



# **BOARD OF DIRECTOR´S REPORT**

## **CAIXA GERAL DE DEPÓSITOS**

### **1ST HALF 2012**

---

**[ This page has been intentionally left blank ]**

## INDEX

<b>BOARD OF DIRECTORS' REPORT 1<sup>ST</sup> HALF 2012</b>	<b>5</b>
1. ECONOMIC-FINANCIAL ENVIRONMENT	7
2. SUMMARY	9
3. RECAPITALISATION PLAN	12
4. EVOLUTION OF CGD GROUP	13
5. MAIN BUSINESS AREA DEVELOPMENTS	16
5.1. RETAIL BANKING – BRANCH OFFICE NETWORK IN PORTUGAL	16
5.2. SPECIALISED CREDIT	21
5.3. INTERNATIONAL AREA	23
5.4. INVESTMENT BANKING	36
5.5. ASSET MANAGEMENT	41
5.6. INSURANCE AND HEALTHCARE	45
6. FINANCIAL ANALYSIS	56
6.1. CONSOLIDATED OPERATIONS	56
6.1.1. RESULTS ANALYSIS	56
6.1.2. BALANCE SHEET ANALYSIS	60
6.1.3. CAPITAL MANAGEMENT	71
6.1.4. GROUP RATING	73
6.2. SEPARATE ACTIVITY	75
6.2.1. RESULTS	75
6.2.2. EVOLUTION OF BALANCE SHEET	76
6.2.3. CAPITAL MANAGEMENT	77
7. MAIN RISKS AND UNCERTAINTIES IN 2ND HALF 2012	78
8. SUBSEQUENT EVENTS	80
9. CONCLUDING REMARKS	81
10. DECLARATION OF CONFORMITY OF THE PRESENTATION OF FINANCIAL INFORMATION	82
11. STATEMENT ON THE AUDITING OF THE ACCOUNTS	83
12. BONDS HELD BY MEMBERS OF THE BOARD OF DIRECTORS	84
13. INFORMATION ON CGD SHAREHOLDERS	85
14. SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS	87
BALANCE SHEET (SEPARATE)	88
INCOME STATEMENT (SEPARATE)	89
STATEMENT OF COMPREHENSIVE INCOME (SEPARATE)	90
CASH FLOW STATEMENTS (SEPARATE)	91
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (SEPARATE)	92
CONSOLIDATED BALANCE SHEET	93
CONSOLIDATED INCOME STATEMENTS	94
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	95
CONSOLIDATED CASH FLOW STATEMENTS	96
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	97
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>99</b>
15. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	100
1. INTRODUCTORY NOTE	100
2. ACCOUNTING POLICIES	101
3. GROUP COMPANIES AND TRANSACTIONS DURING THE PERIOD	134
4. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS	138
5. CASH BALANCES AT OTHER CREDIT INSTITUTIONS	139
6. LOANS AND ADVANCES TO CREDIT INSTITUTIONS	140
7. FINANCIAL ASSETS HELD FOR TRADING AND OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	142
8. AVAILABLE-FOR-SALE FINANCIAL ASSETS	144
9. FINANCIAL ASSETS WITH REPURCHASE AGREEMENT	151
10. UNIT-LINKED PRODUCTS	152
11. DERIVATIVES	153
12. HELD TO MATURITY INVESTMENTS	153
13. LOANS AND ADVANCES TO CUSTOMERS	153
14. NON-CURRENT ASSETS HELD FOR SALE	161
15. INVESTMENT PROPERTY	163
16. INCOME TAX	164
17. TECHNICAL PROVISIONS FOR OUTWARDS REINSURANCE	169
18. OTHER ASSETS	170
19. RESOURCES OF CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS	173
20. CUSTOMER RESOURCES	174
21. DEBT SECURITIES	175
22. PROVISIONS AND CONTINGENT LIABILITIES	180

23. TECHNICAL PROVISION FOR INSURANCE CONTRACTS	185
24. OTHER SUBORDINATED LIABILITIES	186
25. OTHER LIABILITIES	192
26. CAPITAL	193
27. RESERVES, RETAINED EARNINGS AND NET INCOME FOR PERIOD	194
28. NON-CONTROLLING INTERESTS	197
29. INTEREST AND SIMILAR INCOME AND COSTS	199
30. INCOME FROM EQUITY INSTRUMENTS	200
31. INCOME AND COSTS FROM SERVICES AND COMMISSIONS	201
32. RESULTS FROM FINANCIAL OPERATIONS	202
33. OTHER NET OPERATING INCOME	204
34. TECHNICAL MARGIN ON INSURANCE OPERATIONS	205
35. STAFF COSTS	208
36. OTHER ADMINISTRATIVE COSTS	209
37. ASSET IMPAIRMENT	210
38. SEGMENT REPORTING	211
39. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS	215
40. NOTE ADDED FOR TRANSLATION	231
<b>16. EBA REPORTS</b>	<b>232</b>

# BOARD OF DIRECTORS' REPORT 1<sup>ST</sup> HALF 2012

---

**[This page has been intentionally left blank]**

## 1. ECONOMIC-FINANCIAL ENVIRONMENT

The world economy continued to expand, in first half 2012, albeit displaying signs of an intensification of cooling levels. Special reference should be made to the developed economies, notably the European bloc, in addition to the uncertainties of businesspeople and consumers.

Such uncertainties particularly derived from heightening tensions in the old continent's sovereign debt market. Contributory factors ranged from the restructuring process on Greek public debt to the political impasse in Greece itself.

Rating downgrades on public debt by several of the main rating agencies once again contributed towards a deterioration of investors' confidence in the financial stability and solvency of several Economic and Monetary Union (EMU) countries, particularly Spain. The major funding requirements of Spain's economy and negative growth rate spilled over to other countries in a similar situation, notably Italy. In both cases, such fears were clearly visible in the increase in the respective implicit interest rates which, in the former case, reached their highest levels since EMU came into effect.

Heightening uncertainties over the debt crisis and signs of an economic slowdown led to new measures from the responsible authorities, with the aim of improving agents' confidence levels. Such measures included, inter alia, a decision to increase the bailout funds' intervention capacity, based on an agreement entered into between the EU and the Spanish government, to enable the recapitalisation of the banking sector. At the end of the half year, in the sphere of the European Council, Brussels, an increase in the flexibility of the use of these bailout funds and reactivation of the growth pact, whose most important measures included permission for a European Investment Bank capital increase, were approved.

The growing uncertainty over the international economic environment is explained not only by deceleration in the developed economies but also a slowdown in emerging and developing economies, notably China and Brazil. The level of concern over the cooling of activity in this bloc was clearly visible in the reductions of key interest rates. In China and India, the central banks announced the first reduction of such rates since December 2008 and March 2009, respectively, whereas, in Brazil, the monetary authority set the rate at a new historical low.

In the developed bloc and particularly in the US, the Fed admitted that the level of economic upturn had been very modest and expanded its treasury bonds programme at the end of the half year. In Europe, the ECB, which, at the start of the year had organised its second auction for bonds with a maturity of 3 years, recognised the existence of more negative risks to growth, having authorised a broadening of the range of assets eligible as collateral from seven central banks, including the Bank of Portugal. In Europe, the central banks of Denmark,

Sweden and Norway also announced reductions to their respective key interest rates whereas, in Japan, the monetary authority expanded the size of its assets purchasing programme on two occasions.

Notwithstanding an environment of high risk aversion, deriving from fears of an economic slowdown and uncertainty over the future of EMU which, in encouraging investors to increase their positions in safer assets helped to maintain a low interest rate environment, periods of an easing of such fears, with a favourable impact on higher risk assets were also witnessed, particularly in the first half of the year.

The deterioration of sentiment and the economic environment with regard to EMU over the course of the half year, in conjunction with the ECB's decision to reduce key interest rates on two occasions at the end of 2011, led to a fall in Euribor rates. This was more marked in the first three months of the year, with successive minimum lows having been reached over the different maturities.

The single currency reflected the deterioration of the economic environment and the ECB's performance, in registering a second consecutive half of depreciation against the US dollar. In such a context, the euro depreciated in value by 2.3%, following its depreciation of 10.6% in the preceding half, having, in May, recorded its lowest price since June 2010, at \$1.236. The doubts and uncertainties deriving from the sovereign debt crisis in Europe, fuelling fears over EMU's long term viability also contributed in equal measure to this performance.

After having peaked, at the end of the first quarter, at its highest level since May 2008 in the US and February 2011, in Europe, the share market was affected by substantial adjustments which, in the second case, albeit temporarily, cancelled out the gains made since the start of the year. The recovery, starting at the end of the half year, allowed gains of 8.3% and 2.7% to be made respectively. In the case of the countries on the periphery of Europe, with the exception of Ireland, share indices closed the half year with major losses of as much as 20% in the case of Spain. Whereas Germany's DAX closed the half year with gains of 8.8%, in line with US figures, the Portuguese PSI20 was down 14.5%.



## 2. SUMMARY

In terms of Caixa Geral de Depósitos Group's 1st half 2012 performance, reference should be made to the significant improvement of its own funds, liquidity and efficiency, in an environment strongly penalised by the recessive situation and its consequent impact on provisioning and impairment.

### Consolidated Operations at 30 June 2012 Summary of Principal Indicators

(EUR million)

	Jun/2011 (*)	Dec/2011 (*)	Jun/2012	Change Jun/12 - Jun/11	Change Jun/12 - Dec/11
<b>Results :</b>					
Net interest income	802.0		719.7	-10.3%	
Net interest income including income from equity instruments	918.1		800.2	-12.8%	
Commissions (net)	247.9		257.7	3.9%	
Non-interest income	364.3		570.9	56.7%	
Technical margin on insurance operations	211.0		247.9	17.5%	
Net operating income from banking and insurance operations	1 493.4		1 619.0	8.4%	
Operating costs	858.6		826.7	-3.7%	
Gross operating income	634.8		792.4	24.8%	
Income before tax and non-controlling interest	211.7		64.2	-69.7%	
Net income for period	91.4		-12.7	-113.9%	
<b>Balance sheet:</b>					
Net assets	123 772	120 642	117 694	-4.9%	-2.4%
Cash and loans and advances to credit institutions	6 322	8 648	5 801	-8.2%	-32.9%
Securities investments	26 921	24 398	25 380	-5.7%	4.0%
Loans and advances to customers (net)	82 394	78 248	77 519	-5.9%	-0.9%
Loans and advances to customers (gross)	85 295	81 631	81 367	-4.6%	-0.3%
Central banks' and credit institutions' resources	13 296	15 860	14 017	5.4%	-11.6%
Customer resources	71 031	70 587	70 394	-0.9%	-0.3%
Debt securities	17 815	14 923	11 150	-37.4%	-25.3%
Technical provisions for insurance operations	5 440	4 611	4 363	-19.8%	-5.4%
Shareholders' equity	6 799	5 324	6 839	0.6%	28.5%
<b>Resources taken from customers</b>	87 478	86 041	86 468	-1.2%	0.5%
<b>Profit and efficiency ratios:</b>					
Gross return on equity - ROE (1) (2)	5.75%	-8.13%	2.18%		
Net return on equity - ROE (1)	3.54%	-6.40%	0.23%		
Gross return on assets - ROA (1) (2)	0.34%	-0.44%	0.11%		
Net return on assets - ROA (1)	0.21%	-0.35%	0.01%		
Cost-to-income (consolidated) (2)	57.4%	60.8%	51.0%		
Cost-to-income (separate) (2)	53.8%	55.7%	45.5%		
Cost-to-income (banking activity) (2)	55.1%	60.7%	49.8%		
Employee costs / Net operating income (2)	31.4%	32.1%	27.4%		
Operating costs / Average net assets	1.38%	1.44%	1.37%		
Net operating income / Average net assets (2)	2.40%	2.36%	2.70%		
<b>Credit quality and cover levels:</b>					
Overdue credit / Total credit	3.4%	3.9%	5.4%		
Credit more than 90 days overdue / Total credit	3.0%	3.6%	4.6%		
Non-performing credit / Total credit (2)	3.6%	4.3%	5.7%		
Non-performing credit (net) / Total credit (net) (2)	0.2%	0.2%	1.0%		
Credit at risk / Total credit (2)	5.3%	6.9%	8.7%		
Credit at risk (net) / Total credit (net) (2)	2.0%	2.9%	4.2%		
Overdue credit cover	98.8%	105.0%	87.5%		
Credit more than 90 days overdue cover	112.4%	116.5%	103.3%		
Credit at risk cover (2)	64.0%	59.8%	53.9%		
Credit impairment (P&LA) / Loans and advances to customers (average balance)	0.84%	0.97%	1.16%		
<b>Structure ratios:</b>					
Loans and advances to customers (net) / Net assets	66.6%	64.9%	65.9%		
Loans and advances to customers (net) / Customer deposits (2)	128.2%	122.2%	120.4%		
<b>Solvency ratios:</b>					
Solvency (2)	11.5%	11.6%	13.8%		
Tier 1 (2)	8.6%	9.0%	11.3%		
Core Tier 1 (2)	8.4%	9.5%	11.7%		
Core Tier 1 (EBA)			9.6%		

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

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

(\*) Pro forma accounts, considering the figures involving Caixa Seguros e Saúde, SA's healthcare area as a non-current asset held for sale

- Caixa Geral de Depósitos Group earned income of EUR 64.2 million, before tax and non-controlling interests, in first half 2012 (EUR 211.7 million in the same period of the preceding year) notwithstanding the adverse economic and financial conditions, which required a global amount of EUR 728.9 million in provisions and impairment to be registered as a cost for the half year.

After EUR 57.3 million in tax, of which EUR 14.9 million comprised the extraordinary banking sector contribution, consolidated net results for the half year were EUR 6.9 million (against EUR 130.3 million in the same period 2011), pursuant to which, after distributions for non-controlling interests, the net results attributable to CGD's shareholder were a negative EUR 12.7 million (in comparison to positive net results of EUR 91.4 million in 1st half 2011).

- The group increased its shareholders' equity in 1st half 2012 by EUR 1 515 million (+28.5%) to EUR 6 839 million at the end of June, owing to its EUR 750 million increase in share capital under the financial component of CGD's Recapitalisation Plan, last June and an improvement of fair value reserves.

The referred to plan also included the issue of EUR 900 million in debt instruments eligible as Core Tier 1 own funds, pursuant to which the Core Tier I ratio on a consolidated basis, including retained earnings, was increased by 9.5% in December 2011 to 11.7% at the end of June, in accordance with Bank of Portugal regulations. The ratio, as defined by the European Banking Authority (EBA), was 9.6% in June 2012. Domestic and European regulatory requirements on own funds were therefore fulfilled and surpassed.

- There was a significant 24.8% increase of EUR 157.6 million in **gross operating income**, over first half 2011 to EUR 792.4 million owing to an expressive 8.4% increase of EUR 125.7 million in net operating income from banking and insurance operations, in conjunction with a 3.7% decrease in operating costs.
- Net interest income was down 10.3% by EUR 82.4 million over the first half of the preceding year to EUR 719.7 million.
- Income from commissions (net) was up 3.9% by EUR 9.8 million over the same period 2011 to EUR 257.7 million.
- Income from financial operations was up EUR 204.7 million over the first six months of the preceding year to EUR 255.9 million.
- Operating costs, down 3.7% by EUR 31.9 million to EUR 826.7 million, over 1st half 2011, particularly derived from employee costs related to CGD Portugal's activity which were down 11.8% by EUR 30.3 million. This evolution greatly improved efficiency ratios, particularly cost-to-income which was down 9.8 percentage points from 60.8% in December 2011 to 51.0% in the case of CGD Group and from 55.7% to 45.5% in terms of CGD's individual operations.
- Provisions for the half year totalled EUR 728.9 million of which EUR 483.3 million in respect of credit impairment and EUR 245.6 million in respect of provisions and impairment on other assets (net).

- CGD Group's net assets were down 4.9% over the preceding year to EUR 117.7 billion at the end of June 2012. Contributory factors were the 5.9% reduction of EUR 4.9 billion in loans and advances to customers and 6.1% reduction of EUR 1.7 billion in securities investments (including assets with repo agreements), reflecting CGD's deleveraging strategy on non-strategic assets.
- There was a highly favourable increase in deposits in the individual customers' segment on the branch office network in Portugal by EUR 2 374 million (up 5.7% in year-on-year terms) which comprises the most stable funding base. The total customer deposits balance was EUR 64.4 billion.
- Loans and advances to customers (gross), excluding repo operations, totalled EUR 81.3 billion at the end of June, down 1.5% over the end of December (on a comparable basis). In the case of operations in Portugal, loans and advances to companies increased by EUR 33 million in first half 2012, as opposed to lending to general government and individual customers that was down 3.3% and 2.0%, respectively.
- The loans-to-deposits ratio, measured by net credit to customer deposits was 120.4%, in comparison to an end of June 2011 ratio of 128.2%, having achieved the reference ratio recommended for Portuguese banks by 2014 under the Economic and Financial Assistance Programme (120%).
- CGD's funding from the ECB was EUR 9 billion at the end of June, identical to last December's figure.
- CGD assets eligible as collateral with the ECB, at EUR 14.0 billion, kept pace with the end of 2011 figure of EUR 14.4 billion.
- The credit overdue for more than 90 days ratio was 4.6% with a cover ratio of 103.3%, against 3.6% and 116.5%, respectively at the end of December. The credit at risk ratio increased from 6.9% at the end of 2011 to 8.7%.
- Caixa Seguros e Saúde, SGPS, consolidated its lead of the domestic insurance market maintaining its prime position with a global market share of 28.5%. Caixa Seguros e Saúde's consolidated net results (CGD GAAP), for the first half 2012, at EUR 36.6 million, relatively unchanged from first half 2011.

### 3. RECAPITALISATION PLAN

To comply with the goals defined in the Economic and Financial Assistance Plan and the requirements of the European Banking Authority (EBA) regarding Core Tier 1 capital ratio objectives, the Portuguese state, as CGD's sole shareholder, approved the bank's recapitalisation plan for a total amount of EUR 1 650 million, in a unanimous written resolution of 27 June 2012, comprising:

1. An increase of EUR 750 million in CGD's share capital, through the issue of 150 million new nominative shares with a unit value of EUR 5, subscribed for, at par, by its sole shareholder;
2. An issue of hybrid financial instruments, eligible as Core Tier 1 own funds for a global amount of EUR 900 million, fully subscribed for by the Portuguese state.

The referred to unanimous written resolution also approved capital increases contingent upon the occurrence of one of the conversion events of the referred to hybrid financial instruments, into capital.

The shareholder's financial settlement of the operations referred to in items 1 and 2 took place on 29 June 2012.

