depósitos has published all relevant, mandatory information via the CMVM's information system while also publishing such information on its website for all interested parties.

In particular, CGD has published its annual and half yearly reports and quarterly information on the bank's results and activity, the state's approval of its recapitalisation plan, as well as operations for the acquisition or disposal of investments and changes in the composition of its corporate bodies. It also published the conclusions of the Bank of Portugal's special inspections programme and the results of compliance with the recommendations of the European Banking Authority under the scope of the European Recapitalisation Exercise.

As an issuer, CGD disclosed information on the changes to its own debt issue programmes and respective admission to trading prospectuses and placements and redemptions of bonds and interest payments.

Reference should be made to the March announcement of the launch of a public subscription for covered bonds and a public offering got covered bonds on the public sector in the international markets. These operations resulted in repurchases of €627 million in covered bonds and €305 million in bonds on the public sector.

In July 2012, the CMVM approved the 9th addendum to the base prospectus for the covered bonds issue for the amount of €15 billion. The CMVM approved the 10th addendum in November. These addenda, in addition to the consolidated versions of the prospectus were published on CMVM's website (30/07/2012 and 23/11/2012).

CGD also launched a covered bonds issue, denominated Series 14, for the amount of €1.5 billion, in July. Information on the final conditions attached to this issue was sent to Euronext Lisboa.

In October, CGD provided information on the partial advance reimbursement of €100 million of its issue of bonds on the public sector, having requested the cancellation of this amount with the clearing centre.

In November, CGD placed a non-guaranteed senior debt issue in the market under its Euro Medium Term Notes (EMTN) issue programme for the amount of €500 million. The final conditions attached to the issue were sent to Euronext Lisboa. This information is also available on the CMVM's website (28/11/12).

|03.8.4.
DISCLOSURE OF INFORMATION ON COMPANIES ON THE STATE'S CORPORATE SECTOR WEBSITE

The Directorate General of the Treasury and Finance's website at www.dgtf.pt has an area on the state's corporate sector, containing, inter alia, information on the objectives and policies relative to companies in the sector and their associated companies, current and historical corporate financial information and résumés of all members of their statutory bodies.

CGD discloses and regularly updates its information on the issues listed in the following table on the state's corporate site:

	Disclosure			Remarks
	Yes	No	Not Applicable	
Characterisation of company	X			
Identification, mission, objectives, policies of the company, public service duties, contractual terms for the provision of services and the financing model underpinning the provision of a public service	X			
Public funding commitment	X			
Statutes	X			
Company factsheet	X			
Corporate object, economic performance, financial investments	X			
Tutelage and equity function	X			
Historical and current financial information	X			
Governance model/identification of statutory bodies:	X			
Governance Model (identification of statutory bodies)	X			
Definition of remuneration status	X			
Amount of remuneration and other benefits	X			
Management guidelines	X			
Good governance principles (GGP)	X			
Internal and external regulations	X			
Relevant transactions with related entities	X			
Other transactions	X			
Analysis of economic, social and environmental sustainability	X			
Assessment of compliance with GGP	X			
Code of ethics	X			

This information is available at http://www.dgtf.pt

|03.8.5. DISCLOSURE OF INFORMATION ON CGD'S WEBSITE

The informational architecture of CGD's website at 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 corporate sector as approved by Council of Ministers' Resolution 49/2007 of 28 March. This area of the site guarantees the disclosure of all mandatory and legal information on diverse corporate governance issues, including information on the issues listed in the following table:

	Disclosure			Remarks
	Yes	No	Not Applicable	
Existence of site	X			
History, vision, mission and strategy	X			
Organogram	X			
Statutory bodies and governance model:	X			
Identification statutory bodies	X			
Identification of areas of responsibility of board of directors	X			
Identification of committees existing in the company	X			
Identification of risk control systems	X			
Remuneration of statutory bodies	X			
Internal and external regulations	X			
Transactions outside market conditions	X			
Relevant transactions with related bodies	X			
Analysis of economic, social and environmental sustainability	X			
Code of ethics	X			
Annual report	X			
Customer ombudsman			X	Answer to suggestions/ /complaints in the service *Espaço Cliente*

This information is available at: https://www.cgd.pt/Investor-Relations/Governo-Sociedade/Pages/Governo-Sociedade.aspx

|03.8.6. PRODUCTION OF A REPORT ON CORPORATE GOVERNANCE

This corporate governance report has its own chapter in CGD's annual report for 2012. It aims to comply with the recommendation to include 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.

|03.9. ANALYSIS OF THE COMPANY'S SUSTAINABILITY IN THE ECONOMIC, SOCIAL AND ENVIRONMENTAL DOMAINS

The information set out in this analysis focuses on the sustainability guidelines on various relevant issues. In several cases, information is given on initiatives which illustrate their application by CGD. For a more exhaustive understanding of the implementation of CGD's corporate sustainability programme and its contributions to sustainable development, the latest sustainability report, available on CGD's website which provides more detailed information on CGD's performance in various domains, may be consulted.

|03.9.1. STRATEGIES ADOPTED

CGD's operating pillars in the sustainability domain are based on its recognition of the importance of balance, transparency and responsibility in its relationships with stakeholders, in addition to banking activity's contribution to sustainable development in order to promote a better future.

A sustainability management model, transversal to the organisation and to which several CGD Group companies are a party has, accordingly, been defined. This model comprises:

- A General Sustainability Committee as the structure responsible for considering, discussing and monitoring the implementation of CGD's sustainability strategy, recommending relevant issues for the approval of the executive committee;
- A Sustainability Steering Committee, set up in 2012, as an interim forum for monitoring the implementation of the sustainability programme and preparation of meetings with the General Sustainability Committee;
- A Sustainability Committee Coordinating Team, responsible for coordinating and monitoring the sustainability programme and promoting the activities of taskforces;
- Taskforces comprising the directors of various structural bodies dealing with specific issues such as: policies and voluntary codes/risk/products/ /environment/involvement with the community/ /reporting and stakeholders/human resources/ /CGD Group_Africa/Brazil.

To ensure continued dialogue, the alignment of its stakeholders and prompt management of the appearance of risks and opportunities during the course of interaction with them, CGD considers the management of the relationship with various stakeholder groups to be fundamental and has defined a stakeholder involvement strategy to reinforce transparency and trust in the relationships established.

Accordingly, CGD periodically consults its strategic stakeholders on sustainability issues: state shareholder/state, regulatory bodies, workers, community, suppliers and individual and corporate customers. This process aims to assess their perception of CGD and identify the main expectations and opportunities to improve sustainability matters, while also being used as a basis for the definition of relevant issues to be dealt with in the annual sustainability report.

The results obtained, in 2012, show that more than 80% of interviewees considered the level of involvement with the bank to be good or very good. More than 70% considered that CGD is responsible for contributing to the sustainable development of the domestic banking sector.

The information compiled, in addition to being processed and incorporated into management, is also included in the functional structures working on the implementation of the corporate sustainability programme, to constantly improve CGD's performance in terms of sustainable development.

CGD, as part of its regular sustainability communication process, publishes two annual reports In the form of Its Sustainability Report and Carbon Neutral Report, in accordance with *Global Reporting Initiative* (GRI) directives and was allocated a maximum A+ rating by an independent external audit entity which acknowledged CGD's merit and evolution in its implementation of good practice based on three pillars: economic, environmental and social. CGD has also applied for several sustainability ratings – in addition to the *Carbon Disclosure Project* (CDP), with special reference also being made to its "Prime" classification in Oekom's 2012 assessment.

In the responsible performance of its activity, CGD subscribes, *inter alia*, for the following codes and principles of relevance to its economic, environmental and social performance:

- Good Government Principles for Companies in the State's Corporate Sector (Council of Ministers' Resolution 49/2007);
- European Voluntary Code of Conduct on Home Loans, subscribed for since 2000;
- Code of Conduct of the Civil Institute for Advertising Self-Discipline, since 2000;
- *Enterprise for Health* — European Healthy Enterprises Network of which CGD was a founding member, since 2000;
- Charter for Responsible Business – *World Savings Banks Institute/European Savings Banks Group* (WSBI/ESBG), since 2011;
- APAN (Portuguese Advertisers' Association) Commitments Charter in the sphere of responsible communication, since 2012.

CGD is also a member of UNICRI (*United Nations Interregional Crime and Justice Research Institute*), *Advisory Committee* through its Office for Prevention, Security and Business Continuity (GPS) and is a member of the technical coordination team of UNICRI Portugal, which subscribes for the principles of the United Nations Global Compact.

CGD has a presence in the main sustainability associations and initiatives including: *UNEP-FI, Carbon Disclosure Project*, BCSD Portugal – Business Council for Sustainable Development. In 2012, it accepted an invitation to join the Social and Corporate Responsibility Committee of the European Savings Bank Group (ESBG), which also includes the European Commission.

CGD's membership of this committee, which is an important European forum, enables it to leverage synergies and develop partnerships which may comprise opportunities for the evolution of Portuguese society and its economy, owing to the growing worth afforded to innovation and social entrepreneurship as drivers of economic progress, social and financial inclusion and opportunities to secure business.

CGD has been invited to share its performance in terms of sustainability in diverse external forums, particularly, *inter alia*, in the *Instituto Superior Técnico*, Portuguese Business Association and ISCTE.

|03.9.2.
POLICIES DESIGNED TO GUARANTEE ECONOMIC, FINANCIAL, SOCIAL AND ENVIRONMENTAL EFFICIENCY AND SAFEGUARD STANDARDS OF QUALITY

As performance guidelines, CGD has defined a set of policies upon which its corporate sustainability programme, is based. They include:

- Sustainability Programme based on five strategic areas, geared to creating shareholder value: Responsible Banking/Future Promotion/ /Protection of the Environment/Involvement with the Community/Human Assets Management;
- Environmental Policy;
- Involvement with the Community Policy;
- Product and Service Policy, approved in 2012 and based on CGD Group's marketing and commercial policy which defines guidelines to adjust offer to different customer profiles, promoting economic activity, creating wealth and combating social and economic exclusion.

Information on these policies in Portuguese and English can be viewed online in the sustainability area of CGD's website.

In line with its global strategy, CGD has furthered the objective of improving its quality of customer service, having launched several initiatives disseminating a "Quality Culture" and promoting the efficiency and effectiveness of its procedures, notably through its implementation of a quality management system.

The implementation of a quality management system is a prime means of incorporating organisational improvements and encouraging employees' cooperation in matters of process optimisation, with a direct impact on improving the quality of customer service.

NP EN ISO 9001:2008 certification was renewed for the following processes, in 2012:

- Design, planning and performance of financial market operations;
- Processing of financial market operations;
- Prevention and security.

Based on market trends and the advantages of investment in quality management systems, fresh work began on new projects in the sphere of incoming calls to the contact centre, issues of cards, operational support, loans and advances to companies and foreign trade.

In parallel with the definition of levels of service for processes and their respective monitoring, one of Caixa's major concerns, owing to the fact that it enables an assessment of its performance to be made, is to anticipate inefficiency, reduce costs and make additional improvements.

Investment on quality-related issues in the internal and external training of workers has been a constant factor and, considering CGD's dimension, an e-learning course was developed and is expected to be extended to other Group entities, in 2013.

Reference should also be made, in 2012, to the monitoring of the implementation of the quality strategy defined for CGD by the General Quality of Processes Committee which meets periodically, the creation of an intranet area on quality and the sharing of Caixa's experience in external events, notably on ISEG's post-graduate course on "Innovation and Quality" and the 37th Quality Colloquium.

|03.9.3.
LEVEL OF COMPLIANCE WITH DEFINED OBJECTIVES

In furthering sustainability values and principles and good governance principles CGD has publicly accepted various commitments in its sustainability reports, as set out in the definition of its management and intervention strategy.

CGD, as part of its corporate sustainability programme, has committed to diverse key areas in terms of its organisational function:

- Ethics and conduct;
- Incorporation of sustainability principles and practice in the bank's governance model;
- Stakeholder involvement on a community level, promoting social inclusion;
- Management of human capital;
- Environmentally and socially responsible products and services;
- Quality of processes and certification;
- Environmental management and combating climate change, including the definition of quantified objectives for the reduction of its carbon emissions and energy consumption;
- Promotion of financial literacy;
- Sustainability-related communication and awareness.

To guarantee its commitments, CGD defines, implements and monitors a series of initiatives performed by structural bodies working on the corporate sustainability programme. Annual information is provided on commitments and their respective operating status, which are monitored and audited by an independent external entity under the scope of the verification process of the Sustainability and Carbon Neutral Reports.

|03.9.4.
IDENTIFICATION OF THE MAIN RISKS TO ACTIVITY AND THE COMPANY'S FUTURE

In addition to the strategic guidelines defined for the state's corporate sector as a whole, CGD is subject to specific guidelines, particularly the strengthening of its risk management and control capacities and mechanisms.

The main risks identified by CGD are:

- The deterioration of macroeconomic conditions in Portugal and their respective impact on banking activity, particularly in terms of income and default levels;
- Maintenance of the Euribor interest rate curve at historically low thresholds, with a significant impact on returns from assets with indexed rates;

- Potential financial risks to customers deriving from socio-environmental factors;

- Customers' potentially lower satisfaction levels over quality of service.

CGD, as referred to in item 3.7. of this report, endeavours to guarantee an adequate internal control environment based on a risk management system, implementation of ROCI (Operational Risk and Internal Control Programme), an efficient information and communication system and effective monitoring process, in accordance with the eligibility requirements established by the Bank of Portugal and based on best practice.

Quarterly stress tests are carried out on financial risks to ensure the protection of CGD's assets and activity, in compliance with Bank of Portugal regulations.

In addition and as part of the financial assistance to Portugal, signed in April 2011 by the Portuguese government, liquidity and capital indicators to be achieved by the main Portuguese banking institutions comprising their implementation of capital funding plans by 2015, monitored on a quarterly basis by the Bank of Portugal, IMF, ECB and European Commission were defined. Under the scope of the memorandum of financial assistance, Portuguese banks, including CGD, have also been submitted to regular, independent, external audits to validate the information on asset quality and respective solvency.

Risk management is centralised and includes the control and assessment of CGD's credit, market, liquidity and operational risk, in accordance with the principle of separation between functions. Internally defined strategic guidelines have been issued on each type of risk, in accordance with the applicable legislation and regulations in force.

CGD has developed various projects in the risk management area upon which more detailed information is available in its annual report. It has adopted a preventative approach to the risk of customers' defaults on loans, comprising the detection and monitoring of situations of customers with signs of added risk having developed credit renegotiation solutions to reduce households' monthly costs in line with their current income levels.

CGD has identified risks and opportunities, in the sphere of its strategy to combat climate change, including those resulting from growing legislation trends. The new regulatory environment will have an impact on CGD on an operational level, as well as on the activities of its corporate customers.

Sustainability represents a new management approach, in which the risks to which CGD is exposed can be gradually transformed into opportunities afforded to the banking business by sustainability issues, with the introduction of new business lines in accordance with market requirements, notably the progressive incorporation of environmental and social criteria when assessing credit risk, the disclosure of information on environmental and social risks to the various stakeholders, promotion of education for savings and conscious, informed consumption with the aim of contributing to the prevention of customers' over indebtedness and consequent risk of default.

|03.9.5.
FORM OF COMPLIANCE WITH THE PRINCIPLES INVOLVED IN ADEQUATE BUSINESS MANAGEMENT

|03.9.5.1.
SOCIAL RESPONSIBILITY

GUARANTEE OF PROMOTION OF EQUAL OPPORTUNITY, RESPECT FOR HUMAN RIGHTS AND NON-DISCRIMINATION

Under 3.2.4.1 of this report, CGD as a socially responsible institution, guarantees equal opportunity and non-discrimination for all employees, freedom of association, in addition to the prohibition of child and forced labour in its promotion of human rights.

The way in which human rights issues are managed by CGD is reflected in its management approach to human capital, policies and its code of conduct.

As the code of conduct is not only applicable to CGD workers, but also service providers, including sub-contracts, CGD progressively promotes sustainability in its value chain, forbidding discrimination based on criteria such as race, gender, incapacity, disability, sexual preference, political or ideological convictions, religion, education, civil status *et al.*

One of the guidelines of CGD's sustainability programme is non-discrimination and equal opportunity both in terms of recruitment as in opportunities for professional and career development and remuneration.

CGD, in its annual sustainability report, publishes quantitative data showing the application of these principles. The information is audited by an independent, external entity.

ADEQUATE MANAGEMENT OF THE COMPANY'S HUMAN CAPITAL, PROMOTING THE INDIVIDUAL ADVANCEMENT OF HUMAN RESOURCES AND ESTABLISHING SYSTEMS TO GUARANTEE WELL-BEING AND REWARD EMPLOYEES' MERIT

CGD's human resources management mission consists of forming a strong, motivated team, ensuring not only principles of non-discrimination and equality of treatment and opportunities, but also the balance between its employee's professional and personal lives and their professional development and well-being in terms of health and job security.

The management of human capital can only be adequately performed, when direct support to the business and expansion of the branch office network, development of employees' competencies and potential, recognition of merit and promotion of general well-being are considered.

To ensure effective management, CGD has various tools and has developed various internal initiatives, particularly as described in item 3.2.4.3. of this report.

As regards health and safety in the workplace, CGD's occupational health policy requires an integrated prevention programme designed to maintain employees' physical, mental and social well-being. Medicine in the workplace provides various activities in addition to examinations required by law, notably specialised medical consultations, prevention and vaccination campaigns and screening.

CGD is defining a health and safety in the workplace policy in the sphere of its continuous promotion of mechanisms to control and reduce workplace risk, for the implementation of OHS.A.S 18001, reinforcing training in prevention and safety.

ADOPTION OF ENVIRONMENTALLY CORRECT PRACTICE

An active response to society's environmental problems is one of CGD's performance guidelines in terms of its environmental responsibility. CGD recognises the need to develop environmental management initiatives, based on best international practice, while also frequently adopting the same environmental benchmarks as the best banks in the sphere of the environmental activities of the corporate sustainability programme's taskforce.

CGD has implemented measures to reduce its environmental impact, as part of its strategy to combat climate change and as part of its environmental policy.

CGD has been producing an inventory of greenhouse gases on its banking activity in Portugal, since 2006. This has allowed it to quantify, manage and disclose information on its carbon footprint and monitor its environmental performance in carbon terms.

With the objective of reducing its carbon footprint, CGD continues to implement a diversified series of measures which include the use of renewable energies, low carbon technologies in its buildings and mobility together with adequate waste management. Its 2012 theme: "We make our route as we go along ... ours involves reducing" is illustrative, based on the achievement of the publicly assumed objectives of reducing greenhouse gases by 2015, to 2006 values:

- A 15% reduction of global carbon emissions per worker (tCO2e/FTE);
- A 4% reduction of the energy consumption of premises, excluding the data centre, per worker (kWh/FTE).