The Core Tier I ratio, on a consolidated basis, including retained earnings, therefore increased from the 9.5% recorded in December 2011 to 11.7% in June 2012, in conformity with the Bank of Portugal's rules and 9.6%, under EBA terms in comparison to the EBA's minimum requirement of 9% by 30 June 2012 and the 10% defined by the Portuguese authority by 31 December 2012.

#### 4. EVOLUTION OF CGD GROUP

CGD Group's activity, in first half 2012, in compliance with its strategic guidelines with the objective of redirecting CGD to banking activity and gradually reducing its exposure to other activities/sectors, comprised a continuity of its banking activity consolidation outside the European area.

After around two years of negotiations, CGD Group, via CGD - Participações em Instituições Financeiras, Lta. ("CGD PINF"), a Brazilian company, jointly owned on a fifty-fifty basis by CaixaBI and Banco Caixa Geral-Brasil, signed the definitive agreements for an equity investment in Banif Corretora de Valores e Câmbio, S.A. ("Banif CVC") which, in the meantime, had been renamed CGD Investimentos Corretora de Valores e Câmbio, S.A. ("CGD Securities").

The acquisition process began in March 2012, with the purchase of 70% of the brokerage company's shares and was completed in June 2012 with the buy order for the remaining 30%, provided for in the agreement.

The operation was designed to promote the group's investment banking activities in the Brazilian market.

In April, the shareholders of Banco Comercial e de Investimentos (BCI), in which CGD Group has a 51% stake, approved an increase in the bank's share capital in the form of an incorporation of reserves from 1 900 million to 3 000 million meticaís. The increase was designed to strengthen the bank's image of financial strength in addition to demonstrating its shareholders' commitment to the development of Mozambique's economy.

In May, Mercantile successfully completed a repo operation on the shares of non-controlling interests, following which transaction the bank's shares ceased to be listed in the Johannesburg stock exchange. Mercantile thus became a direct and indirect wholly owned CGD subsidiary.

As regards listed financial investments, reference should be made to CGD's sale of all of its Cimpor shares in the Intercement take-over bid. As the decision to dispose of the shares was followed by all CGD Group portfolios, the group therefore no longer has any voting rights in Cimpor.

On 12 June, CGD disposed of 33 181 144 ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. shares in an OTC transaction for 10.735 % of ZON's share capital to Jadeium B.V., a company headquartered in Amsterdam. The shares were physically and financially liquidated on 2 July this year.

As regards the insurance area, reference should be made to the merger, on 31 May last, between the Companhia de Seguros Fidelidade-Mundial, S.A. and Império Bonança-Companhia de Seguros, S.A. insurance companies, the latter of which was incorporated into the former. At the same time, Companhia de Seguros Fidelidade-Mundial, S.A. changed its name to Fidelidade-Companhia de Seguros, S.A. and increased its share capital from EUR 400 million to EUR 520 million as an effect of the merger.

Given the need to increase the shareholders' equity of Fidelidade-Companhia de Seguros, its shareholder, Caixa Seguros e Saúde, decided to increase its share capital by EUR 85 million to EUR 605 million, at the start of June. The increase was fully paid up by CGD, as Caixa Seguros e Saúde dispensed with its right of preference. As a consequence of this operation, CGD now owns 14% of Fidelidade-Companhia de Seguros's share capital with Caixa Seguros e Saúde having reduced the size of its investment to 86%.

At the end of June, CGD, with the objective of increasing Caixa Seguros e Saúde, SGPS, SA's shareholders' equity, increased the company's share capital by EUR 351.5 million from EUR 448.4 million to EUR 799.9 million.

### Branch Office Network

CGD Group had a network of 1 357 branch offices, at the end of June 2012, of which 857 on domestic territory.

NUMBER OF GROUP BRANCH OFFICES	Dec. 2011	Jun. 2012
CGD (Portugal)	859	857
Branch Office network	821	821
Corporate offices	38	36
Caixa - Banco de Investimento (Lisbon + Madrid)	2	2
France Branch	46	46
Banco Caixa Geral (Spain)	209	209
Banco Nacional Ultramarino (Macau)	14	14
Banco Comercial e de Investimentos (Mozambique)	120	127
Banco Nacional de Investimentos (Mozambique)	1	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 Brasil	2	2
Banco Caixa Geral Totta de Angola	24	25
Other CGD Group branches	16	16
Macau Offshore branch	1	1
<b>Total</b>	<b>1 351</b>	<b>1 357</b>
<b>Representative offices</b>	<b>11</b>	<b>11</b>

The number of branch offices abroad, in first half 2012, increased from 492 to 500 branches, reflecting the expansion of international operations. Reference should be made to the opening of 7 Banco Comercial e de Investimentos (BCI) branches, in Mozambique, to a total number of 127 branches and the opening of a new Banco Caixa Geral Totta de Angola (BCGTA) branch in Angola.

### Human Resources

CGD Group had 23 178 employees at the end of first half 2011, of whom 9 495 were engaged on banking activities (CGD Portugal).

	Jun 2011	Dec 2011	Jun 2012
Banking operations (CGD Portugal)	9 808	9 509	9 495
Other	13 627	13 696	13 683
<b>Total</b>	<b>23 435</b>	<b>23 205</b>	<b>23 178</b>

In comparison to June 2011, there was a reduction of 313 employees in banking activity in CGD (Portugal) and 244 employees in the insurance and healthcare area. In turn, the strengthening of CGD Group's presence in the international area, led to an increase of 346 employees in the banking activity abroad, notably in Banco Comercial e de Investimentos (Mozambique) and Banco Caixa Geral Totta Angola, with more 274 and 46 employees, respectively.



## 5. MAIN BUSINESS AREA DEVELOPMENTS

### 5.1. RETAIL BANKING – BRANCH OFFICE NETWORK IN PORTUGAL

First half 2012 witnessed the continuation of a particularly challenging macroeconomic environment and its impact on short term results. Retail banking activity, in Portugal, nevertheless, continued to centre its development on strategic long term pillars, particularly focusing on strengthening support to economic activity, companies, households and savings.

Reference should be made to customer satisfaction and quality of service indices which achieved their best ever results this half since the programmes were launched, reflecting the customer-centric commitment of commercial staff and all Caixa structures.

**CGD had a physical network** of 821 branches and 36 Caixa Empresas corporate offices, comprising 857 sales outlets, at the end of June 2012. During the course of the 1st half, the branches benefited from **interventions designed to improve CGD's dynamic commercial approach and level of customer service**, namely:

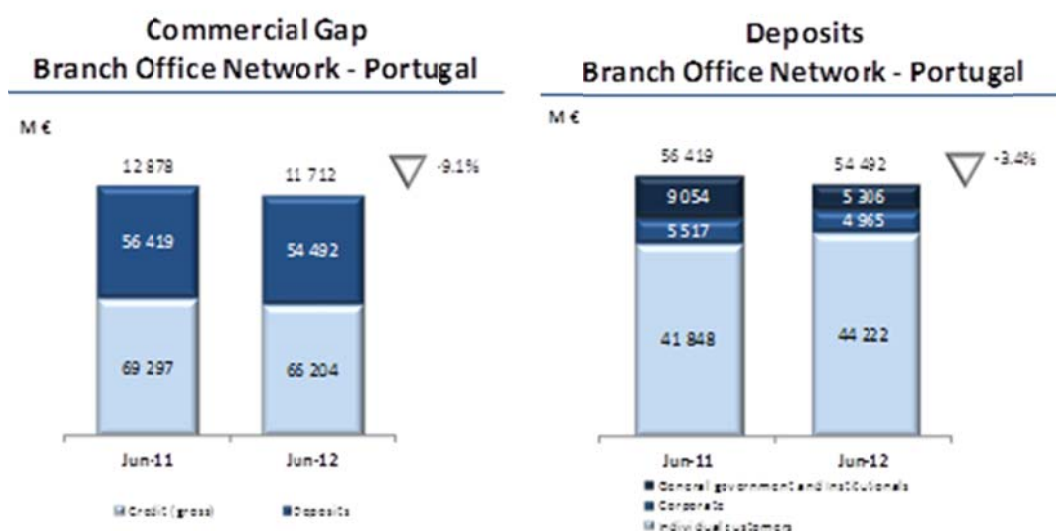
- Consolidation of the new **customer service model** at 665 branches, up 22 over the end of 2011.
- Expansion of the **Caixazul** service to 6 new specialised areas. The service is currently available at 567 branches with 993 specialised account managers.
- Existence of the **Caixa Empresas** service
- Strengthening of the **Caixa Mais** service at 82 branches by a new customer at 748 branches (up 5 over December 2011), with 237 specialised account managers (up 16 over June last).care/service model. This personalised advisory and management service for individual customers, considered to have future business potential but who are not eligible for the **Caixazul** service, is provided by 990 commercial assistants (up 225 over June 2011) at 661 sales outlets.
- Strengthening of multichannel relational management which is now available for all individual customers.
- Existence of an automated queue management facility at 309 sales outlets.

End June witnessed a year-on-year reduction of the branch office network “gap” owing to the fact that the decrease of credit was higher than that of total deposits.

The year-on-year gap in the branch office network was smaller owing to the fact that the decrease in credit was higher than that of total deposits.

Total deposits in the branch office network, notwithstanding year-on-year growth of 5.7% in the individual customers' segment, were down 3.4% as a whole to EUR 54 492 million, fuelled by falls of 41.4% relating to general government and 10% in the case of companies.





### Individual Customers

The **Caixazul** service is the customer care model adopted for CRM purposes for individual **premium** customers of greater interest to the bank. This is a personalised customer-centric financial advisory service with specialised account managers available either in exclusive customer care/service areas at Caixa branches or remotely by telephone and internet (online managers). This service provides customers with convenience, time-saving solutions, based on personal attention and the availability of managers (even remotely), rigorous, high quality financial support and preferred access to Caixazul and other financial products on special terms.

This service model was further consolidated in first half 2012 via an **improved level of commercial relationship** and **adequacy and sophistication of supply** essentially comprising adaptations of the availability of Caixazul's exclusive online deposits, **brand enhancement and quality of service improvements**.

The Caixazul customer care/service model was operational at 580 branches, at the end of June 2012, provided by 993 specialised account managers (964 of whom online) benefiting around 8% of Caixa's individual customers.

CGD provides its **Caixa Mais** service to **mass market segment** customers. This personalised advisory/management service for individual customers, considered to have business evolution potential (but who are not eligible for the Caixazul service) is provided by Caixa Mais commercial assistants who tailor the bank's solutions to each customer in his/her portfolio.

The service was, once again, expanded, in 1st half 2012, at 104 branches (in 82 of which it was implemented for the first time) and enhanced by a further 104 Caixa Mais commercial assistants.

At the end of June, this service model, which has helped to significantly improve customer satisfaction levels, had already been implemented at **661 branches**, with a total number of **990 commercial assistants**. The Caixa Mais service is already operational at all very large and large branches, 96% of medium-sized branches and 75% of small branches, totalling more than **456 thousand customers**.

Turnover in the individual customers segment totalled EUR 87 015 million, down 0.9% year-on-year at the end of first half 2012. Deposits in this customer segment were up 1% and sales down 3.8%.

Individual customers' deposits on CGD's branch office network in Portugal were up 5.7% year-on-year to EUR 44 222 million at 30 June 2012.

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

Mortgage loans were down 3.4%, year-on-year, in portfolio value terms as a reflection of the market's maturity and the difficulties represented by the present economic-social context.

### Corporate

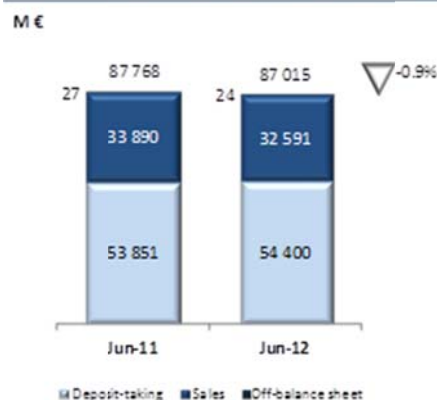
Caixa's value proposal, in 1st half 2012, was based on the **evolution of its range of products and services for companies** aligned with its **strategic domestic economy support strategy**. One of the priorities consisted of the creation of instruments to fund Portuguese companies, particularly support for internationalisation and increasing Portuguese exports, together with the promotion of new products as part of Caixa's **offer for entrepreneurial activities**. Caixa increased its market share of credit to companies by 0.4pp, in the 1st half (having increased its market share of lending to companies by 2 pp over the last 3 years).

Caixa's 1st half commercial operations were geared to the **growth of new customers** and expanding its **commercial relationships with companies**, based on its launch of several communicational campaigns and promotional initiatives and consolidation of its **Caixa Empresas** service model, based on personalised customer care and financial advisory services, notably:

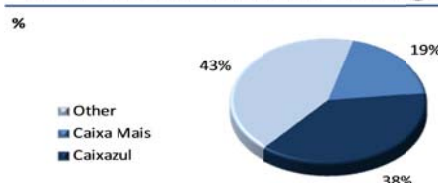
- SMEs, via its own network of 36 corporate offices and 122 specialised account managers,
- The self-employed and micro companies, comprising specialised areas housed at several branches with a team of 237 specialised account managers.

In furthering its commercial focus and support for the commercial structure of the branch and specialised corporate offices network, business leads focused on SMEs with "Leading" and "Excellence" status, exporting companies and sectors of activity replacing imported goods. To support all aspects of corporate activity, Caixa once again strengthened its commercially dynamic approach based on its allocation of financial limits (simplifying operations' contractual and approval procedures) for treasury support applications, commercial discounts, issue of bank guarantees, credit card limits and for acquisition of current equipment.

### Turnover - Individual Customers Branch Office Network - Portugal



### Turnover - Individual Customers Branch Office Network - Portugal



Reference should be made to Caixa's launch of its **Exporting Companies** line of credit designed to increase the flexibility of the treasury function of exporting companies or companies producing import replacement goods.

Caixa has issued the following range of investment support lines in its support for several sectors of economic activity by improving access conditions to corporate finance:

- *Linha PME Crescimento* ("SME Growth Line") – with a maximum funding level of EUR 2.5 billion, this line aims to stimulate job creation and economic growth, both through investment and exports. Caixa has lent more than EUR 155 million to Portuguese companies applying for this line of credit, increasing its market share by 1.4 pp in July, to 13%;
- *Linhas PME INVESTE* ("SME Invest Line") - Caixa has already released around EUR 3 billion through these long term lines of credit. **As part of its support strategy for exporting companies**, Caixa's market share in terms of its specific *PME Investe VI – Aditamento* ("SME Invest VI") export support line was 36% in terms of the amount of funding.

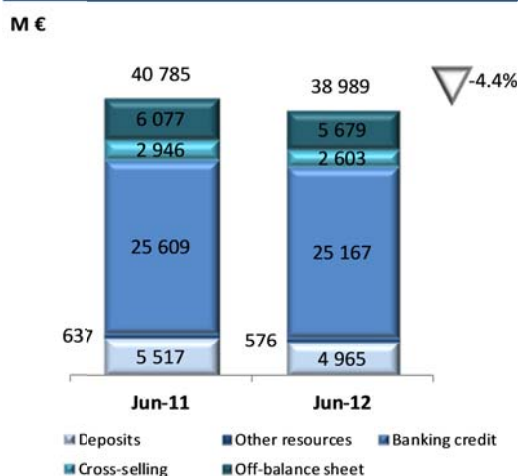
### Facts evidencing Caixa's role as the engine for the domestic economy

- **65% of SMES with "Leading" and "Excellence" status are Caixa customers**  
*Source: IAPMEI list cross-referenced with CGD's database*
- **20% of PME Investe ("SME Invest") lines, in 2011, were financed by Caixa**  
*Source: SGM*
- **89% of our corporate customers recommend us**  
*Source: SME customer satisfaction programme in partnership with Qmetrics*
- **1 out of 4 companies works with Caixa**  
*Source: DATA E corporate barometer 2010*
- **Caixa recorded the largest growth in lending for the domestic operations of companies and SMEs in 2011, out of the 5 largest banks**  
*Source: results published in the annual reports of the 5 largest banks, December 2011*
- **Caixa is the Portuguese bank with the largest international platform (4 continents, 23 countries) and is active in the main destinations for Portuguese exports.**

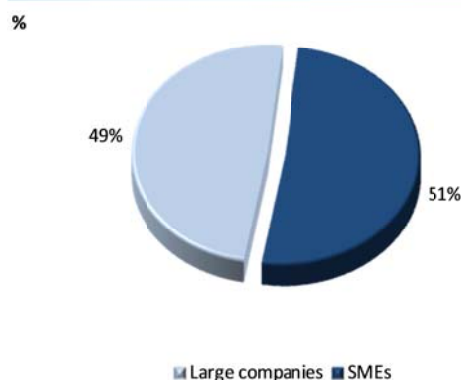
Year-on-year turnover of EUR 38 989 million recorded by the corporate segment at the end of first half 2012 was down by an across-the-board 4.4%, (deposits down 10%, sales down 2.8% and off-balance sheet accounts down 6.5%, over the same period 2011).

Year-on-year lending to companies, at the end of June 2012, was down 1.8% as a reflection of the current economic crisis in the eurozone and consequent contraction of the economy, particularly in the case of SMEs. Year-on-year lending to companies, at the end of June 2012, was down 1.8% as a reflection of the current economic crisis in the eurozone and consequent contraction of the economy, particularly in the case of SMEs.

### Turnover - Corporate Customers Branch Office Network - Portugal



### Corporate Customers - Credit portfolio Branch Office Network - Portugal



### Electronic channels

Caixa's self-service network of 4 892 terminals, at the end of the first half, performed 135.3 million operations comprising EUR 8 billion in movements, in the period, up 2.1% and down 0.9%, over first half 2011, respectively.

The private CAIXAUTOMÁTICA network, with 2 544 items of equipment, ATMs and equipment for updating bank passbook entries accounted for 68.3 million operations (up 1.8%) comprising EUR 4.4 billion in movements (down 1.7%). The Multibanco network managed by Caixa, with 2 348 ATMs, performed 67 million operations (up 2.4%), comprising a 0.2% increase of more than EUR 3.6 billion in movements over the same period 2011.

Caixa's acquiring operations, performed on its *netcaixa* service, which allows traders to accept electronic payments with national Multibanco and international VISA and MasterCard cards, grew 1.2% in volume and 3.6% in purchase operations over 1st half 2011, reflecting an approach based on negotiations with major customers, in various sectors of activity as well as the expansion of this service to online transactions through the marketing/promotion of virtual payment media.