CGD offsets its emissions on a staged basis, relative to its commercial vehicles fleet, the operation of Caixa Geral de Depósitos's Culturgest Foundation (Lisbon and Porto) and the production of CGD publications.

CGD has defined a series of criteria for the acquisition and use of carbon credits with high levels of integrity to offset its emissions, promoting the environmental and social benefits of associated projects. The emissions are offset by credit generated by an emissions reduction project based on the substitution of fossil fuel in a paper production plant in Brazil, with the highest international *Voluntary Carbon Standard* classification. Credits generated by the Caixa Carbon Zero Forest project, in the *Tapada Nacional de Mafra* are also used. An individual emissions offset report is published annually (Carbon Neutral Report), subject to independent external verification. The report is available on CGD's website.

Another objective of offsetting associated emissions is to inform diverse members of the public – customers, workers and the population in general – promoting knowledge of and discussion on the issue.

Another CGD commitment comprises environmental awareness as one of the thrusts of its climate combat strategy. This awareness, on an internal level, in the case of workers comprises the dissemination of information on good practice on various internal media such as the intranet, newsletters and publications.

Two practical low carbon guides on environmental and carbon literacy, designed to encourage a more sustainable attitude from stakeholders and the more responsible use of available resources while contributing to cost reductions in the workplace and at home, were produced.

Other awareness initiatives were also organised. They included the Carbon Calculator, Savings Cycle, Caixa Forest and our participation in various energy efficiency events.

CGD sponsored the *Green Savers* portal, in 2012. This portal provides up-to-the-minute information exclusively related to sustainability issues and helps to disseminate information on good practice in the day-to-day affairs of companies and citizens. CGD also sponsored Quercus's production of an environmental awareness television series "Green Minute", adapted to life in Cape Verde and Mozambique.

In addition to the management of emissions and environmental awareness, CGD has implemented eco-efficiency practices in other environmental aspects such as measures to reduce water consumption, paper consumption and more efficient waste management, deriving from the implementation of its waste management plan.

Reference should also be made to the fact that based on its commitment to set up an environmental management system, CGD started work, in 2012, on preparations, in accordance with ISO 14001 directives, to continuously improve its environmental performance.

The sustainability report provides more detailed information on environmental management, including its results and a description of the measures implemented.

In the sphere of the disclosure of information on environmental risks, reference should be made to the *Banking & Environment – Financing the Environment in Portugal 2009/2011* initiative, under the aegis of UNEP-FI, which aims to promote banks' and the corporate sector's knowledge of environmental risks for the gradual inclusion of environmental criteria in banks' credit analyses on corporate customers. In 2012, CGD adapted and implemented the questionnaire on environmental risks, proposed by UNEP-FI, with its municipal customers, to identify possible environmental risks in this market segment.

CGD has been implementing diverse eco-efficiency measures to minimise the negative environmental impacts resulting directly from its activity. They can be viewed in its sustainability report.

|03.9.5.2. SUSTAINABLE DEVELOPMENT

Recognition of banking activity's importance to sustainable development is enshrined in CGD's sustainability programme which looks to the future as one of its strategic areas. CGD's performance, in this domain, comprises its voluntary adoption of commitments in various sustainability aspects – economic, environmental and social, in addition to its legal obligations.

Its state shareholder also expects CGD to fulfil its mission of contributing to economic development, increasing competitiveness, innovation and the internationalisation of Portuguese companies, in a permanent endeavour to achieve balanced evolution between strength, profitability and growth. A contribution based on a framework of prudent risk management as well as achieving benchmark status in terms of efficiency and quality of service, as a good governance benchmark with a profound sense of social responsibility.

CGD recognises that the success of this position is also dependent upon an ongoing dialogue with its diverse stakeholders. Sustainable development makes it possible to build balanced, mutually beneficial relationships (between CGD and interested parties) and CGD recognises that sustainable performance is decisive for the process of choice of its customers who are increasingly more demanding on a socio-environmental level, making it possible to achieve higher levels of trust and loyalty.

CGD continued along its route to consolidation, in 2012, committing to sustainable development as a benchmark entity in its promotion of best practice in the financial sector based on its implementation of various initiatives enabling it to reduce its exposure to risks deriving from the impacts of its activity. It was also considered important to communicate this route and reinforce the perception of CGD as a rigorous institution, working for a better future. The "We have a different way of looking at the future", campaign, symbolising responsibility in terms of our achievement of the sustainable route we have achieved, was launched.

In the banking business, CGD has been working on the creation of financial solutions to facilitate access to environmentally and socially responsible products and services, integrating such components with already existing solutions. It has a diversified offer leading to the adoption of low carbon solutions and technologies and the promotion of economic development and wealth creation with the support of Portuguese business. A collection of innovative solutions designed to promote savings and financial inclusion for low earners and the creation of self-employment with microcredit and entrepreneurship solutions are also available.

CGD furthered its strategic guidelines in support of exports and the internationalisation of Portuguese companies, in 2012, in light of the current importance of exports to domestic economy recovery.

Aware that sustainable development requires active, informed citizenship, CGD has achieved "Knowledge Support Bank" status, promoting the development of higher education in Portugal and supporting projects of scientific interest. It plays a determining role in knowledge sharing and disclosure of information which may contribute to leveraging people's participation in the economy, in terms of social entrepreneurship and building a more sustainable future.

In 2012, CGD sponsored a conference exclusively dealing with sustainable development, whose main objective was to draw attention to the need to continue to adopt a sustainable approach.

In parallel, reference should be made to CGD's financial inclusion role, especially in regions of low population density or which are economically depressed.

CGD has also played a relevant role in terms of the population's employability. This transversal objective is clearly evident in its human resources policies, its involvement with the community and provision of financial solutions. As an employer, it is responsible for around 20% of employment in the Portuguese banking sector and the creation of indirect employment in its promotion of entrepreneurship and financing its corporate customers.

|03.9.5.3. PUBLIC SERVICE AND MEETING THE NEEDS OF SOCIETY AS A WHOLE

CGD has committed to good practice in the sphere of its community involvement policy, promoting management models capable of representing added value for society. In addition to its creation of financial solutions to boost the development of Portuguese business and to finance a low carbon economy, CGD, in its role as Portugal's state-owned bank has invested in the creation of solutions providing for emerging social needs and strengthening its leading position in social terms.

The integration of the community as a determining factor in the creation of value and business sustainability is one of the fundamental pillars of its socially responsible performance, which ranges from its continuous support for social and cultural activities, in which the Caixa Geral de Depósitos – Culturgest Foundation has been a crucially important cultural agent, up to social innovation, education and financial literacy.

In the domain of cultural activity, CGD continues to play an unequivocally unparalleled role in its promotion of music, visual arts, cinema, literature and disclosure of information on Portuguese culture and language, in Portugal and worldwide, via its *mediatheque* network.

In the social innovation domain, CGD believes that solutions should be created in conjunction with its stakeholders to social issues which cannot be resolved in isolation. The creation of economic value in parallel with the creation of social value are common aspirations and CGD, in the sphere of its corporate sustainability programme, is working on opportunities and socially inclusive, business potential, including microfinance and entrepreneurship models. It has also promoted the education and financial literacy of society on the basis of its initiatives to incentivise savings, consumption and more responsible investment involving various interested parties.

The *Young VolunTeam* project encourages voluntary work in secondary schools, contributing to the development of young people's fundamental competencies, promoting social inclusion, education, entrepreneurship, employment and citizenship.

Based on this programme, CGD has strengthened its commitment to young people, raising their civic and social awareness and contributing to improving their résumés.

In the sphere of financial literacy and other regular initiatives such as the *Positive Balance* website, Savings Cycle, Education+ Financial roadshow, participation in the financial literacy taskforce of the Association of Portuguese Banks (APB) and support for the *Kidzania* theme park, CGD created its *Corporate Positive Balance, In 2012,* under which it provides essential support for the financial empowerment of companies and promotion of good management practice to facilitate sustainable economic growth, innovation, risk management and returns on capital. CGD also sponsored the 3rd International Financial Education Conference and the "AconteSer– Responsible Leadership" project designed to incentivise good leadership practice to achieve economic and social sustainability.

CGD encourages voluntary work, encouraging its workers' participation in solidarity and citizenship actions to protect the environment and in its interaction with the communities in which it operates, notably in its support for citizens in need and/or cases of distress. Special reference should be made to the participation of Caixa volunteers in the *Aprender a Empreender* ("Learning and Doing") project organised by JAP Portugal, since 2011, whose mission consists of the development of a spirit of entrepreneurship in children and young people in the form of training and education in financial literacy concepts for primary, secondary and university level students.

CGD also continues to associate with major causes in the solidarity area via its blood donors' group, donations and gifts.

In addition to CGD's commitment to continue to support the community and its contribution and its responses to their expectations and real needs, the quality of public service and customer experience are fundamental areas in reinforcing customer value proposals.

The assessment and monitoring of customer experience are ensured by various quality of service assessment methodologies, in line with best international practice, enabling CGD to identify critical performance areas, adjust its offer and service models and provide adequate levels of service to each segment.

Special reference should be made, owing to the current socioeconomic environment, to the fact that, in its awareness of its responsible performance, CGD developed solutions for customers in financial difficulties, in 2012. These solutions enabled its borrowers to adjust their respective costs to household available income, in anticipation of legislative trends.