On a level of **distance channels**, reference should be made to the production of a new platform upon which the operation of Caixadirecta's telephone, online, mobile and SMS services are based, guaranteeing uniformity and coherence of customer treatment, whatever the channel used and increasing the effectiveness of the development and launch of new functionalities and services.

In the **Caixadirecta** service area, the telephone channel remained stable with a slightly positive increase of 0.8% during the period on a contractual level at close to 1.5 million contracts. There were more than 1.6 million incoming calls, including informational and transactional operations. Outgoing traffic comprised around 1.3 million calls in which around 113 thousand customers were contacted.

Distance branches, geared to advisory/management service for strategic customers (university students, recent graduates and residents abroad) already provide for around 200 thousand customers.

The Caixadirecta online service, maintained its growth trend in the number of customers with an active online channel, up 12.5%, over the same period last year.

The use of **Caixa e-banking**, which is the internet banking service for corporate and institutional customers, grew 23%, measured by the number of operations, with a 9.9% growth in the number of active contracts.

## 5.2. SPECIALISED CREDIT

### Specialised Credit Sector

There was a 44.8% year-on-year decline in financial leasing operations owing to downturns of 38.0% and 47.4% in property and equipment leasing operations, respectively.

Factoring sector operations contracted 18.8%, notwithstanding its treasury support characteristics.

SECTOR SALES	Jun 2011	Jun 2012	Change (%)
(EUR million)			
Property leasing	370.8	230.1	-38.0%
Equipment leasing	958.1	503.7	-47.4%
Factoring	14 262.8	11 586.4	-18.8%

Source: ALF – Assoc. Portuguesa de Leasing, Factoring e Renting

### Caixa Leasing e Factoring

Caixa Leasing e Factoring, Instituição Financeira de Crédito, S. A. (CLF), represents CGD Group in the specialised credit sector, property and equipment leasing, factoring and consumer credit segments.

There was an across-the-board drop of new loans on all products, in the first half, with similar year-on-year rates of change in most of CLF's operating segments, i.e. down 59.6% in terms of property leasing, 59.9% in equipment leasing, 58.6% in factoring and 70.3% in consumer credit.

### CGD GROUP SALES

	Jun 2011	Jun 2012	Change
<i>(EUR million)</i>			
Property leasing	79.1	32.0	-59.6%
Equipment leasing	155.9	62.6	-59.9%
<b>Total leasing</b>	<b>235.0</b>	<b>94.6</b>	<b>-59.8%</b>
<b>Factoring</b>	<b>2 622.5</b>	<b>1 085.7</b>	<b>-58.6%</b>
<b>Consumer credit</b>	<b>8.1</b>	<b>2.4</b>	<b>-70.3%</b>
Of which:			
Vehicle finance <sup>(1)</sup>	55.4	17.3	-68.8%
Equipment leasing	50.2	15.5	-69.2%
Consumer credit	5.2	1.8	-64.5%

(1) Light vehicles

In terms of market position, the company came third in property leasing (second in June 2011), with a market share of 13.9% (21.3% in June 2011) having retained its lead of the equipment leasing market with a market share of 12.4% (17.2% in June 2011). CLF came fourth in the factoring sector ranking (second in June 2011), with a market share of 9.4% (18.2% in June 2011).

Caixa Leasing e Factoring's net assets were down 14.1%, owing to the 15.3% decline in its loans and advances to customers portfolio (net of provisions).

### KEY FINANCIAL INDICATORS

	Jun 2011	Jun 2012
<i>(EUR million)</i>		
Net assets	3 441.5	2 956.3
Loans and advances to customers	3 433.6	3 005.5
Provisions for overdue credit, bad debts and foreign loans (balances)	-91.3	-173.4
Shareholders' equity	139.0	99.4
Net income	0.6	-27.5
Share capital	10.0	10.0
<i>Group %</i>	<i>51%</i>	<i>51%</i>

Net interest income and net operating income grew 4.9% and 3.7%, respectively. Notwithstanding this positive evolution, the increase in provisions associated with defaults on loans and advances to customers explains the EUR 40.5 million increase in the "adjustment for amounts associated with credit (net of recoveries and cancellations)" account and consequent negative net income of EUR 27.5 million.

### 5.3. INTERNATIONAL AREA

The economic scenario, in Europe, in first half 2012, continued to reflect the “sovereign debt crisis” which spread out to other Southern European countries such as Spain and Italy. In the case of Spain an assistance programme for the Spanish banks is in progress. This is a sector which has shown itself to be extremely vulnerable and in no position, with its own resources, to provide for regulatory supervision demands and worsening funding conditions and the market’s loss of confidence.

Notwithstanding its self-financing capacity, Italy has also come under a high level of suspicion from financial agents and more recently the rating agencies, with an increased risk of global contagion.

There has, by way of contrast, been a visible level of recovery in Ireland, which also has a bailout package. There has also been a level of convergence (still not as linear as expected) towards the objectives established in the Financial Assistance Programme, in Portugal. Reference should, herein, be made to the sharp recovery of the external accounts, particularly based on growth of net exports and emigrants’ remittances.

A less positive development has been the performance of fiscal revenues which, as expected, reflects the slowdown in production, particularly in terms of domestic demand.

Most organisations’ projections for 2012 indicate a continuation of world economic slowdown, followed by slight recovery in 2013. Such evolution has a naturally negative effect on international trade and lower than expected growth levels in several emerging countries’ economies, which trends have been in evidence since 2011 and more markedly so during the first half of this year. The scenario, on this level, is also heterogeneous, with several of the “new economies” remaining highly dynamic.

In such a heterogeneous growth context, Caixa Geral de Depósitos’s presence, in 23 countries on 4 continents has been a mitigating factor on the current constraints on domestic activity which is clearly contracting. Caixa has a presence in those regions of the world which are currently displaying more dynamism and development potential. Caixa’s international network is therefore particularly based on its presence in CPLP (Portuguese Commonwealth) and other countries in Latin America as well as in China and the Maghreb. It also maintains important operations in countries with which Portugal continues to enjoy significant commercial relationships, has cultural or linguistic affinities or which play host to important communities of Portuguese origin. Of no less significance is Caixa’s presence in such important world financial markets as London and New York.

Caixa has progressively geared its operations to markets with the highest business potential for Portuguese companies and, as such, CGD Group itself, based both on its network of locally incorporated banks and its branch and representative offices. CGD Group has therefore continued to assist foreign trade and the internationalisation of Portuguese companies, particularly concentrating on the best SMEs, in its provision of a vast range of solutions in the form of an export support pack. CGD has employed this strategy to achieve its fundamental mission of supporting the recovery of the Portuguese economy and the best export-oriented SMEs, endeavouring to sustain and improve its own consolidated profitability.

Caixa Group’s key strategic thrusts in the international area continue to be the consolidation and development of positions in its operating markets, particularly the Africa, Brazil, Asia triangle.

Caixa Group endeavours to provide full export support packs, in its awareness of the fact that many SMEs, owing to the downturn of domestic demand, have embarked upon an internationalisation process but have



neither the resources nor expertise to enter new markets, particularly in higher growth economies with inefficient fiscal, customs and administrative systems.

The group's solutions also include corporate advisory services, provided by specialists in foreign markets and trade finance who cooperate closely with the domestic and foreign branch office network to provide detailed information on the specific characteristics of each of the relevant markets for the internationalisation of Portuguese companies by tailoring support for exports and investment, taking into account their customers' specific needs.

Caixa has continued to fulfil all of its commitments under its medium and long term concessional and commercial lines of export credit, making a particularly marked contribution to energising the exports sector and continuing to support its customers and promoting across-the-board economic growth.

Reference should also be made, in the first half, to informational actions designed to improve the skills of Portuguese companies in their internationalisation processes in Caixa Group's strategic markets. This was exemplified by the organisation of the "Internationalisation and Match-Making Meeting" between customers in CGD's Northern Individual Customers Division and France branch customers in the construction sector (Porto, June), as well as a series of business meetings and presentations designed to boost business with South Africa in which CGD has its own bank (Mercantile Bank).

Reference should also be made to CGD's presence at the following:

- Support for and participation at the Algiers International Fair (Algeria, May);
- Participation at the *Export2Brasil* seminar with the intervention of Caixa and Banco Caixa Geral, organised by the Portugal - Brazil Chamber of Commerce and Industry (Lisbon, July).

In terms of results, Caixa Group's first half performance in the international area clearly reflected the impending constraints on the economies of the different geographies in which CGD operates. Consolidated net income from the group's international operations was down over the preceding half year with losses of around EUR 11 million. This result reflects the unfavourable performance of the Iberian market, which the group considers to be a broader version of its home market, as the performance levels of other operations continued to be positive, converging in line with CGD Group's commitment to international business.

A decisive contribution to such negative evolution was made by a series of non-recurring factors, largely associated with impairment and provisions (net), totalling EUR 111.9 million. The performance of the gross operating income of subsidiaries and branches abroad, on a consolidated basis, continued to be highly positive, with a 20.7% year-on-year increase of EUR 25 million, in line with the trend already being recorded at the end of the quarter ended March to EUR 146.9 million in June 2012.

Particular mention should be made of the results achieved by several of CGD Group's main international activities which made a highly positive contribution to consolidated net income from international operations. They include BNU Macau, with net income of EUR 14.2 million, France branch with EUR 11.8 million and BCI in Mozambique or Mercantile Bank, in South Africa, with net profits of EUR 6.8 and EUR 6.0 million, respectively. Reference should also be made to the contribution of BCGTA in Angola, with net income of EUR 4.4 million.

In turn, loans and advances to customers, net of impairment, were up 2.7% over June 2011 to EUR 13.5 billion, partly constrained by deleveraging restrictions deriving from undertakings with the *Troika*. The large



international network has made a major contribution to the increase in resources taken and the group's lower level of reliance on ECB funding. There was also a highly significant increase in resource-taking with a positive change of 27.7% to EUR 13.0 billion. Consolidated net assets in the international area were up 5.7%, year-on-year, to EUR 19.7 billion.

CGD has a broad, geographically diversified international presence in different formats such as a direct presence, equity investments or management functions. Caixa Geral de Depósitos Group is currently present or represented by branch offices, subsidiaries, associated companies or representative offices on a vast network. In Europe, it has a presence in Spain, France, Luxembourg, Belgium, Germany, Switzerland and London; in the Americas, in New York, Canada, Brazil, Venezuela, Mexico and the Cayman Islands; in Africa, in Angola, Mozambique, Cape Verde, South Africa and São Tomé e Príncipe and lastly, in Asia, in China, with a presence in Macau, Zhuhai and Shanghai as well as in India and East Timor.

### **Angola**

Angola is a country with recognised business potential, given its fast paced economic development which is largely based on the wealth of its natural resources in the form of oil, natural gas, minerals and diamonds. Angola's economy has posted an average annual growth rate of 18% over the last few years essentially on account of its increased oil production and growth of non-oil mining sectors. The economic policies adopted by the Angolan government have been geared to reducing restrictions on the supply of goods and services, based on fiscal benefits and incentives for productive investment.

Banco Nacional de Angola (BNA) has endeavoured to implement a policy designed to reduce the importance of the dollar in its economy. Banking-related directives and guidelines particularly include the obligation to denominate 80% of the share capital of locally incorporated financial institutions in Angolan kwanzas, at the end of 2012. In 1st half 2012, BNA, through its Monetary Policy Committee, after assessing the evolution of the key macroeconomic indicators, development of the monetary and foreign exchange markets and outlook for the evolution of the economy, maintained its basic reference interest rate (BNA rate) at 10.25%, and the interest rates on its permanent lending and liquidity absorption facilities at 11.75%. The said committee has been reiterating its recommendation for economic agents to use LUIBOR as the base rate when negotiating interest rates on their lending operations, in addition to using the domestic currency for domestic market transactions.

The development of the consumer price index over the course of 2012, has been highly favourable and consentaneous with the 10% objective set for the year. In turn, the average reference exchange rate has displayed an appreciable level of stability. The Angolan authorities' commitment to exchange rate stability, exploiting the favourable evolution of international reserves, continues to be its trump card in terms of the management of inflationary expectations. Angola's reserves, in May, reached their apex of the last two years, in May, at 33 billion dollars – fuelled by increased oil production and high oil prices in international markets.

As one of its most recent international presences, CGD Group's main priorities are to develop its activity in Angola, which is still very much below the potential afforded by the country in light of growth forecasts, the continued commitment of Portuguese companies to exports and investment to this destination and, at the same time, the Angola's people's still very low level use of the banking system which offers excellent business opportunities. Such opportunities will, however, be managed in conformity with BCGTA's characteristics of adopting a highly prudent approach, as recognised by most of its customers, competitors and the authorities.

Banco Caixa Geral Totta de Angola continues to pay special attention to branch office network expansion with the objective of achieving a presence in all provinces and continuing to provide its customers with a better level of service, notably companies having a special impact on key sectors of the economy, such as oil and diamonds and directing its commercial endeavours, on a retail level, to such companies' workers.

The bank's dynamism is clearly visible in the evolution of its key balance sheet indicators, with net growth of 61.5% in loans and advances to customers and 24.6% in customer resources, in local currency, over June 2011.

### **Mozambique**

Mozambique's economic growth rate remained high, in 1st half 2012, with GDP expected to have maintained an annual rate of expansion of more than 7.0%, as observed over the last few years. Economic growth particularly derives from advances fuelled by foreign direct investment, particularly in the mining sector. The outlook for economic growth has been improving in line with the confirmation of expectations of the extraction of hydrocarbons and coal, reflected in the naturally growing interest of major foreign companies. In such a context, the State of Mozambique faces the important challenge of finding a balanced solution to promote domestic economic development, less reliance on foreign sources and consequent improvement in its people's living standards.

The Bank of Mozambique's monetary policy has translated into an expansion of credit to the private sector, always subject to close scrutiny as regards the evolution of inflation. Mozambique has experienced an overall downwards trend in general price levels, as was the case last year, having closed the first half of the year with an average inflation rate of 4.92%, over the last 12 months.

Mozambique's banking system continues to be dominated by 4 banks which, as a whole, account for around 85% of banking business. BCI continues to come in second place, with a market share of 29% for deposits, 32% for credit and 28% in terms of total asset volumes.

In line with the recent trend, the banking sector, facing a highly competitive environment, has undergone major changes with the implementation of aggressive deposit-taking policies and development of new financial products, investments in technological infrastructures, upgrading of ATMs and POS terminals and banking network expansion into rural zones. This scenario of an energised banking business sector is particularly explained by the potential growth of the country's economic activity in general and several regions in particular and consequent appearance of new players in the market.

BCI, in its permanent, paradigmatic quest for excellence has been implementing a strategic growth plan modelled on network expansion, upgrading of its infrastructures and segmentation of its customer base. The bank has continued to expand its branch office network, opening 7 new branches including a *Centro Exclusivo*. During the period in question, the bank has continued to enter into protocols with diverse entities as a new business promotion tool. This has resulted in the signing of 31 new agreements and continuity of others already in existence, particularly protocols with the National Social Security Institute, Eduardo Mondlane University and the Ministry of the Interior. The overall result consisted of the securing of 15.5 thousand new customers of whom a total of 9.4 thousand customers with wage accounts, 3 966 new loan operations and the issue of 1 422 credit cards. This and other initiatives, in first half 2012, fuelled significant growth of customer resources and net credit, corresponding, respectively, to changes of 47.4% and 29.6%, over the same period of the preceding month.

Last but by no means least, together with the most diverse awards, BCI was, awarded the "Best Regional Bank in Southern Africa" prize for the 1st time, by the African Banker Awards and was the only prize-winning Mozambique financial institution in this edition. African Banker Awards are the most prestigious distinction in the banking sector in Africa, as banks are chosen on the basis of their excellence and are nominated by a rigorous assessment process on applications, in which they are singled out on the excellence of their performance, in addition to the merit of their operating activities.

### Cape Verde

According to the economic indicators provided by the Central Bank of Cape Verde, the economy showed signs of a slowdown in 1st half 2012 owing to a drop in private consumption and investment. GDP growth in 2012, is expected to be in the region of 4.5% - 5%.

Cape Verde's economy is particularly vulnerable to the persistence of an environment of instability in international markets, as factors which promote its economic growth are essentially external and the country has to face enormous challenges, worsened by domestic constraints and its vulnerability to international evolutions and shocks. Cape Verde's main commercial partners, notably Portugal, are currently in recession.

The growth of Cape Verde's economy continues to rely heavily on tourism, whose expansion over the last few years has been backed by the increase in revenues from this sector of activity and growth of emigrants' remittances.

In turn, the challenges of the local economy are structural. They include unemployment and poverty, which are particularly expressive when analysed in a context of increasingly complex and aggressive international competition.

Fitch Rating awarded Cape Verde a B+ rating on its long term debt, having commended the good operation of its institutions and the country's good governance in promoting a stable macroeconomic environment.

#### Banco Comercial do Atlântico

The current economic environment has been reflected in the bank's commercial activity with a negative evolution of its net credit since the start of the year. Its commercial and lending policies remain focused on the recovery of overdue credit and its lending policies have become increasingly more stringent.

Confirming its commitment to retaining the loyalty of its current customers and in taking-in fresh resources, in the form of more proactive commercial policies which contribute towards improved knowledge, assistance to and potential relationships with customers, notwithstanding the deceleration of activity, deposits were up in first half 2012, in comparison to the same period of the preceding year.

In terms of its commercial promotion and range of products and services and considering the strategic importance of taking-in and retaining resources, BCA has taken several steps to expand and innovate in product/services terms of which special mention should be made of its "Poupança Extra II", its "BCA Poupança Conta DiNôis +" and "BCA Poupança Super Rendimento" deposits. Aware of the importance of relationships with customers resident abroad, BCA has improved the terms of its transfer facilities to Cape Verde (the country's Diaspora is more numerous than its resident population) having also developed campaigns and reception points for emigrants returning to the country on holiday.

#### Banco Interatlântico

Banco Interatlântico's first half 2012 performance may be considered in line with the market in taking-resources from customers and lending, which two account heading recorded a very slight increase over June 2011.

BI, in affording priority to the corporate segment, has continued to provide for corporate treasury requirements by contracting out the collection of funds from the main companies and hotels. To complement this strategy, the bank remains committed to its installation of POS terminals.

In solvency terms, the bank's June 2012 solvency ratio of 14.84% was well above the minimum requirement of 10%.

#### São Tomé e Príncipe

Banco Internacional de S. Tomé e Príncipe is the largest and oldest commercial bank, having benefited from monopoly status in the country up until the time of the revision of the banking law, in 2003. The government's endeavours to liberalise the financial sector translated into an expansion of the number of banks operating in the country to a total of 8 with the opening of the Banque Gabonaise et Française Internationale (BGFI), from neighbouring Gabon, on 28 March last.