In light of the current socioeconomic conditions and need to develop and implement measures to ensure access to housing, CGD, responding to the invitation of the Ministry of Solidarity and Social Security, was a party to the government's *Social Rental Market* initiative.

|03.9.6.
WAYS IN WHICH THE COMPANY'S COMPETITIVENESS HAS BEEN SAFGUARDED, NAMELY THROUGH RESEARCH, INNOVATION, DEVELOPMENT AND THE INTEGRATION OF NEW TECHNOLOGIES WITH THE PRODUCTIVE PROCESS

CGD has concentrated on improving its competitiveness and innovation capacity. It is a member of EFMA (European Financial Management & Marketing Association), which promotes innovation in terms of financial retail and promotes discussion among its diverse partners, encouraging the sharing of experience and best practice. In 2012, CGD came first in EFMA's *Best Mobile Banking* app competition. This distinction is indicative of the quality, innovation capacity and differentiation of Caixadirecta's Windows 8 app.

CGD provides its individual customers with Caixadirecta On-line, Caixadirecta Invest, Caixadirecta sms and Caixadirecta Mobile services and its corporate customers with Caixa ebanking and Caixa ebanking mobile services.

The best accessibility facilities (*Web Content Accessibility Guidelines 1.0 of the W3C)* were employed on the development of CGD's website, providing users, including the physically and cognitively handicapped with various types of more accessible contents and services. Maximum accessibility levels were maintained, in 2012, free of change. The website continued to merit the W3C consortium's AAA classification.

CGD has continued to evolve in terms of digital inclusion, on the basis of technology and increased accessibility to financially important information for households' and companies' current management needs, based on its promotion of citizenship and equality of opportunities. Mobile channels are now accessible from any internet-enabled mobile device and there is also a free iPad app enabling all customer publications to be viewed.

CGD has retained its market lead regarding the use of homebanking services, providing individual customers, companies and institutionals, with the best security, best solutions, based on innovation, convenience and user-friendliness, attributing more value to customer relationships.

CGD supports COTEC (Business Association for Innovation) as part of its innovation and entrepreneurship support strategy. In 2012, it hosted Cotec's National Innovation Meeting, in Culturgest. This is a forum for innovation and business creativity which hosts an annual get-together of leaders and managers of COTEC's corporate associates and its SME Innovation network, as well as government and National Innovation System bodies.

Following the partnership between CGD and Beta-i (Association for the Promotion of Innovation and Entrepreneurship), in 2012, CGD sponsored Beta-Start and Beta-Talk, as another commitment to promoting the creation of innovative ideas and projects with a future sustainable value.

A 3 year partnership with INTELI ("Intelligence in Innovation"), on innovation and sustainable development, to develop a study on the definition of an "Intelligent and Sustainable Cities Index 2020" was also entered into, in 2012.

Reference should be made to the importance of promoting internal innovation with all employees, with another edition of the "Caixa de Ideias" (Ideas Box), for stimulating the creation and presentation of original, innovative ideas, applicable in CGD's strategic operating areas.

|03.9.7.
ACTION PLANS FOR THE FUTURE

One of CGD's strategic sustainability policy guidelines is to gear its activities to the future, recognising banking activity's importance to sustainable development and aspiring to create a better future. The definition of CGD's commitments and the route it has taken represent the bank it intends to be and the future it wishes to have.

Based on its sustainability management model, CGD will remain committed to the evolution of various aspects of its sustainability programme, comprising compliance with its commitments and the adoption of the best current practice based on ongoing improvements adapted to the requirements and expectations of its strategic stakeholders, in anticipation of any emerging trends in the market and society in general.

CGD also considers that it is essential. in the current economic-financial context, to reinforce the Group's culture and global performance, based on an integrated corporate strategy designed to improve its consolidated results in addition to maintaining the distinctions achieved in due recognition of its performance and contribution to sustainable development.

With a presence in a multiplicity of geographies, different experiences, regulatory and cultural specifics, CGD is committed to sharing its knowledge and good practice between them and the parent company with the aim of promoting cohesion between various Group structures. This comprises CGD's sustainable repositioning strategy as a multinational Group in its various operating markets.

Its future aim is therefore to continue to expand the scope of its corporate sustainability programme to international structures. The initiatives planned for the future under the scope of this programme have been identified in the sustainability report.

|03.10.
APPOINTMENT OF COSTUMER OMBUDSMAN

GCL (Customer Support Office), which reports directly to the executive committee, has been in existence since 2008. Its mission is to process and respond to customers' suggestions and complaints, notwithstanding the point of contact or means used.

As regards access to the extrajudicial means for settling conflicts and in the sphere of payment services activity, Caixa is a party to four arbitration centres comprising Lisbon, Porto, *Universidade Nova* and *Universidade Católica*, which are all available to its customers.

In 2011, Caixa committed to providing more information on its suggestions and complaints service enhancing the level of information available at its branches and website to make them more accessible to the public. CGD has been providing various free means of enabling customers to state their opinions and deliver their questions. Ease of access to and knowledge of this service and its credibility were mirrored in the evolution of demand: 19 022 contacts in 2010, 19 695 in 2011 and 20 244 in 2012.

These numbers are more expressive of confidence in the service and Caixa's commitment – in processing and settling complaints – if we take into account the progression of the website's importance as the channel of choice for these contacts: 17% in 2010, 25% in 2011 and 39% in 2012.

Therefore and in a context of banking customers' various possibilities of recourse, in the form of channels provided by the supervisory bodies and credit mediator, Caixa considers that the appointment of a customers' ombudsman is not justified without prejudice to a periodic reassessment of this option.

GCL also began work on creating and qualifying a customer–centric service in 2011 in the form of a quality service which guarantees adequate prompt responses and improves overall offer quality, far in excess of what is strictly required in regulatory terms.

In this context, GCL started work on the development of a quality management system based on ISO 9001:2008, for certification purposes, designed to consolidate internal processes, improve customer satisfaction, promote ongoing improvements and a sustainable service of excellence.

Whereas 2011 was dedicated to the documentation upon which the QMS should be based, providing employees with adequate training, defining systems and launching the first qualitative monitoring initiatives, 2012 was the year of consolidation of the implementation of transversal monitoring mechanisms, namely:

- External customers – Satisfaction survey;
- Complaints management – Control and audits of the quality of the processing of case files. This involved not only the capacity of analysis, diligence and rigour of complaints managers but also the input of internal suppliers;
- Workers – Satisfaction survey.

These mechanisms have already enabled results to be achieved and important conclusions to be reached, with special reference to the former:

1. Caixa's site is growing in importance and is already highly relevant and (1) for the disclosure of information on the suggestions and complaints service, (2) as an access channel to the bank – as a process facilitator – and (3) in access to important information, promoting a more adequate, informed use of the services and achieving greater satisfaction;
2. The vast majority of customers view this service as a means of regenerating their commercial relationship with branch management, hope that action will be taken to resolve the situation and await the effective and pedagogical resolution thereof with care being taken to prevent the reoccurrence of similar situations and that the connection may result in a better branch service;
3. Customers value the support and acceptance of formalising the complaint as they value Caixa's openness, interest and feedback in this and other situations;
4. Customers primarily value, in terms of the various factors determining their level of satisfaction with this service, the prompt resolution of a unresolved disputes, of which GCL is required to take due note;
5. Customers consider that it relevant that they be informed of the implementation of measures designed to improve the situation following the cases they have reported, as the reason for the complaint, as, in a significant number of situations their motivation involves more than the individual sphere and is broader in scope, in pursuit of sustainability, mindful of purposes of competitiveness, modernity and ethics for Caixa, which they consider and defend by demanding and therefore acting as a stakeholder in the full extent of the term.

GCL's option to progress and work upon a certification process therefore meets the objective of achieving the qualification and efficiency of the suggestions and complaints service, in line with what is intended to be a global, continued qualification of Caixa's Service whose quality has been recognised in terms of the reputation of its brand.

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, S.A. since 2004;
- Chairman of Portuguese European Community Studies Association (AREP);
- Professor and Director at the Faculty of Law of *Universidade Lusíada do Porto*, since 2007 and Director of Juridical, Economic and Environmental Studies Centre (CEJEA) of the same university;
- 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;
- Secretary General (Arts category) of the Lisbon Academy of Sciences.

FORMER POSITIONS:

- Member of Local Finance Reform Commission from 2005 to 2006;
- Chairman of European Community Studies Association (ECS.A.–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 from 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 Committee, 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 Juridical–Economic Sciences, Faculty of Law of Coimbra University, in 1990;
- Doctorate in Juridical–Economic Sciences, Faculty of Law of Coimbra University, in 1983;
- M. Phil in Economics, University of Oxford, 1976;
- Degree in Law, Faculty of Law of the University of Coimbra in 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, S.A., 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 the Management Board of EDP;
- Director of Bank of Portugal, from May 1981, having requested the suspension of this position to become Minister of Justice in June 1989 and resigned at his own request, in August 1989;
- Responsible for the Legal Department of CPE 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 Sciences Course from the Faculty of Law of the University of Lisbon in 1963.

DISTINCTIONS AND 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, S.A. 2004;
- Central Director of Legal Affairs Department of Caixa Geral de Depósitos, S.A., February 2006;
- Chairman of Shareholders' Meeting of Caixa – Banco de Investimento, S.A., 2008;
- Chairman of Shareholders' Meeting of Caixa Seguros e Saúde, S.A., 2008;
- Chairman of Shareholders' Meeting of Caixa – Participações, SGPS, S.A., 2009;
- Chairman of Shareholders' Meeting of Caixa Leasing e Factoring – IFIC, S.A., 2009;
- Chairman of Shareholders' Meeting of Gerbanca, SGPS, S.A., 2009;
- Chairman of Shareholders' Meeting of Parbanca, SGPS, S.A., 2009;
- Chairman of Shareholders' Meeting of Partang, SGPS, S.A., 2009;
- Deputy Chairman of Shareholders' Meeting of Companhia de Seguros Fidelidade – Mundial, S.A., 2009;
- Chairman of Shareholders' Meeting of Banco Internacional de S. Tomé e Príncipe, S.A.RL, 2011.

FORMER POSITIONS:

- Chairman of Board of Directors of Parvalorem, S.A., since 2010;
- Chairman of Board of Directors of Parups S.A., since 2010;
- Chairman of Board of Directors of Participações, SGPS, S.A., since 2010;
- Board Member of BPN – Banco Português de Negócios, S.A., 2008;
- Board Member of BPN Internacional, SGPS, S.A., 2008;
- Board Member of BPN Serviços – Serviços Administrativos, Operacionais e Informáticos, ACE, 2008;
- Board Member of Banco Efisa, S.A., 2009;
- Chairman of Shareholders' Meeting of Bandeirantes, SGPS, S.A., 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, S.A., from July 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, S.A., from December 1974 to March 1975;
- Grade 3 Deputising Clerical Officer in Caixa Geral de Depósitos from November 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 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, S.A., since July 2011;
- Chairman of APB (Association of Portuguese Banks) since April 2012;
- Chairman of CGD-Culturgest Foundation, since January 2012.

PAST POSITIONS:

CORPORATE POSITIONS:

- Chairman of Board of Directors of PARCAIXA, SGPS, S.A., from December 2008 to November 2011;
- Chairman of Board of Directors of Caixa Geral de Depósitos, S.A., from January 2008 to July 2011;
- Member of the General and Supervisory Board of EDP – Energias de Portugal, S.A., 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, S.A., from 1998 to 2006;
- Director of HPP – Hospitais Privados de Portugal, SGPS, S.A., from 2003 to 2005;
- Director of CARLTON LIFE, SGPS, S.A., 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, S.A., 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;
- Non-executive 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, S.A, 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 – *Grã 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, S.A., since July 2011;
- Chairman of Board of Directors of Parcaixa, SGPS, S.A., 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, from 2007 to 2011 and member of the Bank of Portugal delegation to the annual and Spring meetings 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, S.A., since July 2011;
- Chairman of Board of Directors of CaixaBI – Banco de Investimento, S.A;
- Chairman of Board of Directors of Partang, SGPS, S.A. since September 2001.

FORMER POSITIONS:

- Chairman of Board of Directors of Caixa Leasing e Factoring – IFIC, S.A.
- Chairman of Board of Directors of Banco Caixa Geral Totta de Angola, S.A.;
- Member of Board of Directors of Locarent, S.A.;
- Director General of José de Mello, SGPS, S.A., 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, S.A., from December 2010 to July 2011;
  - Member of the Board of Directors of José de Mello Saúde, SGPS, S.A., from 2007 to July 2011;
  - Member of the Board of Directors of SEC, S.A., from 2007 to 2008;
  - Member of the Board of Directors of Efacec Capital, SGPS, S.A., from 2006 to July 2011;
  - Member of the Board of Directors of CUF Químicos Industriais, S.A., from 2006 to July 2011;
  - Member of the Board of Directors of Comitur, SGPS, S.A., from 2005 to July 2011;
  - Member of the Board of Directors of Comitur Imobiliária, S.A., from 2005 to July 2011;
  - Member of the Board of Directors of Expocomitur – Promoções e Gestão Imobiliária, S.A., from 2005 to July 2011;
  - Member of the Board of Directors of Herdade do Vale da Fonte – Sociedade Agrícola, Turística e Imobiliária, S.A., 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, n.º 59, S.A., from 2005 to July 2011;
  - Member of the Board of Directors of ADP, S.A. – CUF Adubos, from 2004 to 2008;
  - Member of the Board of Directors of Brisa, S.A., 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, S.A., from 2002 to July 2011;
  - Member of the Board of Directors of Quimigal, S.A., 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, from 2008 to July 2011;
- 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, S.A., from 2003 to July 2011;
- Member of the Board of Directors of Reditus, SGPS, S.A., 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, S.A., 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, S.A., from 1998 to 1999;
- Member of the Board of Directors of Papercel, SGPS, S.A., from 1998 to 1999;
- Member of the Board of Directors of Soporcel, S.A., from 1997 to 1999;
- Chairman of Fiscal 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, S.A. since 2004 and Deputy Chairman of its Executive Committee, since July 2011;
- Chairman of the Board of Directors of Caixa Seguros e Saúde SGPS, S.A. since 10 April 2012;
- Chairman of Board of Directors of SOGRUPO – Sistemas de Informação, ACE, since January 2009;
- Chairman of Board of Directors of CAIXATEC – Tecnologias de Comunicação, S.A., since March 2008;
- Chairman of Board of Directors of Caixa – Participações SGPS, S.A., since January 2008;
- Member of Board of Directors of SIBS – Sociedade Interbancária de Serviços, S.A., since 12 April 2010;
- Member of Board of Directors of SIBS – Forwards Payment Solutions, S.A., since 12 April 2010;
- Member of *CISP – Comissão Interbancária para o Sistema de Pagamentos*, since 2005;
- Member of World Savings Banks Institute and European Savings Banks Group Board of Directors since 2009;
- Member of Board of Directors of Caixa Geral de Aposentações since January 2008 and its Chairman since July 2011;
- Member of Fiscal Board of *Económicas* Foundation.

FORMER POSITIONS:

- Member of Board of Directors of SIBS – Sociedade Interbancária de Serviços, S.A., since September 2005;
- Non-executive Member of the Board of Directors of ZON – Serviços de Telecomunicações e Multimédia, SGPS, S.A. from 2008 to June 2012;
- Member of the Board of Directors of *Económicas* Foundation from 2005 to March 2012;
- Deputy Chairman of Board of Directors of BPN – Banco Português de Negócios, S.A., from 2008 to March 2012;
- Deputy Chairman of Board of Directors of Banco Efisa, S.A. from 2009 to March 2012;
- 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 – 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, S.A., since July 2011.

FUNCTIONS WITHOUT CURRENT MANAGEMENT RESPONSIBILITIES:

- Chairman of Banco Caixa Geral Totta de Angola, S.A. since June 2012:
- Chairman of Banco Caixa Geral – Brasil, S.A., since April 2012
- Member of Board of Directors of Partang, SGPS, S.A., since March 2012;
- Deputy Chairman of Board of Directors of Banco Comercial e de Investimentos, since November 2011;
- Chairman of Board of Directors of PARBANCA, SGPS, S.A., since October 2011;
- Member of Board of Directors of Banco Nacional Ultramarino, S.A. (Macau), since August 2011;
- Member of Board of Directors of Caixa Geral de Aposentações, since July 2011;
- Chairman of Board of Directors of Banco Caixa Geral, S.A. (Spain), since March 2010;
- Chairman of Remunerations Committee of Banco Caixa Geral, S.A. (Spain), since March 2010.

FORMER POSITIONS:

- First Deputy Chairman of Banco Caixa Geral Totta de Angola, S.A., from 2009 to June 2012;
- Member of Board of Directors of Caixa Geral de Depósitos, S.A., from 2008 to July 2011;
- Member of Remuneration Committee of UNICRE – Instituição Financeira de Crédito, S.A., from March 2008 to June 2010;
- Member of Remuneration Committee of SIBS, S.G.P.S., S.A., from 2008 to April 2010;
- Member of Remuneration Committee of Banco Caixa Geral S.A., from 2008 to 2009;
- First Deputy Chairman of Board of Directors of Banco Caixa Geral, S.A., from 2008 to 2009;
- Director of Executive Committee of Banco Caixa Geral, S.A., from 2005 to 2008;
- Director of Executive Committee of Banco Siméon, S.A., from 2005;
- Member of Board of Directors of Banco Simeón S.A., from 2002 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 of the Prime Minister, from 1999 to 2001;
- Chef de Cabinet of 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 at the University of Lisbon from 1987 to 1988.

ACADEMIC QUALIFICATIONS:

- MA in Law (Juridical 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:

- Member of Board of Directors of Caixa Geral de Depósitos, S.A., and its Executive Committee since July 2011.
- Deputy Chairman of Board of Directors of Banco Caixa Geral Totta de Angola, S.A., since June 2012;
- Chairman of Board of Directors of Caixa – Gestão de Activos, SGPS, S.A., since February 2012;
- Guest Professor at ISCTE;
- Member of the Advisory Board to INDEG Business School ISCTE – IUL;
- Member of ISG/INB Advisory Board;
- Member of MBA Advisory Board;
- Deputy Chairman of Commercial Association of Lisbon;
- Member of the Board of Management of Havard Club de Portugal;
- Advisor to CDS;
- Member of Editorial Council of *Marinha* Magazine;
- Member of Sustainability Committee of LIDE Portugal.

FORMER POSITIONS:

CORPORATE POSITIONS:

- 2012 Director of Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A.;
- 2012 Chairman of Caixa Leasing e Factoring – IFIC, S.A.;
- 2011 Director of Banco Comercial e de Investimentos, S.A.;
- 2011 Chairman of the Board of Directors of Imocaixa – Gestão Imobiliária, S.A.;
- 2011 Chairman of the Board of Directors of Caixa Imobiliário, S.A.;
- 2007–2011 – CEO ASK – Advisory Services Kapital Group;
- 2010 – Director of ASK Sociedade Gestora 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 Argentária;
- 1996–1998 – Director of Titulo – 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, S.A., since January 2012;
- Chairman of the Board of Directors of Sogrupo – Compras e Serviços Partillhados, ACE;
- Director of Banco Nacional de Investimentos, S.A. Mozambique;
- Director of Portugal Telecom, SGPS;
- Director of Parcaixa, SGPS, S.A.;
- Chairman of Caixa Imobiliário, S.A.;
- Chairman of Imocaixa – Gestão Imobiliária, S.A..