Notwithstanding an increased level of competitive intensity, owing to a proactive approach, based on principles of strength and modernisation, BISTP has succeeded in maintaining its leading market position with a current market share of around 66% in deposits and 50% in lending.

The development of the financial sector recently translated into the coming into operation of the “Dobra 24” network which was launched in October 2011. The “Dobra 24” network is the new automatic payments system (in a country previously without any such facility) resulting from an investment made by nine partners - Banco Central de São Tomé e Príncipe (BCSTP), Companhia São-Tomense de Telecomunicações (CST) and seven commercial banks operating on the archipelago. BISTP is also the market leader with 11 out of the 15 ATMs in operation in the country. In October of this year it will begin to operate 200 POS terminals with other banks as a whole only expected to succeed in installing no more than 40 POS terminals at this stage. Reference should also be made to the fact that, in addition to several hotels, credit cards are only accepted by BISTP, in the form of a more than 10 years old partnership with Unicre of Portugal.

Over the last few years BISTP has performed major restructuring works, translating into the modernisation and expansion of its premises, reformulation of its operational flowchart and worker training. Such actions have enabled BISTP to increase its number of customers to a current total of around 38 thousand, in a country in which the population of working age is estimated to be in the region of 90 thousand. BISTP also has a network of 9 branches, 8 of which are located on the island of São Tomé and one on the island of Príncipe, the latter having been inaugurated on 2 March last. This branch, which is located on the academic campus of *Instituto Superior Politécnico (ISP)* is based on a protocol entered into between BISTP and ISP and translates not only the bank’s commitment to the university segment, in which it is a pioneer but also its permanent concern to exploit and leverage opportunities which the market still provides. Lastly, with the aim of housing the previously decentralised central divisions and services in a single building and adjusting the premises’ capacity to provide for the expansion of the number of employees engaged in the meantime, works for the construction of the bank’s new headquarters building, adjacent to its current premises and which will provide a desirable increase in internal synergies and productivity gains, are in progress. The works are scheduled for completion on 3 March 2013, on the occasion of the bank’s 20th birthday.

### South Africa

Since its formation as the “Bank of Lisbon”, in South Africa, in 1965, Mercantile Bank has gone through various stages. Its recapitalisation, in 2005, gave CGD 91.75% of the bank’s share capital, which was followed by a clearly successful recovery strategy. In June 2012, the bank acquired its non-controlling interests, gaining control of 100% of its share capital. Mercantile is positioned in the market as an institution belonging to a group with a strong international presence and solid experience in the South African market and with the Portuguese community resident in South Africa.

The bank is currently geared to various strategic, fundamental projects, such as revitalising its brand and promoting its distribution model. Its mission is to become an important player in the corporate banking market in coming years, particularly concentrating on Portuguese companies exporting to or investing in South Africa.

Mercantile Bank provides its corporate customers with a vast range of local and international products and services, focusing on the Portuguese market segment. The bank’s strategy includes a differentiated approach, based on personalised services and its capacity to formulate tailor made financial solutions.

The bank’s core business is in corporate and commercial banking although it also has an alliance banking area which provides cards and payment services to non-financial institutions aiming to or currently operating in the financial area. The bank also provides treasury services in the form of a vast range of forex products.

Reference should be made to the following activities in the period in question:

- A 74.9% stake in Custom Capital (Pty) Ltd, in April 2011. This company, with a highly interesting level of performance and significant asset growth, operates in the renting area.
- Sale of 51% of MultiRisk Investment Holdings (Pty) Ltd., an insurance broker now operating in a joint venture by agreement between both parties.

Mercantile Bank's performance has been highly satisfactory, notwithstanding harsh local and international market conditions, in 2011 and 2012.

### Brazil

The most recent growth forecasts for 2012 indicate a maximum rate of GDP growth of 2%, in spite of the Brazilian government's monetary and fiscal stimuli which have focused on credit expansion and incentivising consumption. The government has also been active in terms of exchange rate operations designed to contain the appreciation of the Brazilian *real* and improve the country's economic, especially industrial competitiveness. The exchange rate has remained at around 2.0 USD/BRL, in a context of falling exports and recent drop in the price of commodities in the international marketplace. The labour market has, in the meantime moved towards higher employment with a currently historically low unemployment rate of around 6% (close to the theoretical concept of full employment).

Most government stimuli to economic growth have been geared to increasing private consumption and expanding medium level earnings. However, currently high levels of household debt and growing default rates have reduced their hoped for impact. Owing to higher default rates, the fact that smaller and medium sized banks have been facing several difficulties in funding their activities has accelerated banking consolidation in Brazil.

Banco Caixa Geral Brasil has continued to enjoy a dynamic growth path based on a strategy especially geared to the corporate segment and investment banking. Brazil is an important market for Caixa Group's international strategy in light of the dimension of corporate movements to and from Brazil as a country with which Portugal has natural affinities.

The bank has also performed an important role as a financial advisor to various operations of relevance such as the pre-tender stage and organisation and structuring of finance for Brazil's largest sewage concession (AP-05) and its involvement in Brasilia's airport tender. Reference should also be made to its involvement as a subcontracted coordinator for BR-Petrobrás's issue of "Certificates of Real Estate Receivables" for the amount of 512 million *reais* and as the contracted coordinator for the BNDESPar bond issue for the amount of 2 billion *reais*.

The process for expanding its international activities and strengthening its commitment to the Brazilian market, continued with the financial settlement of the purchase of Banif Corretora. CGD Group, through CaixaBI pursuant to which Banco Caixa Geral Brasil is now the sole shareholder of Banif Investimentos CVC, which is now known as CGD Investimentos Corretora de Valores e Câmbio S.A., with its new institutional "CGD Securities" brand following the acquisition.

#### New York and the Cayman Islands

Caixa Geral de Depósitos has two branches (New York and Cayman Islands) in North and Central America. These branches operate in close coordination with CGD headquarters and other Caixa Group companies, particularly Banco Caixa Geral Brasil and Caixa Banco de Investimento.

In light of the high level of uncertainty underlying the global macroeconomic environment and its subsequent effect on financial markets, the New York and Cayman Island branches furthered their preventative monitoring of liquidity and funding requirements policy which was first implemented in 2010.

The New York branch specialises in wholesale banking. It concentrates in the capital market, export and import finance, syndicated operations and taking in dollar resources based on its management of the group's USD commercial paper programme.

The Cayman Islands branch operates not only as a booking centre for the international financing operations of CGD Group's corporate customers, specially geared to trade and project finance operations and syndicated loans, but also as an alternative USD funding source for CGD Group with the institutional or wholesale segment. In turn and as regards funding taken from the retail segment, the Cayman Islands branch, over the course of first half 2012, developed its range of savings products for CGD Group customers resident abroad.

#### London

The London branch's activity is almost exclusively geared to sales of innovative, value added products to the group's customers, through its regular sales channels. It is also a prime point of contact between the group and the City of London.

There is major focus on derivatives and dynamic hedge techniques for the creation of products ranging from ordinary deposits to the most complex structured products, both for investors and financial institutions. The branch employs specialised technical staff whose use of cutting-edge technology enables them to manage all types of market risk in addition to developing new products for the group.

The branch also provides services to the Portuguese community in the United Kingdom and to British and Irish citizens with interests in Portugal, including its *Live in Portugal* product, specifically geared to English speaking customers interested in taking out mortgage loans in Portugal.

In first half 2012 and in the above referred to spheres, the London branch continued to prepare guaranteed and non-guaranteed capital products to support Caixa's growing presence in the Spanish market and other international units. The branch is also committed to supplying other products on the balance sheet's assets side such as floored interest rate mortgages to ensure adequate funding costs.

The branch's results for first half 2012 were very positive and reflected the relevance of a flexible, low risk strategy and good management of the various opportunities created by volatility and liquidity shortages in the markets.



#### France

France's economy also reflected the adopting of restrictive fiscal policies and tensions brought to bear on sovereign debt, in recording weak growth levels since summer of last year, with stagnation in both first and second quarters of this year.

Sluggish exports, weak investment and household demand associated with the European environment, low corporate expectations and a continued slowdown in households' purchasing power, notwithstanding the dents in savings, explain the stagnation witnessed during the period.

In spite of the macroeconomic situation, branch activity in the domestic market – in which its operations are geared to individual customers and SMEs, particularly focusing on the Portuguese and Lusophone communities and support for Portuguese companies looking to export to France – was weak. Lending levels were unchanged owing to the limitations imposed by the deleveraging plan in progress, with resources also posting a not inconsiderable increase either in the form of remittances to Portugal, or resources in the form of savings housed in branch accounts. This evolution was the result of the branch's proactive attitude to resource-taking through its implementation of highly successful resource-taking campaigns, notwithstanding the extremely aggressive offers proposed by competitors.

Notwithstanding good retail business performance, the branch's results, albeit positive in the 1st half, were down as a consequence of higher funding costs and need to increase provisions over the same period of the preceding year. Reference should also be made to the fact that the branch's commercial policy is based on a customer proximity approach as a factor of differentiation *vis-à-vis* the policy followed by most French banks which are its main competitors.

#### Luxembourg

From a macroeconomic viewpoint, GDP in the first half stagnated in comparison to the first half of the preceding year, with a slowdown in the rate of inflation to 2.7%, against an end of 2011 rate of 3.4%.

The Luxembourg market continued to be characterised by the existence of qualified, multilingual human resources, as well as a highly representative percentage of foreign labour, including residents from neighbouring countries such as Germany, France and Belgium who perform their daily professional activities in Luxembourg. The Portuguese community accounts for around 30% of the country's population of working age.

Notwithstanding the international crisis and consequent restructuring of several institutions, the financial sector continues to account for around 30% of the country's GDP. The sector employs around 27 thousand people i.e. 10% of the population of working age.

As one of 10 retail banks out of a total of the 143 banks currently operating in Luxembourg's financial market, CGD's branch office network comprises two branches, one Caixa Prime area and a Corporate Office. In this first half, CGD's Luxembourg branch continued to be mainly geared to its individual customers and support for SMEs.



Whereas the central and Esch-sur-Alzette branches are geared to the individual customers segment, Caixa Prime is geared to the middle and upper market segments, endeavouring to provide personalised, high quality services to this customer segment.

The recently created *Companies Area*, has been providing support to local corporate projects in addition to projects submitted by CGD Group's corporate customers.

#### Spain

Spain continued to be subject to a strongly regressive environment in the first few months of 2012. External factors, including strong market pressure on its domestic debt, rapidly made Spain one of the countries most affected by the current financial crisis.

In annual terms, GDP fell by around 0.8%. The negative trade balance was -16.2%, with imports down 1.3% and exports up 2.2%. One of Spain's most worrisome indicators continues to be its high unemployment which is already in excess of 24%.

The property sector continued in a downwards spiral. There has been a sharp fall in property purchases notwithstanding falling house prices, down annually by an accumulated 7.2%. Since 2007, which was the start of the implosion of Spain's property bubble, house prices have fallen by around 21%.

Spain's financial sector is undergoing profound restructuring and house-cleaning measures, deriving from regulations and recommendations issued by the competent European and Spanish authorities with the aim of restoring confidence in the sector and its solvency. In the first few months of 2012, several Spanish entities continued to implement merger processes beginning in 2011 and most financial entities have adjusted their business structures and balance sheets to the current regulatory requirements on Spain's financial market.

In 2012, Banco Caixa Geral continued to implement a credit portfolio deleveraging policy, resulting in an annual drop in average balances. It also promoted a more active resource-taking policy, translating into visible growth of its balance sheet resources which, notwithstanding the current contractionary environment, posted a significant increase of around 16.3% over the preceding year. The combination of the performance achieved by these two indicators enabled Banco Caixa Geral to achieve a notable improvement in its funding volumes and loans-to-deposits rate.

From January to June 2012, the bank's commercial range, with the support of CGD London, concentrated on expanding and renewing its range of *Platino* deposits which, with 100% guaranteed capital and the possibility of contracts with different maturities, enable investors to earn attractive returns on their investments. This half witnessed large demand for these products in the Spanish market.

Banco Caixa Geral's presence on Spanish territory takes the form of around 200 branches, in addition to corporate centres located in the regions with the highest economic and social development levels such as Madrid, Catalonia, Valencian Community, Andalucía, Basque Country, Asturias, Cantabria, Navarre and La Rioja and most especially, in regions with intense commercial relationships with Portugal such as Galicia, Extremadura and Castille-León.

BCG has particularly concentrated on bilateral business, backing export projects and investments made by companies with Iberian interests based on an integrated network approach in which the Spanish operation operates as a natural expansion of the Portuguese network.

#### Macau – China

Macau's economy remains highly dynamic, with an estimated growth of 18.4% in the first 3 months of the year, although global economic cooling is likely to translate into a deceleration of activity, with the territory's economy growing this year at no more than a single digit rate. The slowdown occurring in the Chinese economy owing to the current international economic situation, mainly in Europe, may affect the economy of the territory, based on gambling whose volume of business is largely dependent on the number of tourists visiting the city, particularly from mainland China. However, notwithstanding forecasts of economic deceleration, the performance of the gambling, tourism and associated activities sector, in first half 2012, was favourable with gross revenues from gambling up 19.8%, partly on account of the 3.7% increase in the number of visitors arriving in the territory, according to data recorded in the first 5 months of the year.

The labour market remained practically in a full employment situation, with the unemployment rate in Macau falling to 2.0% at the end of May 2012, leading to wage increases and companies' difficulties in recruiting qualified staff.

This was accompanied by a 6.47% increase in the consumer price index in the first 5 months of the year. This inflationary pressure, in Macau, may eventually slow as a result of the behaviour of inflation in China.

The banking sector benefited from the local economy's positive economic climate, with a more markedly aggressive approach to banking practice having been witnessed, owing to the appearance of the major Chinese banks in the market which, owing to their interest in carving out market share, has had immediate effects in terms of lower returns from operations.

Banco Nacional Ultramarino has been CGD Group's branch, in Macau, for 110 years. It operates as a universal bank and continues to be one of the territory's two mints, in a context in which the trend towards an increase in currency in circulation is likely to continue.

Banco Nacional Ultramarino achieved a good level of performance on a level of growth in its turnover in the first 6 months of 2012, notwithstanding intensifying competition in the banking sector and its consequent impact on margins, deposit-taking and mortgage loans to individual customers. BNU increased its total turnover, mainly comprising higher growth of customer resources than credit in the first 6 months of 2012. Its net results were slightly down although this was the CGD company making the highest contribution to consolidated net income from the international area. The company's liquidity surpluses (reflecting the global deleveraging plan) have helped to ease CGD Group's funding requirements from the ECB.

#### East Timor

Banco Nacional Ultramarino was the first bank to set up in Timor and is currently the oldest bank and benchmark banking operator in Timor, to whose reconstruction it has made a visible contribution.

CGD Group currently operates eight branches in East Timor in seven district capitals. The group intends to cover the whole of the country.

The whole of Caixa Geral de Depósitos Group's branch office network in the territory is also being modernised, to provide more and better services to its customers and the Timorese community, as befitting a centenary brand, indissolubly associated with the history of East Timor. A particularly important aspect of this modernisation programme is the development of electronic banking. The regulatory weaknesses which are still so characteristic of this young country have been reflected in the branch's particularly prudent approach to lending. Caixa Group has, notwithstanding, been a dominant force in funding the country's new infrastructures.

In this, its centenary year, the BNU branch in Timor and Caixa Geral de Depósitos were distinguished by the President of the Republic of Timor, José Ramos Horta, in a ceremony marking the end of his term of office.

The commemorations of the centenary of Caixa Geral de Depósitos Group BNU Timor's presence (1912 – 2012) have been held on the theme "Muito Passado, Mais Futuro" ("Much Past, More Future"). The celebrations started in May and coincided with the 10th Anniversary of Timor's Independence and the start of the term of office of the new President of the Republic of Timor, TaurMatanRuak, in addition to the visit of the President of the Republic of Portugal, Aníbal Cavaco Silva.

#### Portuguese residents abroad segment

In 2012, CGD continued to consolidate a segmented, multichannel CRM model with residents abroad, strengthening the linkage between specialised distance banking (expanded in 2011 to 13 countries on 3 continents) and the branch office network in Portugal and abroad.

CGD currently has a network of representative offices and individual customers' areas in group branches and subsidiaries in the main countries which host Portuguese communities together with the group's retail banking branches abroad.

Based on a proximity approach to the Portuguese community, CGD strengthened its advisory/management services capacity to its customers resident abroad this year, both personal and distance customers, sustaining its presence with traditional and second generation customers as well as with the new wave of residents abroad, enabling them to continue to express their preference for CGD in terms of banking relationships, if possible as their bank of first choice, notwithstanding the country in which they reside.

A differentiated approach has been made to the diverse components of the residents abroad segment, by means of regular contact and systemised, actions targeted at promoting knowledge of and meeting the requirements of customers, in terms of products and services. A new "know your customer" campaign, with the objective of reinforcing the creation of personalised proposals was organised in the first half in this context.

This permanent concern to provide for the demands of this segment in a global market, has led CGD to develop an integrated range of products and services, including a proposal to make deposits in alternative financial markets.

Sustaining the expansion of supply to the segment, specific communicational actions, published in the Portuguese press, in countries with Portuguese communities, accompanied by the supply of information on CGD's specialised residents abroad microsite, have been promoted.

CGD's presence with the communities, during the course of the half year also comprised its sponsorship of various cultural and sporting initiatives, culminating in the personal and institutional involvement of Caixa representatives to commemorate Portugal Day, in such a diverse range of countries as France, Belgium, Switzerland, Germany, United Kingdom, United States and Canada – in which latter country advantage was taken of the opportunity to celebrate the 1st anniversary of the representative office in Toronto.

Without prejudice to respect for each country's specificities, representative offices have been strengthening their role in terms of customer advisory services, aligning their activity with CGD's branch office and distance banking networks, inclusively on a level of defining objectives and performance management with the aim of rewarding the best levels of performance.

With an end of half year turnover of around EUR 5.8 billion and a deposits-to-loans rate of 18%, the segment accounts for around 10% of individual customer resources taken by CGD. Growth in the volume of resources taken in first half 2012 (up 1.1%), higher than the global growth of resources taken from individual customers in CGD, is indicative of the positive result of the current approach based on an integrated vision of such customers.

## **5.4. Investment Banking**

Caixa - Banco de Investimento, S.A.'s (CaixaBI or Bank) consolidated net income, in June, totalled EUR 10.5 million. CaixaBI's financial statements for June were consolidated for the first time with the 50% investment in CGD PINF.

Net operating income totalled EUR 45.7 million, in June, which amount, when adjusted for changes in impairment on financial assets, totalled EUR 66.9 million.

Commissions (net) totalled EUR 32.3 million, in June, owing to CaixaBI's involvement in several major operations.

Reference should also be made to the fact that CaixaBI's net income continued to be penalised by increases in provisions and impairment on loans and interest rate hedge operations.

CaixaBI had a positive half, in terms of activity, notwithstanding the less favourable environment in its key operating geographies, coming in the leading positions in most league tables and having participated in the largest operations.

### **Prizes and rankings**

CaixaBI's operating performance during the half, furthered the international affirmation strategy it has been implementing over the last few years. The bank's good performance in terms of its core business has continued to merit the recognition of its customers and partners and has been rewarded by prizes comprising distinctions issued by international analysts and shown in the leading positions in the main sector rankings.

- According to Bloomberg data<sup>1</sup>, CaixaBI came 1st in the Portuguese M&A ranking, 1st in Iberia and 10th in the respective Brazilian ranking, in which geography it was the best placed Portuguese bank in terms of the volume of announced/completed transactions in first half 2012.
- CGD Group was MLA for the Inter-American Development Bank A/B loan for the Embraport project, which was awarded prizes by the prestigious Project Finance International and Euromoney Project Finance magazines as South America's Transport Deal of the Year.

#### Financial intermediation

Over the course of first half 2012, the PSI20 was down 14.5% and BOVESPA down 4.2%, notwithstanding greater monetary policy flexibility by the ECB and the Central Bank of Brazil.

There continues to be an almost total absence of international institutional investors in the domestic market and a significant downturn in the number of individual customers. Reference should be made to the slow, cautious return of asset managers to the equity market, particularly in the case of the German market. Amounts under domestic fund management continue to fall, having accumulated a drop of 10% this half year.

This half was also marked by the non-existence of any primary market operation in Portugal. Reference should also be made in this period to Intercement's take-over bid for Cimpor. The take-over bid for Brisa awaits completion.

In such an environment, CaixaBI continues to focus its attention on strengthening its relationship with institutional investors, having intensified its marketing actions on Portuguese and foreign companies with domestic and international investors in collaboration with the bank's research area and other ESN members.

#### Corporate advisory and risk management

Liquidity providing operations on several Euronext Lisbon listed securities such as Cofina, Orey Antunes, Altri, Inapa, Ibersol and SAG Gest progressed at a good rate. This is a business area in which CaixaBI was the pioneer and in which it continues to be a benchmark operator, with Euronext having awarded its maximum "A" rating on all securities and categories.

CaixaBI has continued to expand its contract base and its diversification of the type of instruments on which it acts as a liquidity provider, continuing to operate as a market-maker on a Fundiestamo property fund and on several Tier 1 deeply subordinated perpetual issues, such as Millenniumbcp, BES and BESI.

The current scenario of interest rates at historical minimums has witnessed a reduction in demand for interest rate hedges, with customers increasingly endeavouring to hedge exchange rates, mainly associated with export activity and external investment.

---

<sup>1</sup>  
10 July 2012

The use of CaixaBI's derivative valuation platforms continues to be a differentiating element in the market, making it possible to design and propose appropriate individually tailored hedge strategies, enabling CGD Group to economise on its endeavours and continue to provide customers with a speedy response.

#### Project finance

The bank was involved in various processes, in the first half, particularly:

- EuroWatt: successful completion of the refinancing process on the Petit Arbre, Hombleux I, Lislet II, St. Léger and Omissy I windfarms.
- TagusGás: completion of the Tagusgás refinancing process resulting from the change of concession agreement.

In addition to its major involvement in the above mentioned projects, the bank continued to focus on originating business opportunities in the international area, particularly in Angola, Mozambique and Brazil. Work also continued on monitoring the project finance portfolio contracted for by CGD Group.

#### Structured finance

As regards CaixaBI's activity in structured operations on a corporate basis, reference should be made to the financial advisory services to Tagus, a company 55% owned by José de Mello Group and 45% owned by the Arcus European Infrastructure Fund for organising and structuring the financing of the take-over bid on Brisa shares.

#### Corporate debt finance

##### Bond loans

Reference should be made to the following operations in the first half of the year:

- CGD — CaixaBI was joint dealer manager for CGD's tender offer on two covered bonds issues maturing in 2016 and bonds on the public sector maturing in 2014. This tender offer also involved a domestic component targeted at non-qualified investors, resident in Portugal, with CaixaBI as sole dealer manager.
- SONAE Investimentos — The bank organised and led a bond loan for for the amount of EUR 170 million, with a maturity of 5 years.
- Brisa Concessão Rodoviária — CaixaBI was joint lead manager for the public subscription on bonds issued by Brisa Concessão Rodoviária, for the amount of EUR 225 million with a maturity of 2 years and 5 months. The operation's settlement date was on 6 July.
- Portugal Telecom — CaixaBI was joint lead manager for the public subscription on Portugal Telecom SGPS, S.A. bonds for the amount of EUR 400 million with a maturity of 4 years, currently in progress. The operation's settlement date was 26 July.

#### *Commercial paper*

CaixaBI organised and was the lead manager for seven new commercial paper programmes for the amount of EUR 735 million. Special reference should be made to the Galp Energia programme for the amount of EUR 550 million and Zon Multimédia for the amount of EUR 100 million.

#### **Equity capital market**

On a capital market level, reference should be made to CaixaBI's participation as an advisor for the organisation and structuring of Tagus's already referred to take-over bid for Brisa.

Reference should also be made to several works for securing mandates in Portugal, Spain and Brazil.

#### **Corporate finance – advisory**

The volume of M&A transactions announced on a global level was down 7.7%, in first half 2012, in comparison to the same period 2011. The 2.9% decrease on a European level was less expressive owing to February's announcement of the EUR 34 billion merger between XstrataPlc and Glencore International Plc.

The first half slowdown of M&A activity essentially reflects greater risk aversion by companies, given high levels of uncertainty regarding world economic growth prospects, particularly in Europe, the United States and China.

The bank's performance, in first half 2012, is reflected in CaixaBI's position in the main league tables in which it came 1st in Portugal and in Iberia and 10th in Brazil (leading Portuguese bank in this geography), in terms of the volume of announced/completed transactions, in first half 2012, according to Bloomberg data.

Successful project completions, in first half 2012, particularly included financial advisory services to Parpública for REN's 2nd reprivatisation stage, translating into the sale of a 40% REN investment to the State Grid China Corporation (25%) and the Oman Oil Company (15%). This highly successful transaction was completed at an average price of EUR 2.77 per share, reflecting an average premium of 33.8% over REN's listed prices on the date of the announcement of the selected investors. Reference should also be made to the process's high level of international cover and competitiveness in which bids were received from companies headquartered in America, Asia, Europe and the Middle East, thus enabling the Portuguese state and REN to maximise their objectives.

Reference should also be made to financial advisory services to Caixa Geral de Depósitos for the sale of its investments in ZonMultimedia and Cimpor, in addition to financial advisory services to SGC Group for its sale of Pargim Empreendimentos e Participações (real estate business focusing on shopping centres in Brazil) to the Brazilian Aliance company. This project comprises yet another example of CaixaBI's successful implementation of its cross-border strategy between Portugal and Brazil.



In addition to the above referred to projects, the Galp/Sinopec<sup>2</sup> transactions were also closed in first half 2012 and the BPN/BIC<sup>3</sup> was signed at the end of 2011.

There were also several other works to secure mandates for several companies operating in different sectors of the economy in Portugal, Spain, Brazil, Angola and Mozambique.

#### Syndication and sales

With markets remaining closed and no possibility of public issues in the primary market, together with the new regulatory recommendations on banks' capital structures, several market operations aimed at optimising financial institutions' capital structures took place in the first half.

These operations, depending upon their level of acceptance and positive impact on results, were designed to optimise capital structure management in terms of the Core Tier 1 capital ratio.

It was in this context that CGD, on 5 March, announced its tender offer for all covered bonds issued on 6 December 2006 and 9 September 2008 under its Covered Bonds Programme and on all of the bonds issued on the public sector, on 21 July 2009 under the Public Sector Covered Bonds Programme. The tender offer was targeted at all qualified and non-qualified investors, up to an aggregate amount of EUR 750 million with CGD reserving the right to repurchase then above or below the said limit. CaixaBI was the joint dealer manager with another three international banks and was also the transaction's financial intermediation agent. A total amount of EUR 903.8 million, significantly more than the initially established limit, was repurchased.

As regards CaixaBI's market placements of commercial paper, owing to the fact that these are short term operations in demand by investors, it was possible to place 174 issues totalling an amount of EUR 2 916 million, i.e. twice the amount placed in first half 2011, even following the revision of the conditions attached to most programmes in light of the current market conditions.

#### Venture capital

CaixaBI, through Caixa Capital, continued, over the course of the half year to secure and analyse investment opportunities eligible for one of the four venture capital funds under its management.

99 projects, 71 of which were received in the period and 28 brought forward from the preceding year were analysed. 70 projects were filed or rejected, 18 remained under analysis and 11 approved, comprising potential investment of around EUR 28 million. An amount of EUR 2 million was invested.

As regards the sectoral framework of the projects under consideration, 46% were industrial companies, 18% agro industrial, 18% in the information technology sector and 8% commercial.

---

<sup>2</sup> Financial advisory services to Galp for a USD 4,800 million capital increase in Petrogal Brasil subscribed for by Sinopec and comprising an investment of 30%

<sup>3</sup> Financial advisory services for the sale of BPN's share capital to BIC, in the sphere of the bank's reprivatization process



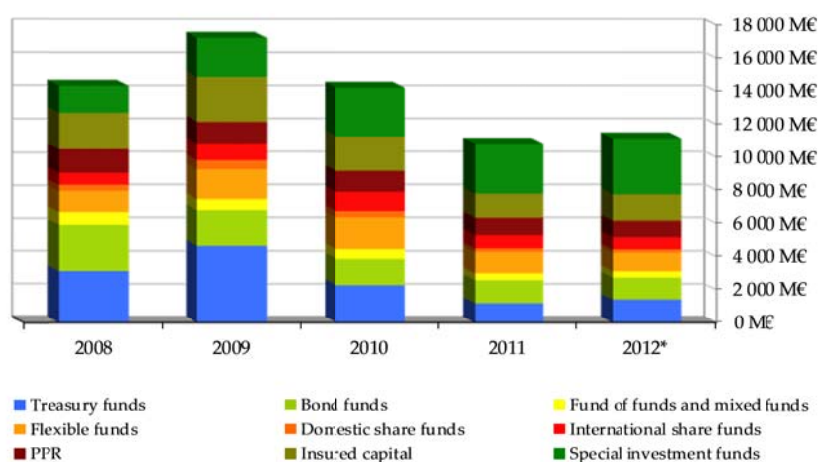
### 5.5. ASSET MANAGEMENT

The asset management sector, particularly equities, was affected by the adverse economic environment.

#### Unit trust investment funds

At 30 June 2012, assets under Portuguese unit trust investment fund management were up 2.9% since the start of the year to EUR 11.2 billion.

Special investment funds were up 12% by EUR 352 million, treasury funds up 19% by EUR 225 million and guaranteed capital funds up 10% by EUR 140 million. Flexible funds, on the other hand, were down 12% by EUR 156 million, share funds as a whole down 9% by EUR 93 million and retirement saving plans down 5% by EUR 54 million. Special investment funds and capital-assured funds comprise the largest categories in Portugal, with assets representing 45% of unit trust investment funds.

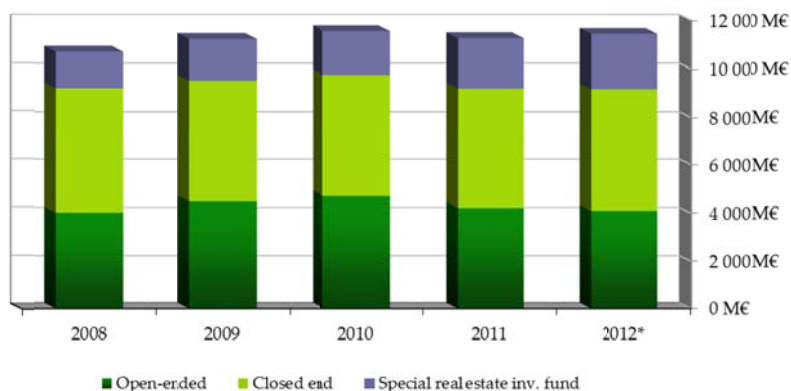


Six new funds were set up in first half 2012, mainly special investment funds for the amount of EUR 121 million and 6 funds were liquidated, mainly capital-assured funds with 299 Portuguese unit trust investment funds remaining active. At the end of June, 83% of the market was concentrated in the five largest Portuguese fund managers.

#### Property market funds

At 30 June 2012, the net value of property investment funds was up EUR 178 million over the start of the year to EUR 11 445 million.

The growth trend on funds under management remained slightly up, to May, decreasing only in June. The amount under closed-end property funds management was up EUR 83 million and special closed-end property investment funds up EUR 209 million, although open-ended property funds were down EUR 115 million.



\* 30 June 2012

Two new property investment funds were set up and three funds liquidated in first half 2012, with the number of Portuguese property funds in activity down to 260. Portuguese property funds, at the end of June, were spread over 35 fund managers with 46% of the market being concentrated in the five largest funds.

### Caixa Gestão de Activos

Caixa Gestão de Activos's mission is to be recognised by its customers as the first choice for the supply of financial services and products for the management of unit trust and wealth management funds.

Owing to the influence of the adverse environment in financial markets, amounts under management at the end of June 2012 were down 4.9%, year-on-year, to EUR 22.4 billion.

### AMOUNTS UNDER MANAGEMENT AND ADVISORY SERVICES

(EUR million)

	Jun 2011	Jun 2012
Unit trust investment funds	2 848	2 791
Wealth management (exc. pension funds)	16 654	15 559
Wealth advisory	301	361
Property funds	1 637	1 552
Pension funds	2 110	2 124
<b>Total</b>	<b>23 550</b>	<b>22 388</b>

Income from the asset management business, in first half 2012, was down 3.6% over the same period of the preceding year.

### COMMISSIONS EARNINGS

	Jun 2011	Jun 2012
<i>(EUR thousand)</i>		
Unit trust investment funds	9 161	7 596
Property funds	8 578	9 714
Pension funds	1 576	1 502
Wealth management	5 482	5 105
<b>Total</b>	<b>24 797</b>	<b>23 917</b>

### Unit trust investment funds – Caixagest

Caixagest managed 48 unit trust investment funds for the amount of EUR 2 791 million, at the end of June, comprising a diversified portfolio of products spread over various international financial markets. Keeping pace with the market trend, the value of the unit trust investment funds managed by Caixagest was down 2% over the last twelve months, although market share was up 25%.

### FUNDS UNDER MANAGEMENT

	Jun 2011	Jun 2012
<i>(EUR million)</i>		
Treasury funds	534	721
Bond funds	352	276
Funds of funds and mixed funds	80	71
Share funds	226	169
Special investment funds	553	534
Protected capital funds	1 103	1 021
<b>Total</b>	<b>2 848</b>	<b>2 791</b>

A positive contribution to growth of market share was made by the short term funds sales campaigns, in articulation with CGD's branch office network and marketing division, resulting in funds-taken of more than EUR 200 million, in addition to the strong appreciation of protected capital funds.

### COMMISSIONS EARNINGS

	Jun 2011	Jun 2012
<i>(EUR thousand)</i>		
Management fees	7 675	6 404
Depository bank fees	1 150	1 059
Subscription and redemption fees	336	133
<b>Total</b>	<b>9 161</b>	<b>7 596</b>

Commissions earnings of EUR 7.6 million for the first half year were less than in the same period of the preceding year on account of the decline in the amount of funds paying higher commissions.

### Wealth management – Caixagest

At the end of June, the amount under wealth management advisory services was down 5.9% over the same period last year to EUR 17 375 million, owing to the decline of insurance portfolios.

<b>PORTFOLIOS UNDER MANAGEMENT</b> <i>(EUR million)</i>	<b>Jun 2011</b>	<b>Jun 2012</b>
<b>Portfolios under management</b>	<b>18 467</b>	<b>17 375</b>
Insurance portfolios	12 376	10 932
Institutionals	4 044	4 463
Pension funds	1 813	1 815
Individual and corporate customers	234	164
<b>Assets under advisory management</b>	<b>301</b>	<b>361</b>

Global commissions earnings from wealth management and advisory services were down 6.9% over the same period of the preceding year to EUR 5.1 million.

<b>COMISSIONS EARNINGS</b> <i>(EUR thousand)</i>	<b>Jun 2011</b>	<b>Jun 2012</b>
Management fees	3 393	3 088
Depository bank fees	2 089	2 017
<b>Total</b>	<b>5 482</b>	<b>5 105</b>

### Property funds – Fundimo

At the end of June, the value of property funds managed by Fundimo totalled EUR 1 552 million, maintaining their market lead with a market share of 13.6%.

The negative trend occurring in the property funds market was reflected in the net worth of the Fundimo fund which was down 5.5%, and of the remaining closed funds, most of which were allocated to property development and promotion.

<b>FUNDS UNDER MANAGEMENT</b> <i>(EUR million)</i>	<b>Jun 2011</b>	<b>Jun 2012</b>
Fundimo open-ended fund	1 023	967
Closed funds	614	585
<b>Total</b>	<b>1 637</b>	<b>1 552</b>

Commissions earnings from property funds of EUR 9.7 million, were higher than in the 1st half of the preceding year owing to the increase in redemption fees on open-ended funds.

<b>COMMISSIONS EARNINGS</b>	<b>Jun 2011</b>	<b>Jun 2012</b>
<i>(EUR thousand)</i>		
Management fees	6 595	5 908
Depository bank fees	740	666
Redemption fees	1 243	3 140
<b>Total</b>	<b>8 578</b>	<b>9 714</b>

### Pension funds – CGD Pensões

At the end of June 2012, the net worth of funds managed by CGD Pensões was EUR 2 124 million, slightly above the figure of the same date of the preceding year. Commissions earnings, in turn, were down 4.7% to EUR 1.5 million, as a result of the decline of funds paying higher commissions.