FORMER POSITIONS:

CORPORATE POSITIONS:

- Executive Director – CFO, REN – Redes Energéticas Nacionais, SGPS (REN – Rede Elétrica Nacional, S.A., REN – Gasodutos, S.A., REN Atlântico Terminal GNL, S.A., REN – Armazenagem, S.A., EOONDAS, Energia das Ondas, S.A., 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, S.A., from December 2007 to February 2008;
- Member of Board of Directors – CFO, SSI – SOGRUPO Sistemas de Informação and CAIXANET, S.A., 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 to December 1992, of HIASI – Hispano Americano Sociedade de Investimento, BHI – Banco Hispano de Investimento, BCHP – Banco Central Hispano Portugal – BCH Group, BCHP Banco Central Hispano Portugal – BCP Group;
- Financial Analyst, Research Team Member of BCI Valores – Sociedade Financeira de Corretagem, from March 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 – JOSÉ PEDRO CABRAL DOS SANTOS

Date of Birth: 5 July 1960.

CURRENT POSITIONS:

- Member of the Board of Directors and Executive Committee of Caixa Geral de Depósitos, S.A., since March 2012;
- Non-executive Member of the Board of Directors of Caixa Banco de Investimentos, S.A., since March 2008;
- Chairman of the Board of Directors of Caixa Leasing e Factoring – IFIC, S.A.. since May 2012;
- Member of the Board of Directors of Locarent – Cª Portuguesa de Aluguer de Viaturas since May 2012;
- Non-executive Member of the Board of Directors of Portugal Telecom, SGPS, S.A.. Since April 2012;
- Member of the Management Board of Caixa Geral de Aposentações, IP, since March 2012.

FORMER POSITIONS:

CORPORATE POSITIONS:

- Central Director of CGD's Major Enterprises Division from March 2002 to March 2012;
- Non-executive Member of the Board of Directors of Lusofactor, Sociedade de Factoring, S.A., from March 2003 to May 2008;
- Director of Major Enterprises Division, responsible for the Northern Commercial Division from October 1999 to February 2002;
- Director of the Northern Division, responsible for the Coordination of the Major Enterprises Segment from January 1998 to September 1999;
- Coordinating Director (BFE/ BPI Groups), initially of Banco Borges & Irmão followed by broader functions in Banco de Fomento e Exterior and Banco BPI, from June 1994 to December 1997;
- Senior staff member of Finindústria – Sociedade de Investimentos e de Financiamento Industrial and latterly sub director of Finibanco and Non-executive Director of FINICRÉDITO SFAC, from March 1989 to May 1994;
- Trainee and latterly staff member of União de Bancos Portugueses, from March 1984 to February 1989;

ACADEMIC POSTS:

- Guest lecturer at the Faculty of Economics of the University of Porto, from October 1983 to September 1988.

ACADEMIC QUALIFICATIONS:

- Degree in Economics from the Faculty of Economics of the University of Porto.

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, S.A.;
- 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 Fiscal Board of Caixa Geral de Depósitos, S.A., 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 1989/89;
- Advisor to the Autonomous Region of the Azores' Privatisations Programme, defining strategies and preparing legislative projects;
- Directed the studies on the adapting of the national fiscal system to the Autonomous Region of the Azores;
- Founding Partner of AREP and APRI and honorary member of the Azorean Institute of Culture;
- Has published various books and articles in the areas of Economic Law, Public 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 Juridical and Economic Sciences) from the Faculty of Law of the University of Lisbon

BOARD MEMBER – PEDRO MIGUEL DUARTE REBELO DE SOUSA

Date of Birth: 29 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, S.A.;
- Senior Partner of the Law Company Rebelo de Sousa & Advogados Associados RL, succeeding SSRS, since 2009;
- Non-executive Board Member of Cimpor – Cimentos de Portugal SGPS, since July 2012;
- Chairman and Director of various national and international institutions (Portuguese Corporate Governance Institute, *Union Internacionale 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;
- President of the Parish Council of Sta Isabel – Lisbon from 2005 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, S.A., Banif Investimentos, S.A., Refrigor SGPS, S.A., Refrigor SGPS, S.A., A. Santo, SGPS, Banco CGB Brasil, BPN, S.A.), 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, U.S.A., 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, U.S.A., 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 Pontífica 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, S.A., since July 2011;
- Director of the Faculty of Economics and Management of *Universidade Católica Portuguesa*, since January 2008;
- Member of Fiscal Board of UNICER BEBIDAS, SGPS, since June 2009;
- 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, S.A., on issues related with the capital markets from 1995 to 1999;
- 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, S.A., between September 1989 and August 1991.

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 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 on the Microeconomics Course at the Faculty of Economics of the University of Porto, between October 1988 and September 1989.

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.

RÉSUMÉS OF OUTGOING MEMBERS OF THE BOARD OF DIRECTORS

BOARD MEMBER – JORGE HUMBERTO CORREIA TOMÉ

Date of Birth: 7 November 1954

FORMER POSITIONS:

- Member of Board of Directors of Caixa Geral de Depósitos, S.A., from January 2008 to 29 February 2012;
- Member of Executive Committee, of Caixa Geral de Depósitos, S.A., from July 2011 to 29 February 2012;
- Deputy Chairman of Banco Nacional de Investimentos, S.A., in Mozambique from November 2011 to 29 February 2012;
- Chairman of the Board of Directors of Caixa Seguros e Saúde, S.A., from October 2011 to 29 February 2012;
- Member of the Management Board of Caixa Geral de Aposentações from July 2011 to 29 February 2012;
- Chairman of the Board of Directors of Caixa Desenvolvimento, S.A. from May 2011 to 29 February 2012;
- Chairman of Board of Directors of Gerbanca, SGPS, S.A., from May 2009 to 29 February 2012;
- Non-executive Member of Board of Directors of Cimpor – Cimentos de Portugal, SGPS, from May 2009 to 29 February 2012;
- Non-executive Member of Board of Directors of Parcaixa, SGPS, S.A. from April 2009 to 29 February 2012;
- Deputy Chairman of Board of Directors of Banco Caixa Geral – Brasil, S.A., from April 2009 to 29 February 2012;
- Non-executive Member of Board of Directors of Portugal Telecom, SGPS, S.A., from March 2009 to 29 February 2012;
- Chairman of the Board of Directors of Credip – Instituição Financeira de Crédito, S.A. from April 2008 to 29 February 2012;
- Chairman of the Board of Directors of Caixa Capital – Sociedade de Capital de Risco, S.A. from March 2008 to 29 February 2012;
- Chairman of Board of Directors of Caixa – Banco de Investimento S.A. from March 2008 to 29 February 2012;
- Chairman of Executive Committee of Caixa – Banco de Investimento, S.A., from March 2002 to January 2008;
- Executive Director of Caixa – Banco de Investimento, S.A., from July 2001 to March 2002;
- Chairman of the Board of Directors of Trem – Aluguer Material Circulante, ACE from March 2002 to February 2011;
- Non-executive Director of the Oversight and Strategy Committee of Fominveste SGPS S.A. from May 2008 to April 2010;
- Executive Director 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;
- Non-executive Director of BANIF IMOBILIÁRIA S.A. 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, S.A. – Açor Pensões, S.A. (currently Banif Açor Pensões), from October 1999 to July 2001;
- *Partner* of Coopers & Lybrand, in Portugal, responsible for the Financial Area and Corporate Finance, from June 1995 to November 1996;
- Director of Banco Pinto & Sotto Mayor (Lisbon, Portugal), 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, S.A. (currently PME Investimentos, S.A.) from June 1989 to March 1994;
- Director of CPG – Sociedade Gestora de Fundos de Investimento FIPOR (Portugal), on behalf of Banco Pinto & Sotto Mayor;
- Director of Banco Pinto & Sotto Mayor (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;
- Sub director and director of the Capital Market Division of Banco Pinto & Sotto Mayor (BPSM) (Lisbon, Portugal) from 1985 to 1989;
- Companies and Industrial Projects and Tourism Sector Analysis Officer for Banco Pinto & Sotto Mayor (Economic Studies Division) (Lisbon, Portugal), 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:

- Advanced Management Course at Chicago Business School – London Campus
- MA in Applied Economics from the Faculty of Economics of *Universidade Nova de Lisboa*;
- Degree in Corporate Organisation and Management from I.S.C.T.E..

ANNEX II
REMUNERATION OF CGD'S – STATUTORY BODIES

INFORMATION ON THE REMUNERATION OF MEMBERS OF CGD'S SHAREHOLDERS' MEETING FOR 2012

Chairman	Deputy Chairman	Secretary
		(EUR)
–	–	–

REMUNERATIONS TABLE 2012 – EXECUTIVE DIRECTORS

Board of Directors	Chairman BD Faria de Oliveira	Chairman EB José Matos	Deputy Chairman Nogueira Leite	Deputy Chairman Norberto Rosa	Member Rodolfo Lavrador	Member Nuno Fernandes Thomaz	Member João Nuno Palma	Member José Cabral dos Santos	Member Jorge Tomé
									(EUR)
Date of start of term of office	22/07/2011	22/07/2011	22/07/2011	22/07/2011	22/07/2011	22/07/2011	02/01/2012	29/03/2012	22/07/2011
Option to receive former remuneration (y/n) (1)	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	N/A
Monthly remuneration (2)	16 370.24	16 578.28	13 481.6	13 481.6	13 481.6	5 481.1	13 481.6	11 424.33	13 481.6
Amount of annual remuneration received	65 480.96(4)	206 981.16	161 779.20	161 779.20	161 779.20	89 765.79	161 779.20	102 818.97	26 963.20(5)
Accumulation of managerial functions				8 088.96(3)					

(1) The directors marked (yes) have opted to receive their average monthly remuneration of the 3 years immediately preceding the start of their term of office in CGD under no. 2 of article 7 of Decree Law 8/2012 of 18 January and no. 9 of article 28 of the Public Manager Statute. The referred to options were approved in a Ruling issued by the Secretary of State for the Treasury and Finance on 10/05/2012.