<b>FUNDS UNDER MANAGEMENT</b>	<b>Jun 2011</b>	<b>Jun 2012</b>
<i>(EUR million)</i>		
Closed funds	1 996	2 019
Open-ended funds	114	105
<b>Total</b>	<b>2 110</b>	<b>2 124</b>

<b>COMMISSIONS EARNINGS</b>	<b>Jun 2011</b>	<b>Jun 2012</b>
<i>(EUR thousand)</i>		
Management fees	1 463	1 402
Depository bank fees	111	95
Redemption fees	2	5
<b>Total</b>	<b>1 576</b>	<b>1 502</b>

## 5.6. INSURANCE AND HEALTHCARE

### Competition in the insurance activity environment

According to information published by the Portuguese Insurance Association, the insurance market, in June 2012, had direct insurance premium sales of EUR 4.8 billion from its activity in Portugal, including resources taken from investment contracts, down 19.0% over June 2011.

This evolution is essentially based on life insurance which was down 27.7% over the preceding year, owing to capitalisation insurance contracts and retirement savings plans. Non-life insurance, influenced by the difficult economic situation and deteriorating price levels, was down 4.0%. This was more keenly felt in the case of workman's compensation, motor and transport insurance but was offset in positive terms, by the increase in civil liability and multirisk housing premium portfolios.

#### **Caixa Seguros e Saúde, SGPS, S.A.**

##### **Overview**

Caixa Seguros e Saúde is a global Portuguese insurance market operator. It commercialises products in all insurance areas, as part of a multibrand strategy on the largest and most diversified insurance products sales network in the domestic market, comprising Fidelidade Mundial and Império Bonança branches, associated mediators, agents, brokers, CGD branch offices, CTT counters, internet and telephone channels.

In international terms, Caixa Seguros e Saúde's insurance operations have focused on accompanying operations in foreign markets in which CGD has an autonomous presence or through subsidiary companies, without prejudice to more autonomous operations and sales channel diversification, such as in Angola and Spain.

The merger between Fidelidade Mundial and Império Bonança, giving rise to Fidelidade Companhia de Seguros was a determining factor in first half 2012. This operation will make it possible to achieve the full potential of the economies of scale deriving from the year 2005 acquisition of Império Bonança.

In terms of human resources, Caixa Seguros e Saúde companies, as a whole, shed 257 workers at the end of June, in comparison to the same date last year, both in the insurance (down 177) and hospital (down 80) areas.

On a commercial level the group's insurance activity provided continuity to strengthening the relationship with the mediation network, further organisational improvements, achieving of synergies and development of products to provide for customers' requirements.

The development of franchising and exclusive mediation, commercial growth of the major mediators and increasing the professional skills of the mediation network, exemplify the performance levels which are characteristic of the group's insurance companies.

Endeavours were also made to provide continuity to the product improvement process with the aim of standardising offer and achieving a tariff commensurate with market conditions and to supply mediators with the best contract management tools.

The strategic objective in the life insurance area continued to be retirement savings, with the commercialisation of an innovative retirement savings plan under the 'Leve' brand.

The continuation thereof witnessed the creation of the "Clear Conscience Programme" as a CGD Group project designed to provide an additional stimulus to the creation of a new mentality and new principles of economic equilibrium in retirement, comprising several initiatives for knowledge production and the creation of its respective means of disclosure.

On a communicational and sales level, endeavours were made, in the form of mass, objective communication, to expand access to retirement in the form of products such as the “Leve” retirement savings plan, based on accessible closed theme product packs.

### Contribution to CGD Group's Results

Caixa Seguros e Saúde, SGPS, S.A. earned net income of EUR 36.6 million (EUR 36.8 million in the preceding year) in June 2012, in conformity with IAS/IFRS (CGD Group) standards,

Caixa Seguros e Saúde's contribution to CGD Group's net operating income was up EUR 42 million over June 2011 to EUR 285 million of which amount EUR 239 million from the technical margin on insurance operations and EUR 46 million from financial operations.

In comparison to the preceding year, the technical margin on insurance operations' contribution was up EUR 34 million, particularly on account of the reduction in claims rates.

In turn, net operating income from financial activity, reflecting the smaller negative balance on income from financial operations, was up EUR 8 million over June 2011.

### CAIXA SEGUROS E SAÚDE, SGPS, S.A. (a)

(EUR million)

Financial Statements and Key Indicators	Jun 2011	Jun 2012
<b>SUMMARY OF CONSOLIDATED BALANCE SHEET</b>		
<b>Net assets</b>		
Securities portfolio, deposits and cash	12 79.6	11 062.1
Investment properties and investments in associated companies	340.0	324.9
Non-current liabilities held for sale	118.7	92.4
Other tangible and intangible assets	437.4	440.7
Current and deferred tax assets	206.6	194.0
Technical provisions for outwards reinsurance	253.2	224.1
Other activities	587.6	536.3
<b>Total assets</b>	<b>14 741.1</b>	<b>12 874.5</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Financial liabilities (investment contracts)	7 180.9	6 338.3
Technical provisions (insurance contracts)	5 429.3	4 353.9
Other provisions	75.6	77.0
Current and deferred tax liabilities	21.6	41.7
Subordinated liabilities	436.5	0.0
Non-current liabilities held for sale	136.7	107.3
Other liabilities	613.8	578.1
<b>Total liabilities</b>	<b>13 894.4</b>	<b>11 496.3</b>

### Shareholders' equity

Capital	448.4	799.9
Share premiums	184.4	184.4
Reserves	157.9	200.3
Net income	36.8	36.6
Non-controlling interests	19.2	157.0
<b>Total shareholders' equity</b>	<b>846.7</b>	<b>1 378.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>14 741.1</b>	<b>12 874.5</b>
<b>CONSOLIDATED SUMMARY OF GAINS AND LOSSES</b>		
Net operating income from financial operations	37.3	45.8
Technical margin on insurance operations	205.1	238.9
Operating costs	-175.0	-154.6
Provisions variations	-2.3	4.9
Impairment	-4.3	-73.3
Income from associated companies	0.6	0.6
<b>Income before tax and non-controlling interests</b>	<b>61.4</b>	<b>62.3</b>
Income tax	-24.0	-23.4
Non-controlling interests	-0.6	-2.2
<b>Income for period attributable to CGD</b>	<b>36.8</b>	<b>36.6</b>

a) The amounts set out in this table comply with the presentation of financial statements in IAS/IFRS format (CGD Group) and correspond to the consolidated accounts

The HPP sales process was considered as from 31/03/2012 to be a non-current asset available for sale, which change is being considered in the amount relative to 2011 for comparison purposes.

Accordingly, in consolidated terms, the investment in HPP is not recognised in assets owing to the fact that the amount of the investment, including adjustments, is negative and is therefore recognised in shareholders' equity as comprehensive income.

### Executive summary

Caixa Seguros e Saúde, SGPS, S.A. earned statutory net income for first half 2012 of EUR 38.8 million (EUR 43.3 million in June 2011), split up into a positive contribution of EUR 39.7 million from the insurance area (EUR 48.2 million in June 2011) and a negative contribution of EUR 0.8 million from its hospital activity (losses of EUR 4.9 million in June 2011).

This also comprised the effect of the change in the accounting process of the HPP, SGPS subsidiary, as HPP's results ceased to be fully and directly included in Caixa Seguros e Saúde's results.

The considerable increase in the solvency levels of Caixa Seguros e Saúde insurance companies is essentially explained by the capital increase and improvement in the revaluation reserves balance making it possible to achieve a solvency margin cover rate of 216.1% (158.4% in June 2011).

In terms of insurance activity, Caixa Seguros e Saúde's volume of direct insurance premiums (including resources taken under investment contracts) was down 19.8% to EUR 1 396 million in June 2012.



Activity in Portugal, responsible for 97.3% of sales, achieved direct insurance premiums sales of EUR 1 359 million, down 20.2% over the same period 2011 and generally in line with the sector as a whole. Caixa Seguros e Saúde accordingly kept its lead of the domestic insurance market with a total market share of 28.5% (down 0.4 p.p. over June 2011), easily coming top in both life and non-life insurance and all of the main insurance branches.

Caixa Seguros e Saúde's consolidated net assets totalled EUR 12.8 billion with shareholders' equity and non-controlling interests of EUR 1.5 billion.

### GENERAL INDICATORS

(EUR million)	Jun 2011	Jun 2012
<b>CAIXA SEGUROS E SAÚDE, SGPS INDICATORS – (a)</b>		
Net assets	14 637.4	12 764.2
Shareholders' equity and non-controlling interests	984.4	1 494.5
Liabilities	13 653.0	11 269.7
Of which: subordinated liabilities	436.5	0.0
Provisions for insurance contracts	12 554.5	10 648.2
Direct insurance technical and inwards reinsurance provisions	5 373.6	4 309.9
Provisions for financial instruments	7 180.9	6 338.3
Combined ratio for non-life insurance (net of reinsurance)	98.7%	97.2%
Loss ratio (without cost allocations)	72.7%	71.1%
Expense ratio	26.1%	26.1%
Net income	43.3	38.8
Of which: Insurance activity	48.2	39.7
Hospital activity	-4.9	-0.8
<b>Profitability</b>		
ROE (net)	4.3%	3.1%
Employees	5 791	5 534
Insurance companies	3 469	3 245
Corporate vehicles	178	225
HPP (consolidated)	2 144	2 064
<b>INSURANCE ACTIVITY INDICATORS</b>		
Direct insurance premiums	1 740.0	1 396.4
Life insurance	139.0	140.9
Investment contracts (financial instruments)	998.0	678.7
Non-life insurance	603.0	576.8
Market shares (activity in Portugal)	28.9%	28.5%
Life insurance (including investment contracts)	30.0%	29.8%
Non-life insurance	27.0%	26.7%

Solvency (Local GAAP)		
A. Solvency margin (total)	1 118.0	1 298.8
B. Solvency margin (mandatory)	706.0	601.2
Solvency margin cover (A./B.)	158.4%	216.1%
No. branches	153	147
No. exclusive mediators	2 604	2 785

(a) Consolidated statutory accounts

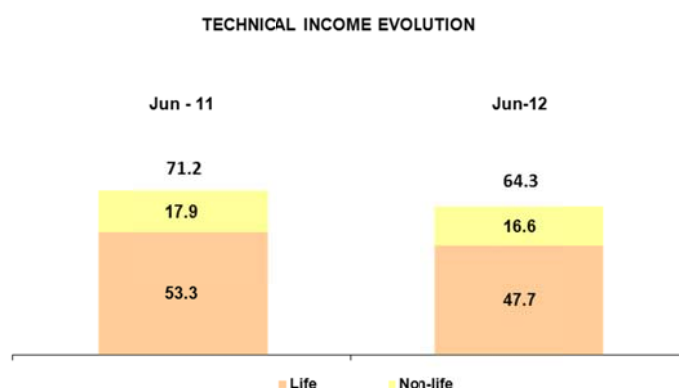
### Consolidated Financial Analysis

#### Technical income

Consolidated technical income of EUR 64.3 million, in June 2012, down EUR 6.9 million over the same period last year, essentially reflected the unfavourable performance of life insurance – financial insurance.

Special reference should be made to the following aspects in an analysis of the main technical account headings:

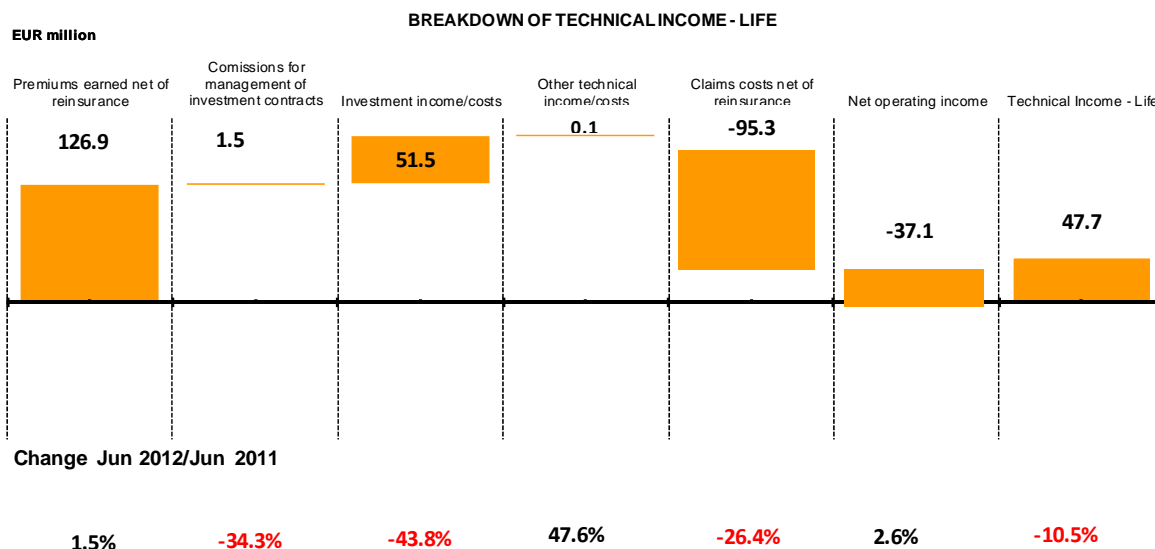
- Technical income of EUR 16.6 million from non-life insurance was down EUR 1.3 million year-on-year, owing to the direct effect of deteriorating levels of financial income. In technical terms, the combined ratio, net of reinsurance of 97.2% was down 1.5 pp over the preceding year, backed by an improvement of the loss ratio. The expense ratio remained unchanged.
- Technical income from life insurance was down EUR 5.6 million, owing to the lower level of financial income in comparison to the preceding year.



#### Technical income – life insurance

Caixa Seguros e Saúde performs its life insurance operations through Fidelidade which has adopted a multichannel approach on traditional, banking and CTT (Portuguese Post Office) channels.

Caixa Seguros e Saúde achieved an amount of EUR 820 million in life insurance premiums, including resources taken under investment contracts, in June 2012, down 28.0% year-on-year, in line with the market and reflecting the resource-taking policy of most banking entities.



Technical income of EUR 47.7 million was down 5.6% over the preceding year. Details can be found in the following chart. Resources taken under investment contracts are not recognised in the direct insurance premiums account heading.

Operating costs and losses (including mediation commissions but excluding allocations to the claims function) at EUR 37.1 million, were slightly up over the same period of the preceding year.

### *Technical income - non-life insurance*

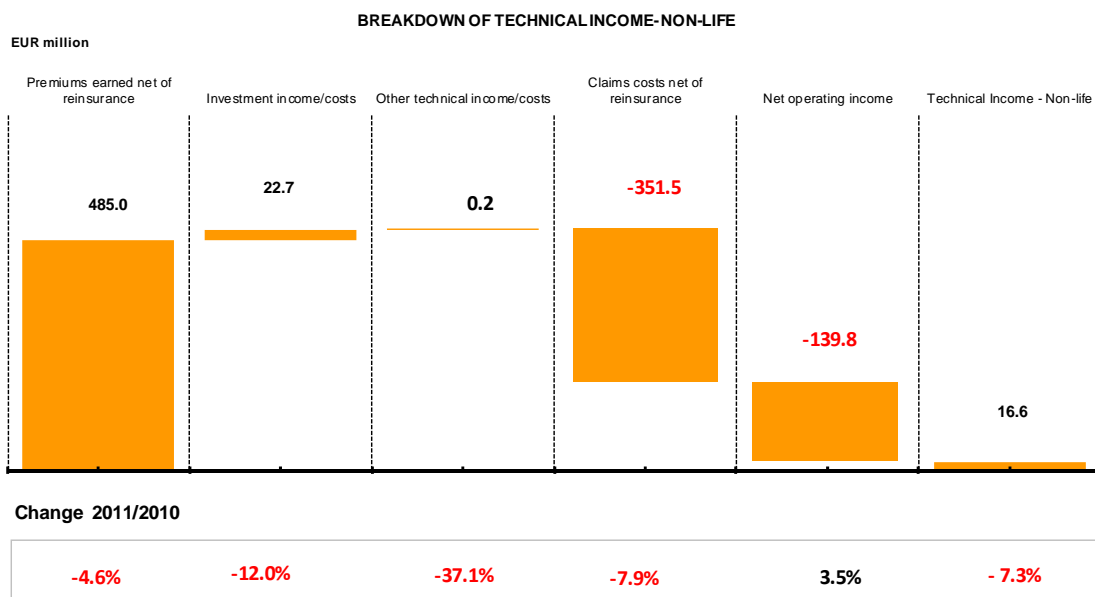
In the case of non-life insurance, in addition to Fidelidade, Caixa Seguros e Saúde also performs its activity through the Ok!teleseguros brand which is especially geared to distance channels (telephone and internet). The Multicare, Cares and Companhia Portuguesa de Resseguros insurance companies also operate in this business area, albeit essentially in the reinsurance business.

Caixa Seguros e Saúde achieved direct insurance premiums sales for non-life insurance of EUR 577 million, in June 2012, down 4.3% over the preceding year.

The loss ratio, down 1.6 pp to 71.1%, accordingly contributed to the reduction of the combined ratio which stood at 97.2% at the end of the half.

Operating costs and expenses, including mediation commissions but excluding operating costs allocated to the claims function, were up EUR 5 million over the preceding year to EUR 140 million.

Details on technical income of EUR 16.6 million, down EUR 1.3 million over June 2011, can be found in the following chart:



### *Net income and shareholders' equity*

Income before tax in first half 2012 was up EUR 4 million to EUR 64 million, over the same period of the preceding year, owing to the improvement of the non-technical income component.

In turn, net income was down EUR 5.5 million over June 2011 to EUR 38.8 million.

Shareholders' equity, including non-controlling interests, was up EUR 510 million to EUR 1.5 billion, essentially on account of the capital increase and the increase in revaluation reserves based on adjustments to the fair value of financial assets.

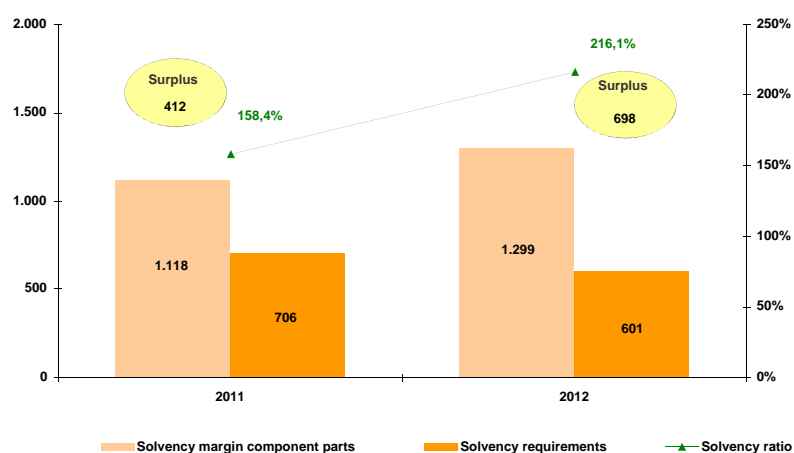
### *Technical provisions and solvency*

Technical provisions for direct insurance and inwards reinsurance were EUR 10.6 billion, down by around EUR 2 billion over June 2011 and particularly reflecting the reduction of provisions on the financial component of life insurance activity.

### TECHNICAL PROVISIONS NET OF REINSURANCE

(EUR million)	Jun 2011	Jun 2012
Provision for unearned premiums	320.8	312.1
Mathematical provision for life insurance	2 958.9	2 028.9
Provision for claims	1 976.1	1 850.9
Life insurance	156.2	126.3
Workman's compensation	718.7	739.5
Other	1 101.2	985.1
Provision for profit sharing	39.3	46.9
Other technical provisions	78.5	71.1
Financial liabilities	7 180.9	6 338.3
<b>Total technical provisions</b>	<b>12 554.5</b>	<b>10 648.2</b>
Technical provisions for outwards reinsurance	253.2	224.1
Technical provisions net of reinsurance	12 301.4	10 424.1

The amount of the solvency margin required of Caixa Seguros e Saúde, in June 2012, was EUR 601 million, whereas its component parts comprised EUR 1 299 million, translating a solvency margin cover rate of 216.1% against the preceding year's rate of 158.4%.



Caixa Seguros e Saúde's insurance companies' liabilities to their insured and third parties are, therefore, fully covered and adequately represented, complying with the limits on financial investment, in addition to the solvency margin and guarantee fund levels and are significantly higher than the minimum, legally defined, amounts.

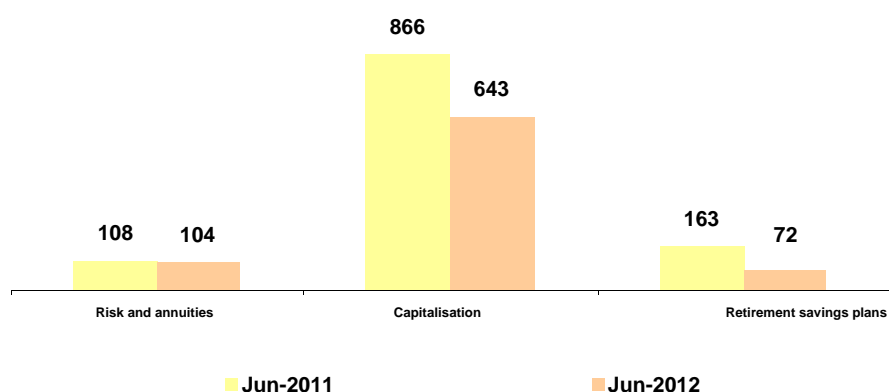
### Position in insurance market

Caixa Seguros e Saúde continues to be the undisputed leader of the domestic insurance sector, with an overall share of 28.5%, comprising direct insurance premiums (including resources taken under investment contracts) of EUR 1 359 million, down 20.2% over the preceding year, in line with the average for the insurance sector.

Life insurance operations, in Portugal, accounted for EUR 806 million in direct insurance premiums (including resources taken under investment contracts), down 28.0% over June 2011, owing to capitalisation products and retirement savings plans (PPRs), for reasons already referred to. Caixa Seguros e Saúde has retained its market lead with a market share of 29.8% (down 0.1 pp over June 2011).

International operations posted premium income of EUR 13 million, down 23.8% year-on-year.

#### DIRECT INSURANCE PREMIUMS - LIFE



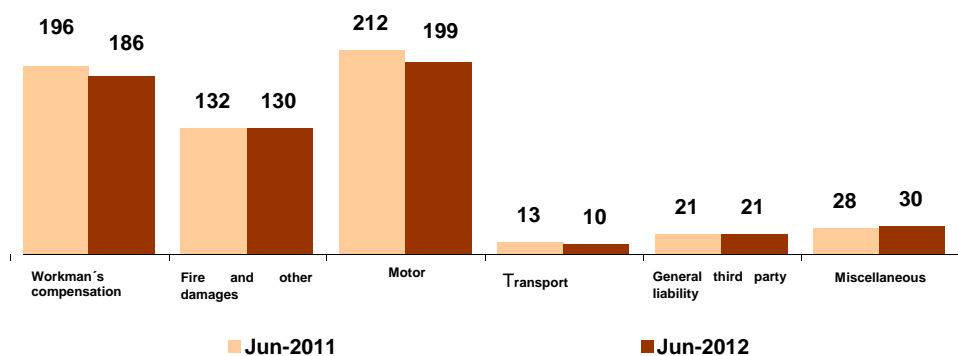
Caixa Seguros e Saúde's sales of non-life insurance in Portugal, at EUR 553 million, were down 5.3% over the same period 2011, centred on motor, workman's compensation, transport and personal accidents, general third party liability, translating the reduction of investment and private consumption as well as the maintenance of strong pressure on prices.

Reference should, however, be made to the fact that this change was influenced by the occurrence of an extraordinary movement in June/2011, for which, excluding this effect, the change in the premiums portfolio would have been 3.3%, comparing favourably in market terms.

Caixa Seguros e Saúde has a 26.7% market share of non-life insurance of which it is the undisputed leader (with more than double the figures of its closest competitors) as well as in all of the main insurance areas.

In turn, foreign activity accounted for non-life insurance premiums of EUR 24 million, up 26% over the preceding year, benefiting from the activity of Universal Seguros, its associated company in Angola, which initiated its operations in second half 2011.

### DIRECT INSURANCE PREMIUMS – NON-LIFE



## 6. FINANCIAL ANALYSIS

### 6.1. CONSOLIDATED OPERATIONS

Caixa Geral de Depósitos Group earned **net income of EUR 64.2 million before income tax and non-controlling interests** in 1st half 2012 (EUR 211.7 million in the same period last year), notwithstanding an adverse economic and financial environment which required extraordinary amounts in impairment on credit and securities accounts as costs for the period.

#### 6.1.1. Results Analysis

##### CAIXA GERAL DE DEPÓSITOS

##### Consolidated Income Statement at 30 June 2012

(EUR thousand)

	30.06.2011 (*)	30.06.2012	Change	
			Total	Percent
Interest and similar income	2 497 121	2 756 945	259 824	10.4%
Interest and similar costs	1 695 087	2 037 281	342 194	20.2%
<b>Net interest income</b>	<b>802 033</b>	<b>719 664</b>	<b>-82 369</b>	<b>-10.3%</b>
Income from equity instruments	116 040	80 533	-35 507	-30.6%
<b>Net interest income including income from equity investments</b>	<b>918 074</b>	<b>800 197</b>	<b>-117 877</b>	<b>-12.8%</b>
Income from services and commissions	315 292	347 311	32 019	10.2%
Costs of services and commissions	67 346	89 590	22 244	33.0%
<b>Commissions (net)</b>	<b>247 946</b>	<b>257 722</b>	<b>9 776</b>	<b>3.9%</b>
Income from financial operations	51 180	255 870	204 690	
Other net operating income	65 172	57 313	-7 859	-12.1%
<b>Non-interest income</b>	<b>364 298</b>	<b>570 904</b>	<b>206 606</b>	<b>56.7%</b>
Premiums net of reinsurance	635 646	614 289	-21 356	-3.4%
Investment income allocated to insurance contracts	88 380	76 053	-12 327	-13.9%
Claims costs net of reinsurance	461 295	396 759	-64 536	-14.0%
Commissions and other associated income and costs	-51 753	-45 638	6 115	11.8%
<b>Technical margin on insurance operations</b>	<b>210 978</b>	<b>247 945</b>	<b>36 967</b>	<b>17.5%</b>
<b>Net operating income from banking and insurance operations</b>	<b>1 493 350</b>	<b>1 619 047</b>	<b>125 697</b>	<b>8.4%</b>
Employee costs	469 982	443 418	-26 564	-5.7%
Other administrative expenses	299 327	295 348	-3 979	-1.3%
Depreciation and amortisation	89 274	87 920	-1 354	-1.5%
<b>Operating costs and depreciation</b>	<b>858 584</b>	<b>826 686</b>	<b>-31 897</b>	<b>-3.7%</b>
<b>Gross operating income</b>	<b>634 766</b>	<b>792 360</b>	<b>157 594</b>	<b>24.8%</b>
Provisions and impairment of other assets (net)	49 758	245 565	195 808	
Credit impairment net of reversals	349 267	483 302	134 034	38.4%
<b>Provisions and impairment</b>	<b>399 025</b>	<b>728 867</b>	<b>329 842</b>	<b>82.7%</b>
Income from subsidiaries held for sale	-27 785	-1 433	26 351	
Income from associated companies	3 729	2 099	-1 630	-43.7%
<b>Income before tax and non-controlling interest</b>	<b>211 685</b>	<b>64 159</b>	<b>-147 526</b>	<b>-69.7%</b>
Tax	81 397	57 286	-24 110	-29.6%
Current and deferred	66 697	42 374	-24 324	-36.5%
Extraordinary contribution on the banking sector	14 699	14 912	213	1.5%
<b>Consolidated net income for period</b>	<b>130 288</b>	<b>6 873</b>	<b>-123 415</b>	<b>-94.7%</b>
of which:				
Non-controlling interest	38 859	19 586	-19 273	-49.6%
<b>NET INCOME ATTRIBUTABLE TO CGD SHAREHOLDER</b>	<b>91 429</b>	<b>-12 713</b>	<b>-104 143</b>	<b>-113.9%</b>

(\*) Pro forma accounts, considering the figures involving Caixa Seguros e Saúde, SA healthcare area as a non-current asset held for sale.



Total provisioning for the half year was EUR 728.9 million with impairment of EUR 483.3 million on credit and provisions and impairment of EUR 245.6 million on other assets (net), a significant proportion of which latter amount to provide for the loss of value on CGD's equity investments in Portugal Telecom, La Seda Barcelona and BCP and its exposure in the group's insurance area.

Consolidated net income after tax and non-controlling interest, was a negative EUR 12.7 million against a positive figure of EUR 91.4 million in 1st half 2011.

As the process for the disposal of Caixa Seguros e Saúde, SA's healthcare area ("HPP") is in progress, the consolidated accounts for 1st half 2012, and respective comparable figures were restated to present HPP's accounts in the form of a non-current asset held for sale in conformity with "IFRS 5 – Non-current assets held for sale and discontinued operations".

**Gross operating income** evolved very favourably to EUR 792.4 million, up 24.8% by EUR 157.6 million over the same half last year, owing to an expressive 8.4% increase of EUR 125.7 million in net operating income from banking and insurance operations in conjunction with a 3.7% decrease in operating costs.

### GROSS OPERATING INCOME FROM CGD GROUP'S MAIN BUSINESS AREAS

(EUR million)	Jun-11	Jun-12	Change Jun-12 - Jun-11	
			Total	%
Domestic commercial banking	381.6	489.8	108.2	28.4%
International operations	121.7	146.9	25.2	20.7%
Insurance operations	94.1	131.5	37.4	39.8%
Investment banking	37.4	24.2	-13.2	-35.3%
<b>Gross operating income</b>	<b>634.8</b>	<b>792.4</b>	<b>157.6</b>	<b>24.8%</b>

In 1st half 2012, **net interest income including income from equity instruments** was down 12.8% by EUR 117.9 million to EUR 800.2 million over the same half last year owing to a 10.3% decrease of EUR 82.4 million in net interest income and 30.6% decrease of EUR 35.5 million in income from equity instruments. The evolution of these latter figures was particularly influenced by the reduction of dividends paid by Portugal Telecom and the disposal of CGD's equity investment in Cimpor.

### COMMISSIONS (net) – Contribution by Business Areas

(EUR million)	Jun-11	Jun-12	Change Jun-12 - Jun-11	
			Total	%
CGD Portugal	152.0	151.5	-0.5	-0.3%
International operations	55.0	65.1	10.1	18.3%
Investment banking	25.1	25.7	0.6	2.5%
Asset management	15.6	15.4	-0.3	-1.6%
Other	0.2	0.0	-0.2	-100.0%
<b>Total</b>	<b>247.9</b>	<b>257.7</b>	<b>9.8</b>	<b>3.9%</b>

**Commissions (net)** evolved positively by 3.9% to EUR 257.7 million, up EUR 9.8 million over the same period 2011, particularly reflecting commissions earned from international operations, up 18.3% by EUR 10.1 million.

**Income from financial operations** was significantly up by EUR 204.7 million over the first six months of the preceding year to EUR 255.9 million. This evolution essentially derived from gains of EUR 171.9 million on the repurchase of own debt.

**The technical margin on insurance operations** contributed EUR 247.9 million to the group's net operating income. This amount was up 17.5% by EUR 37.0 million over 1st half 2011 and reflected the significant 14.0% drop of EUR 64.5 million in claims costs net of reinsurance.

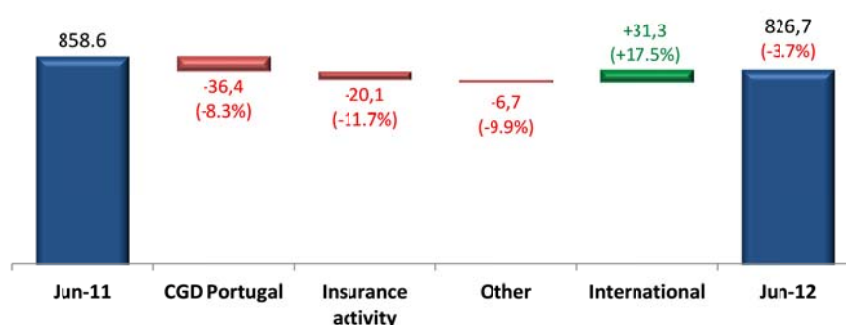
As a result of the above, net operating **income from banking and insurance operations**, was up 8.4% by EUR 125.7 million to EUR 1 619.0 million over the first six months of last year.

**Operating costs**, translating the furtherance of the employee costs and external supplies and services containment policy were down 3.7% by EUR 31.9 million to EUR 826.7 million over 1st half 2011. Employee and external supplies and services costs were down 5.7% by EUR 26.6 million and 1.3% by EUR 4.0 million, respectively.

By areas of activity, CGD Portugal's contribution to **consolidated operating costs** was down 8.3% by EUR 36.4 million over 1st half 2011, originated by an 11.8% drop of EUR 30.3 million in employee costs and a 2.9% drop of EUR 3.9 million in external supplies and services costs. In the case of insurance activities the contribution of operating costs was down 11.7%, as opposed to an increase of 17.5% in the case of international operations, translating the expansion of this business segment.

### Operating Costs - contribution by business areas

M € (year-on-year change)



The significant reduction of operating costs in conjunction with an increase in net operating income was responsible for strongly improved efficiency ratios, particularly CGD Group's cost-to-income ratio which was down from 60.8% in December 2011 to 51.0% (9.8 percentage points).

The ratio for CGD's separate operations was down from 55.7% to 45.5%.

### EFFICIENCY RATIOS

	Jun-11	Dec-11	Jun-12
Cost-to-income (consolidated operations) <sup>(1)</sup>	57.4%	60.8%	51.0%
Cost-to-income (separate operations) <sup>(1)</sup>	53.8%	55.7%	45.5%
Cost-to-income (banking) <sup>(1)</sup>	55.1%	60.7%	49.8%
Employee costs / net operating income <sup>(1)</sup>	31.4%	32.1%	27.4%
External supplies and services / net operating income	20.0%	21.9%	18.2%
Operating costs / average net assets	1.38%	1.44%	1.37%

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

**Impairment of credit, net of cancellations and reversals** was EUR 483.3 million in the first six months of 2012, against EUR 349.3 million for the same period of the preceding year.

### PROVISIONS AND IMPAIRMENT FOR PERIOD

(EUR thousand)	Jun 2011	Jun 2012	Change	
			Total	%
<b>PROVISIONS (net)</b>	<b>12 209</b>	<b>19 393</b>	<b>7 184</b>	<b>58.8%</b>
<b>IMPAIRMENT (net of reversal)</b>	<b>386 816</b>	<b>709 474</b>	<b>322 658</b>	<b>83.4%</b>
<b>Loans</b>	<b>349 267</b>	<b>483 302</b>	<b>134 034</b>	<b>38.4%</b>
Loans and advances to customers	364 171	498 985	134 814	37.0%
Loan recoveries	14 903	15 683	780	5.2%
<b>Other assets</b>	<b>37 549</b>	<b>226 172</b>	<b>188 624</b>	<b>502.3%</b>
Investments in credit institutions	507	1 604	1 097	216.2%
Debtors and other loans and advances	255	2 722	2 467	968.3%
Securities	28 245	178 216	149 971	531.0%
Non-current assets held for sale	9 629	24 025	14 396	149.5%
Non-financial and other assets	-1 088	19 606	20 694	-
<b>PROVISIONS AND IMPAIRMENT FOR PERIOD</b>	<b>399 025</b>	<b>728 867</b>	<b>329 842</b>	<b>82.7%</b>

**Provisions and impairment on other assets (net)** for the half year totalled EUR 245.6 million, a significant part of which to provide for value losses on CGD's equity investments in Portugal Telecom, BCP and La Seda Barcelona, in addition to exposure to securities held by the group's insurance area.

In March, the group subscribed for Greece's public debt restructuring process in which it made a total loss of around EUR 185.5 million, although this did not have an impact on results as it had already been registered in 2011 in the form of securities impairment and provisions.

Current and deferred tax plus the extraordinary contribution of EUR 14.9 million on the banking sector totalled EUR 57.3 million.

Return on equity (ROE) was 2.18% (0.23% after tax), with return on assets (ROA) of 0.11% (0.01% after tax).

### PROFIT RATIOS

	Jun-11	Dec-11	Jun-12
Gross return on equity – ROE (1) (2)	5.75%	-8.13%	2.18%
Net return on equity - ROE (2)	3.54%	-6.40%	0.23%
Gross return on assets – ROA (1) (2)	0.34%	-0.44%	0.11%
Net return on assets - ROA (2)	0.21%	-0.35%	0.01%
Net operating income(3)/ average net assets (1) (2)	2.40%	2.36%	2.70%

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

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

3) Includes income from associated companies

### 6.1.2. Balance sheet Analysis

**CGD Group's consolidated net assets** at the end of June 2012 totalled EUR 117.7 billion, down 4.9% by EUR 6.1 billion on an annual basis and 2.4% by EUR 2.9 million since the start of the year, translating the effect of the deleveraging strategy in progress in the balance sheet.