(2) Remuneration deriving from the general meeting of 02/08/2012 which backdated wages to 01/04/2012.

(3) Management functions in BPN, in the period 01/01/2012 to 29/03/2012.

(4) The remuneration was suspended, effective 01/05/2012 as the date upon which the option to receive a retirement pension from the Social Security services was taken.

(5) In office up to 29/02/2012.

REMUNERATIONS TABLE 2012 – NON–EXECUTIVE DIRECTORS

Board of Directors	Charmain of the Audit Committee Eduardo Paz Ferreira	Member Álvaro Nascimento	Member Pedro Rebelo de Sousa
			(EUR)
Date of start of term of office	22/07/2011	22/07/2011	22/07/2011
Monthly remuneration(1)	1 304.79	1 304.79	1 304.79
Amount of annual remuneration received	23 298.45	20 409.60	20 409.60

(1) Remuneration deriving from the general meeting of 02/08/2012 which backdated wages to 01/04/2012

FRAMEWORK OF BENEFITS 2012 – EXECUTIVE DIRECTORS

Board of Directors	Charmain BD Faria de Oliveira	Charmain EB José Matos	Deputy Charmain Nogueira Leite	Deputy Charmain Norberto Rosa	Member Rodolfo Lavrador	Member Nuno Fernandes Thomaz	Member João Nuno Palma	Member José Cabral dos Santos	Member Jorge Tomé (1)
									(EUR)
Other benefits and remuneration									
Annual expenditure on use of mobile communications	2 655.25	2 841.45	1 594.49	843.02	11 145.64	3 315.88	8 356.34	769.17	734.11
Annual meal allowance	910.20	2 575.20	2 786.10	2 752.80	1 764.90	2 486.40	2 397.60	2 097.90	466.20
Other (provide full details) (2)			123.30		677.80	747.70	562.80		61.60
Costs of social benefits									
Annual Social protection regime	20 879.80	95 155.08	26 733.84	77 546.35	37 860.52	20 288.67	38 731.76	28 822.14	6 549.70
Vehicles									
Annual instalments/payment of company vehicle	18 707.03	13 558.48	14 375.77	12 118.46	14 489.27	13 050.17	15 484.79	9 316.68	4 691.35
2012 last month payment for company vehicle Start year	1 050.85 Jun 2012	1 191.28 Nov 2011	1 259.11 Sep 2011	970.54 Jul 2012	1 155.52 Feb 2012	1 147.04 Dec 2011	1 013.42 Dec 2011	1 035.61 Dec 2011	1 560.00 Dec 2011
Annual fuel costs	5 221.12	2 090.23	6 531.76	1 896.88	2 678.77	4 092.29	2 657.43	3 092.02	486.06
Additional information									
Social protection regime									
Social security (y/n)	Yes	No	Yes	No	No	Yes	No	No	No
Other (please specify)		BdP Pension Fund/ /Soc. Security		BdP Pension Fund/ /Soc. Security	CGA Pension Fund		CGA Pension Fund	CGA Pension Fund	CGA Pension Fund
Paid functions outside Group	No	No	No	Yes (3)	No	No	No	No	No

(1) In office up to 29/02/2012
(2) Study grant.
(3) BPN director from 01/01/2012 to 29/03/2012.

BENEFITS TABLE 2012 – NON-EXECUTIVE DIRECTORS

Board of Directors	Charmain of the Audit Committee	Member Pedro Rebelo de Sousa	Member Álvaro Nascimento
			(EUR)
Other benefits and remuneration			
Expenditure on use of mobile communications	414.73		985.08
Additional information			
Social protection regime			
Social security (y/n)	Yes	Yes	Yes

04
COMPLIANCE WITH LEGAL GUIDELINES

|04. COMPLIANCE WITH LEGAL GUIDELINES

|04.1. COMPLIANCE WITH LEGAL GUIDELINES ON MANAGEMENT OBJECTIVES

The Portuguese state, as CGD's sole shareholder, has not established any management guidelines or objectives for 2012, as provided for in article 11 of Decree Law 300/2007 of 23 August.

|04.2. COMPLIANCE WITH THE LEGAL GUIDELINES ON THE SPECIAL DUTIES OF DISCLOSURE OF INFORMATION TO DGTF AND IGF

Caixa Geral de Depósitos complies with the special duties of disclosure of information to which it is subject under the terms of ministerial ruling 14277/2008 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).

|04.2.1. ACTIVITY PLANS AND ANNUAL BUDGETS

CGD has directly informed the Minister of Finance of its annual activity plans and budget.

|04.2.2. 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.

|04.2.3. QUARTERLY BUDGET PERFORMANCE REPORTS

The audit committee sent a quarterly report to the Ministry of Finance on the controls of anomalies and the main deviations from the forecasts identified under the dispositions of article 6, no. 2 of decree law 287/93 of 20 August.

|04.2.4. COPIES OF MINUTES OF SHAREHOLDERS' MEETINGS

On 28 May 2012, CGD 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 2011.

|04.3. COMPLIANCE WITH THE LEGAL GUIDELINES ON INFORMATION ON DELAYS IN PAYMENTS

CGD has a mandate agreement with Sogrupo Compras e Serviços Partilhados, Agrupamento Complementar de Empresas (SCSP), which includes, inter alia, the provision of services related with billing and the processing of payments for the supply of goods and services.

SCSP has implemented an invoice validation process which makes it possible to identify the existence of divergent situations regarding the completion and quality of the provision of the services, amounts incorrectly invoiced, invoices with missing information requested when awarding the contract, invoices with missing descriptions and incorrect VAT rates and amounts.

As a means of improving the efficiency of this invoice validation process and to reduce the number of discrepancies identified and the promotion of a strategy to reduce payment periods deriving from the referred to situations, several initiatives are currently in progress of which reference should be made to the optimisation of computerised invoice validation procedures and the request, in the letter awarding the contract, of a series of data which should be set out in the invoice in order to improve the processing thereof.

SCHEDULE OF STATUS OF PAYMENTS IN ARREARS AT 31/12/2012 UNDER DECREE LAW 65-A/2011 OF 17 MAY

Payments in arrears	0-90 days	90-120 days	120-240 days	240-360 days	> 360 days
Acquisitions of goods and services	7 778 718.0	160 036.0	2 144 355.0	448 608.4	490 412.0
Acquisitions of capital	567 465.0	55 293.0	56 037.0	24 371.0	122 599.0
Outstanding balance	8 346 183.0	215 329.0	2 200 392.0	472 979.4	613 011.0
Balance payable to suppliers (total)			**11 847 894.4**		

|04.4. COMPLIANCE WITH THE RECOMMENDATIONS OF THE SHAREHOLDER – ACTIONS TAKEN AND RESULTS ACHIEVED

The shareholder did not issue any additional recommendation at the time of the approval of the 2011 accounts.

|04.5. COMPLIANCE WITH LEGAL GUIDELINES ON REMUNERATION LEVELS

|04.5.1. STATUTORY BODIES

CGD is a fully state-owned corporation operating in the state's corporate sector with public limited liability status. Its share capital is therefore fully owned by the Portuguese state as its sole shareholder.

Members of CGD's management bodies are considered to be public managers and their remuneration is covered by the rules of the Public Manager Statute.

The remuneration of CGD's statutory bodies, in 2012, were fixed and paid in accordance with the Public Manager Statute, in which the following legal requirements were met:

- Article 29 of Law 64-B/2011 of 30 December on the non-payment of management bonuses;
- Article 12 of Law 12-A/2010 of 30 June on the 5% reductions in remuneration;
- Article 20 of Law 64-B/2011 of 30 December on the 10% reductions in remuneration;
- Article 21 of Law 64-B/2011 of 30 December, on the suspension of the 13th and 14th month payments.

CGD has complied in full with all legal requirements relating to the remuneration of its statutory bodies.

|04.5.2. WORKERS

CGD workers' remunerations, in 2012, were subject to the reductions provided for in article 20 of Law 64-B/2011, with the adaptations justified by its corporate status and duly authorised by an SETF ruling in an official communication of 13 January 2012.

As established in article 21 of the State Budget Law for 2012, Law 64-B/2011 of 30 December, workers' remunerations were also included in the suspension of the payment of the holiday and Christmas bonuses.

|04.6. COMPLIANCE WITH THE LEGAL GUIDELINES ON THE APPLICATION OF THE DISPOSITIONS OF ARTICLE 32 OF THE PUBLIC MANAGER STATUTE

Under no. 1 of article 32 of the Public Manager Statute, members of CGD's statutory bodies do not use credit cards or other payment instruments when paying for corporate expenses.

As regards no. 2 of the referred to article, there are no personal expense account items in CGD.

|04.7. COMPLIANCE WITH GUIDELINES ON PUBLIC CONTRACT STANDARDS

|04.7.1. APPLICATION OF 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 Sogrupo, 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 CGD Group shared services viewpoint, 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 on the acquisition of goods and services.

SCSP assesses the results achieved from the adopted procedures, both on behalf of the company and Group companies, by classifying the results in accordance with a set of pre-agreed assumptions, 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.

|04.7.2. ACTS PERFORMED AND CONTRACTS INVOLVING MORE THAN € 5 MILLION

CGD awarded the following contracts, involving an amount of more than € 5 million, in 2012:

- Companhia IBM Portuguesa, S.A. – contract already signed;
- Talaris Portugal, S.A. – at contract stage;
- Fujitsu Technology Solutions, Lda – at contract stage.

The IBM contract for the amount of € 522 639 300 (inclusive of VAT) is for the period 2012 to 2021 and was approved by the Accounts Tribunal in 2012.

The contracts with Talaris and Fujitsu Technology Solutions are at their preparation stage and shall be submitted for the advance approval of the Accounts Tribunal in 1st half 2013.

|04.8. COMPLIANCE WITH LEGAL GUIDELINES ON THE RATIONALISATION OF THE GOODS AND SERVICES PROCUREMENT POLICY

|04.8.1. NATIONAL PUBLIC PROCUREMENT SYSTEM

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, i.e. the Commercial Companies Code 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 Group member CGD, this entity's internal control system is used.

|04.8.2. STATE-OWNED VEHICLES FLEET

As part of its global cost reduction strategy, CGD has implemented a series of initiatives designed to rationalise the management of its vehicles fleet, particularly:

- An ongoing revision of the amounts of the annual instalments which, in 2012, translated into a reduction of more than 20% over the 2011 amounts allocated to vehicles;
- Rigorous vehicle control management and application of measures to rationalise expenses in this category by increasing the scope of the defined rules, standardising and applying limits on all CGD Group companies, in the domestic market;

- Greater control over the whole of vehicles' life cycles and reduction of the respective costs of use, based on the development of the fleet management component, by centralising contract and maintenance procedures within SCSP.

|04.9. COMPLIANCE WITH GUIDELINES ON THE PRINCIPLE OF EQUALITY OF GENDER

As established in Council of Ministers' Resolution 19/2012 of 23 February, CGD has diagnosed the situation regarding the situation of men and women in the company.

As regards equality of treatment and opportunities for men and women CGD has implemented human resources policies geared to:

- Good non-discriminatory practice;
- Effective conciliation between personal, family and professional lives, in a culture of solidarity, based on the adoption of sustainable practice as a family-friendly company;
- Integration of fundamental pillars, effective non-discriminatory practice, social responsibility and the defence of high ethical standards as part of an inclusive integration policy.

CGD scrupulously complies with principles of equality, both when recruiting its staff and in terms of their career advancement.

In terms of social responsibility, reference should also be made to the adoption of integrated policies, linking education, training and employment.

Support measures, in 2012, particularly included:

- Geographical and functional mobility based on a policy of joining up CGD's interests with its employees' personal and family interests;
- Extending of the period of assistance to families in the case of illness or accident, without loss of wages, in addition to the regulatory period in cases of exceptional social need;
- Support for motherhood with the provision of temporary parking spaces for pregnant and breastfeeding mothers in addition to the maintenance of and support for the breastfeeding project and planning consultancies for the preparation of births and medical consultations for newborns.
- Subsidies and support for specific treatment for children with special needs;
- Social subsidies for employees' children;
- Grants for employees' children in higher education, based on social considerations and merit;
- Protocols with special terms in the transport, insurance and nursery/kindergarten areas, homes and home support;
- Holiday camps, language courses and organised workshops in the school holidays.

|04.10. COMPLIANCE WITH THE GUIDELINES ON THE COST REDUCTION PLAN DEFINED FOR 2012

Under the terms of the methodology defined in the sphere of the cost reduction plan submitted to the Secretary of State for the Treasury and Finance, in the form of its letters 19/11-SGE of 26/01/2011 and 79/11-SGE of 26/05/2011, Caixa Geral de Depósitos achieved a 26.1% reduction of costs in 2012 over 2009, in comparison to an objective of 21.8% (15% over 2009 + 8% over 2011), as set out in the its official circular 82 of 6 January.

|04.11.
COMPLIANCE WITH GUIDELINES REGARDING THE REDUCTION IN THE NUMBER OF STAFF AND MANAGEMENT POSITIONS

CGD has been readjusting its staff complement in compliance with guidelines for the reduction of staff, having achieved a reduction of 3.8%, in 2012.

As regards management positions CGD has been adjusting its organisational structure to the new challenges facing banking activity and prepared the renewal of resources allocated to management functions, translating into an increase of 5.2%.

Unid: €

Designation	2010	2011	2012	
Employee costs	**568 739 376.53**	**512 102 647.25**	**469 915 650.00**	
Costs of statutory bodies	**2 678 632.85**	**2 345 310.83**	**1 858 175.94**	
Reductions deriving from changes in legislation	0	0	200 540.76	(1)(2)
Increases deriving from changes in legislation	0	0	0	
Costs incurred on managers, excluding statutory bodies	**33 272 239.72**	**33 011 827.34**	**27 565 722.62**	
Reductions deriving from changes in legislation			3 249 246.39	(1)
Increases deriving from changes in legislation				
Costs incurred on staff, excluding statutory bodies and managers	**532 788 503.96**	**476 745 509.08**	**440 491 751.44**	(3)
Reductions deriving from changes in legislation			40 907 022.83	(1)
Increases deriving from changes in legislation				
Rescissions/indemnities	**0**	**0**	**0**	

Designation	2010	2011	2012
Total HR (statutory bodies + managers + staff)	**10 791**	**10 572**	**10 400**
Statutory bodies (number)	**10**	**11**	**11**
Managerial, excluding statutory bodies (number)	261	275	274
Staff, excluding statutory bodies and managerial (number)	10 520	10 286	10 115

(1) Corresponding to non-payment of holiday and Christmas subsidies;
(2) CGD's state shareholder defined the remuneration payable to the company's statutory bodies for the current term of office, in the form of a unanimous resolution set out in writing of 26 August 2011, reflecting a cumulative 15% reduction of remuneration, resulting from the application of article12 of Law 12-A/2010 of 30 June (5%) and article19 of Law 55-A/2010 of 31 December (10%);
(3) This amount was calculated by subtraction and may include costs related with managers which cannot be itemised.

|04.12. TABLE SUMMARISING COMPLIANCE WITH LEGAL GUIDELINES

Compliance with Legal Guidelines	Compliance			Quantification	Justification
	Y	N	N.A.		
Management Objectives					
Management objective			X	Not applicable	
Special Information Disclosure Requirements					
Annual and pluriannual activity plans	X				
Annual budgets	X				
Annual and pluriannual investment plans and respective funding sources			X	Not applicable	
Quarterly budget performance reports, accompanied by inspectors' reports	X				
Copy of minutes of shareholders' meetings	X				
Payments in arrears					
Total payments in arrears at 31 December 2011				€ 11 847 894.40	See table in item 4.3.
Shareholder's Recommendations on the Approval of the Accounts					
Recommendation			X	Not applicable	
Remuneration					
Non payment of management bonuses under article 29 of Law 64-B/2011				Not applicable	See information in item 4.5.
Statutory bodies - reduction of remuneration under article 20 of Law 64-B/2011				Not applicable	
Statutory bodies - reduction of 5% under article 12 of Law 12-A/2010				Not applicable	
Statutory bodies - suspension of holiday and Christmas subsidies under article 21 of Law 64-B/2011				€ 200 540.76	
Other workers - reduction of remuneration under article 20 of Law 64-B/2011				Not applicable	
Other workers - suspension of holiday and Christmas subsidies under article 21 of Law 64-B/2011				€ 44 156 269.22	
Article 32 of PMS					
Use of credit cards				Not applicable	
Reimbursement of expense account items				Not applicable	
Public Contracts					
Public contract regulations				Not applicable	
Public contract regulations for subsidiary companies				Not applicable	
Contracts submitted for the advance approval of the audit court				1 contract for the amount of € 522 639 300.00	See information in item 4.7.2.
Membership of National Public Purchasing System					
% volume of acquisitions with SNCP involvement				Not applicable	
Vehicle Fleet					
Change in number of vehicles in use by the company in 2012				Reduction of 6 vehicles in 2011	

Compliance with Legal Guidelines	Compliance			Quantification	Justification
	Y	N	N.A.		
Principle of Gender Equality					
Measures adopted					See information in item 4.9.
Cost Reduction Plan					
Employee costs				-24.00%	
External supplies and services				-26.06%	
Reduction in Number of Managerial Posts					
No. staff members				-3.8%	See information in item 4.11.
No. managerial posts				5.20%	

EXCERPT FROM THE MINUTE OF THE ANNUAL SHAREHOLDERS' MEETING OF CAIXA GERAL DE DEPÓSITOS, S.A.

EXCERPT FROM THE MINUTE OF THE ANNUAL SHAREHOLDERS' MEETING OF CAIXA GERAL DE DEPÓSITOS, S.A.

The following text is an excerpt of no. 2/13 of the minute of CGD's general meeting of 31 May 2013, issuing a resolution on CGD, S.A.'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 2012, in due consideration of the emphasis of matter expressed in the consolidated audit certificate.

The meeting then went on to discuss item three on the agenda, concerning the proposal for appropriation of net income, in which the state representative voted in favour the proposal for the appropriation of net income submitted by 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 679 066 823.00, should be included in the "Other reserves and retained earnings" balance sheet heading.

Regarding the fourth item on the agenda, the State representative expressed a vote of confidence in the board of directors and in audit board.

Caixa Geral de Depositos

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Share Capital EUR: 5 150 000 000

CRCL and TAX Number: 500 960 046

Caixa Geral
de Depositos