### CAIXA GERAL DE DEPÓSITOS

#### Consolidated Balance Sheet at 30 June 2012

(EUR million)

##### ASSETS

	30.06.2011 (*)	31.12.2011 (*)	30.06.2012	Δ Jun/12 - Jun/11		Δ Jun/12 - Dec/11	
				Total	%	Total	%
Cash and cash equivalents with central banks	1 128	2 704	1 265	137	12.1%	-1 440	-53.2%
Loans and advances to credit institutions	5 193	5 944	4 536	-657	-12.7%	-1 408	-23.7%
Loans and advances to customers	82 394	78 248	77 519	-4 874	-5.9%	-728	-0.9%
Securities investments	26 921	24 398	25 380	-1 541	-5.7%	982	4.0%
Assets with repurchase agreement	533	778	413	-120	-22.6%	-365	-46.9%
Investment in subsidiaries and associated companies	33	35	32	-1	-2.9%	-2	-6.9%
Intangible and tangible assets	1 485	1 516	1 532	47	3.2%	16	1.0%
Current tax assets	112	87	93	-20	-17.5%	5	6.1%
Deferred tax assets	1 472	1 915	1 671	199	13.5%	-244	-12.7%
Technical provisions for outwards reinsurance	258	226	229	-29	-11.3%	3	1.2%
Other assets	4 242	4 791	5 024	782	18.4%	233	4.9%
<b>TOTAL</b>	<b>123 772</b>	<b>120 642</b>	<b>117 694</b>	<b>-6 078</b>	<b>-4.9%</b>	<b>-2 948</b>	<b>-2.4%</b>

##### LIABILITIES

	30.06.2011 (*)	31.12.2011 (*)	30.06.2012	Δ Jun/12 - Jun/11		Δ Jun/12 - Dec/11	
				Total	%	Total	%
Central banks' and credit institutions' resources	13 296	15 860	14 017	721	5.4%	-1 842	-11.6%
Customer resources	71 031	70 587	70 394	-636	-0.9%	-193	-0.3%
Financial liabilities	1 283	1 918	2 152	869	67.7%	233	12.1%
Debt securities	17 815	14 923	11 150	-6 665	-37.4%	-3 773	-25.3%
Provisions	792	886	894	103	13.0%	8	0.9%
Technical provisions for insurance operations	5 440	4 611	4 363	-1 076	-19.8%	-248	-5.4%
Subordinated liabilities	2 548	2 075	2 874	326	12.8%	798	38.5%
Other liabilities	4 768	4 457	5 010	242	5.1%	554	12.4%
<b>SUB-TOTAL</b>	<b>116 973</b>	<b>115 318</b>	<b>110 855</b>	<b>-6 118</b>	<b>-5.2%</b>	<b>-4 463</b>	<b>-3.9%</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>6 799</b>	<b>5 324</b>	<b>6 839</b>	<b>40</b>	<b>0.6%</b>	<b>1 515</b>	<b>28.5%</b>
<b>TOTAL</b>	<b>123 772</b>	<b>120 642</b>	<b>117 694</b>	<b>-6 078</b>	<b>-4.9%</b>	<b>-2 948</b>	<b>-2.4%</b>

(\*) Pro forma accounts, considering the figures involving Caixa Seguros e Saúde, SA's healthcare area as a non-current asset held for sale

Reductions of 5.9% (EUR 4.9 billion) and 6.1% (EUR 1.7 billion) were accordingly witnessed in the **loans and advances to customers** and **securities portfolios** respectively (including assets with repo agreements) over the preceding year. The cash assets and investments in credit institutions balance was also down by 8.2% (EUR 520 million).

On the **liabilities** side, reference should be made to the 37.4% decline of EUR 6.7 billion and 19.8% decline of EUR 1.1 billion in debt securities and technical provisions for insurance operations over June 2011.

Information on the distribution of consolidated net assets is set out below:

### CGD GROUP CONSOLIDATED NET ASSETS

(EUR million)	June 2011		Dec. 2011		June 2012	
	Amount	%	Amount	%	Amount	%
<b>CGD GROUP</b>						
Caixa Geral de Depósitos	92 702	74.9%	89 767	74.4%	87 181	74.1%
Caixa Seguros e Saúde	11 660	9.4%	10 684	8.9%	9 990	8.5%
Banco Caixa Geral (Spain)	6 004	4.9%	5 488	4.5%	5 441	4.6%
Banco Nacional Ultramarino, S.A. (Macau)	2 178	1.8%	2 730	2.3%	2 543	2.2%
Caixa Banco de Investimento	1 603	1.3%	1 980	1.6%	2 069	1.8%
Caixa Leasing e Factoring	3 338	2.7%	3 066	2.5%	2 882	2.4%
Partang (Banco Totta Angola)	757	0.6%	1 085	0.9%	1 303	1.1%
Banco Comercial Atlântico (Cape Verde)	585	0.5%	604	0.5%	605	0.5%
Banco Comercial Investimento (Mozambique)	1036	0.8%	1367	1.1%	1558	1.3%
Mercantile Lisbon Bank Holdings (South)	599	0.5%	590	0.5%	633	0.5%
Other Companies <sup>(a)</sup>	3 309	2.7%	3 282	2.7%	3 490	3.0%
<b>Consolidated Net Assets</b>	<b>123 772</b>	<b>100.0%</b>	<b>120 642</b>	<b>100.0%</b>	<b>117 694</b>	<b>100.0%</b>

(a) Includes the units recognised by the equity method of accounting

**Loans and advances to customers (gross)**, excluding repo operations, were down 1.5% by EUR 1.3 billion to EUR 81.3 billion and down 3.6% by EUR 3.0 billion, respectively, at the end of 2011, and end of June 2011 (on a comparable basis).

Around 78% of **loans and advances to customers** refer to CGD's individual operations in Portugal. Loans and advances to companies increased by EUR 33 million (up 0.1%) in first half 2012. Lending to general government was down 2.0%.

Mortgage lending was down 2.0% over June 2011, and 0.7% in the first half 2012, representing around 45.9% of total credit portfolio.

### LOANS AND ADVANCES TO CUSTOMERS (a)

(EUR million)	June 2011	Dec 2011	June 2012	Change Jun/12 - Jun/11		Change Jun/12 - Dec/11	
				Total	%	Total	%
<b>Corporate, General Government and institutionals</b>	<b>43 622</b>	<b>42 384</b>	<b>41 598</b>	<b>-2 024</b>	<b>-4.6%</b>	<b>-787</b>	<b>-1.9%</b>
<i>Of which:</i>							
Corporate (CGD Portugal)	24 195	23 725	23 758	-437	-1.8%	33	0.1%
General Government. (CGD Portugal)	5 025	4 333	4 189	-836	-16.6%	-144	-3.3%
<b>Individuals</b>	<b>40 648</b>	<b>40 149</b>	<b>39 660</b>	<b>-988</b>	<b>-2.4%</b>	<b>-488</b>	<b>-1.2%</b>
Mortgage	38 085	37 602	37 322	-763	-2.0%	-279	-0.7%
Other	2 563	2 547	2 338	-225	-8.8%	-209	-8.2%
<b>Total</b>	<b>84 270</b>	<b>82 533</b>	<b>81 258</b>	<b>-3 012</b>	<b>-3.6%</b>	<b>-1 275</b>	<b>-1.5%</b>

(a) Before impairment and excluding repos.

NOTE: For comparison purposes, the amount of EUR 1 000 million relative to Commercial Paper of BPN that was transferred to Parvalorem, was included in Jun/11 and Dec/11.

In comparison to December 2011, there was a significant increase in CGD Group's market share from 20.9% to 21.3% in loans and advances to customers in May 2012, particularly in the corporate (16.8%) and general government (37.0%) sectors. The market share in mortgage lending remained at 26.6%.

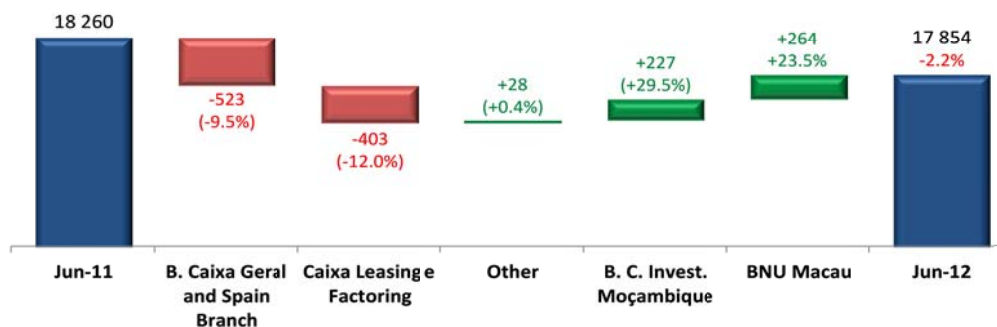
### LOANS AND ADVANCES TO CUSTOMERS – MARKET SHARES

By Segment	June 2011	Dec 2011	May 2012
Corporate	16.6%	16.4%	16.8%
Central and local government	35.5%	35.1%	37.0%
Individuals	23.5%	23.5%	23.5%
Mortgage	26.7%	26.6%	26.6%
Other	9.1%	9.2%	9.0%
<b>Total</b>	<b>21.3%</b>	<b>20.9%</b>	<b>21.3%</b>

Loans made by other group companies comprised 22% of total credit. Reference should be made to the reductions in the case of group companies in Spain (down 9.5% by EUR 523 million over June 2011) and Caixa Leasing e Factoring (down 12.0% by EUR 403 million). This was offset by BNU Macau (up 23.5% by EUR 264 million) and Banco Comercial e de Investimentos in Mozambique (up 29.5% by EUR 227 million), respectively.

### Loans and Advances to Customers - other Group companies (Change Jun-11/Jun-12)

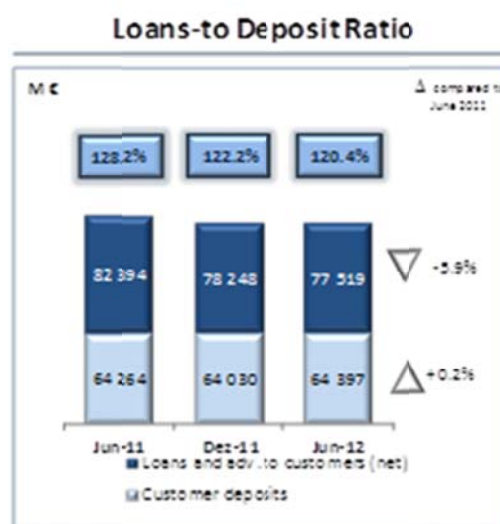
M €



Particularly translating the reduction of loans and advances to customers, the loans-to-deposits ratio measured by net credit to customer deposits was 120.4% against 122.2% at the end of 2011 and 128.2% at the end of June 2011, already having practically accomplished the recommended target of 120% set for Portuguese banks in 2014.

The deteriorating economic and financial situation was reflected in credit quality indicators, with a **total overdue credit ratio** of 5.4% at the end of June 2012, against 3.9% in December 2011 and 3.4% at the end of June 2011. The credit overdue more than 90 days ratio was 4.6% at the end of June 2012, against 3.6% at the end of 2011.

The credit at risk and **non-performing credit ratios**, calculated in conformity with the Bank of Portugal's Instruction no. 23/2011, were 8.7% and 5.7%, respectively, at the end of June, against 6.9% and 4.3% respectively at the end of 2011. Credit at risk, in addition to credit 90 or more days overdue and associated outstanding credit also consider the total amount of overdue restructured credit<sup>4</sup> and other credit operations on which there is evidence justifying their classification as credit at risk, notably a debtor's bankruptcy or liquidation.



<sup>4</sup> Operations, overdue for 90 days or more whose respective contractual conditions have been changed without a debtor's having adequately reinforced guarantees or liquidated past due interest and other costs/charges.



### ASSET QUALITY (Consolidated)

(milhões de euros)	June 2011	Dec 2011	June 2011	Change Jun 12/Dec11	
				Total	%
<b>Total credit</b>	<b>85 295</b>	<b>81 631</b>	<b>85 295</b>	<b>778</b>	<b>0.9%</b>
Loans and advances to customers (outstanding)	82 360	78 409	82 359	321	0.4%
Overdue credit and interest	2 935	3 222	2 935	457	18.4%
Of which: credit overdue for more than 90 days	2 580	2 905	2 582	359	16.2%
<b>Credit impairment</b>	<b>2 901</b>	<b>2 610</b>	<b>2 901</b>	<b>291</b>	<b>11.2%</b>
<b>Credit net of impairment</b>	<b>82 394</b>	<b>81 907</b>	<b>82 394</b>	<b>486</b>	<b>0.6%</b>
Non-performing credit / total credit (1)	3.6%	4.3%	5.7%		
Credit at risk / total credit (a)	5.3%	6.9%	8.7%		
Overdue credit / total credit	3.4%	3.9%	5.4%		
Credit > 90 days overdue / total credit	3.0%	3.6%	4.6%		
Non-performing credit, net / total credit, net (1)	0.2%	0.2%	1.0%		
Credit impairment / overdue credit	98.8%	105.0%	87.5%		
Credit impairment / credit > 90 days overdue	112.4%	116.5%	103.3%		
Impaired credit (FS) / total credit (average)	0.84%	0.97%	1.16%		

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

**Credit impairment, net of cancellations and reversals**, during the half year, comprised 1.16% of the average credit portfolio, up 0.19 pp over the end of 2011.

**Accumulated impairment** on loans and advances to customers (normal and overdue) was up 32.6% by EUR 946.7 million over the same date in 2011 to EUR 3 847.6 million at the end of June, resulting in a credit overdue for more than 90 days cover ratio of 103.3% (116.5% at the end of 2011).

The securities portfolio (including assets with repo agreements) was reduced by 6.1% to EUR 25.8 billion in comparison to EUR 27.5 billion in June 2011, almost exclusively deriving from the component held by the insurance companies.

### SECURITIES INVESTMENTS (a)

(EUR million)	Jun-11	Dec-11	Jun-12	Change Jun-12 - Jun-11		Change Jun-12 - Dec-11	
				Total	%	Total	%
<b>Banking</b>	<b>17 542</b>	<b>16 226</b>	<b>17 350</b>	<b>-192</b>	<b>-1.1%</b>	<b>1 124</b>	<b>6.9%</b>
Financial assets at fair value	3 530	4 044	4 028	498	14.1%	-16	-0.4%
Available for sale financial assets	14 012	12 182	13 322	-690	-4.9%	1 141	9.4%
<b>Insurance</b>	<b>9 911</b>	<b>8 949</b>	<b>8 442</b>	<b>-1 469</b>	<b>-14.8%</b>	<b>-507</b>	<b>-5.7%</b>
Financial assets at fair value	97	87	84	-13	13.6%	-4	-4.1%
Available for sale financial assets	6 234	5 440	5 232	- 1 002	-16.1%	-207	-3.8%
Investments associated with unit linked products	678	585	624	-54	-8.0%	39	6.7%
Investments held to maturity	2 902	2 837	2 502	-400	-13.8%	-335	-11.8%
<b>Total</b>	<b>27 454</b>	<b>25 176</b>	<b>25 793</b>	<b>-1 661</b>	<b>-6.1%</b>	<b>617</b>	<b>2.5%</b>

(a) After impairment and including assets with repo agreements

As regards the investment portfolio, CGD furthered its balance sheet deleveraging strategy, which started in 2011, by not replacing assets attaining their maturity. This effect is not fully visible in the figures as it is offset by the increase in the market value of a part of the portfolio, particularly the public debt component.

### Funding and liquidity management

The monetary policy measures announced by the European Central Bank (ECB), notably the realisation of LTROs with a maturity of 3 years, reduction of the mandatory minimum reserves ratio and measures expanding the range of assets eligible as collateral, enabled domestic banks to improve their liquidity position in first half 2012.

In this context, CGD's borrowing requirements from the ECB, in June 2012, were EUR 9 billion, a figure identical to December 2011.

CGD, in its exploitation of another ECB 3 year maturity liquidity injection operation, in February, with the aim of optimising its liquidity management, substituted a part of its short term borrowings from the ECB by this resource.

Pursuant to its active balance sheet management process, CGD launched a public tender offer for non-qualified investors and a tender offer in the international markets on a covered bonds issue and another on its issue of bonds on the public sector, in the first quarter. This operation enabled CGD to acquire around 30% of the outstanding amount of the two issues at below par, making capital gains of EUR 96 million. In addition to this transaction, CGD brought forward several repo operations on several of its private issues.

Market fears over exposure to sovereign debt and other residual risks associated with the current economic situation, led to the issue of a recommendation by the European Banking Authority (EBA) in December 2011 to set up exceptional, temporary, capital buffers to strengthen the solidity of and trust in the banking system. The

objective of such measures is to enable the selected institutions to maintain a high quality Core Tier I capital level for an amount equivalent to 9% of their risk-weighted assets up to 30 June 2012.

Subsequently, on 29 June, the state, as CGD's sole shareholder, approved its recapitalisation plan for the amount of EUR 1 650 million, comprising EUR 900 million for the issue of debt instruments eligible as own funds and a EUR 750 million increase in share capital. The subscribed for debt instruments are hybrid instruments eligible for classification as Core Capital Tier I and known as CoCo (contingent conversion) capital instruments.

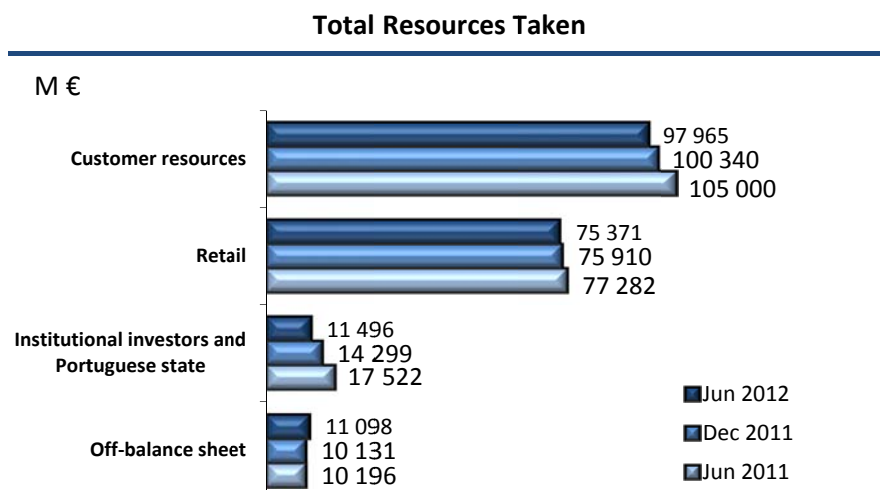
The balance of total resources taken by the group (excluding the interbank money market) was down 6.7% in annual terms and 2.4% over the amount registered at the end of 2011 to EUR 98.0 billion. However, not considering the funding obtained from institutional investors, the customer resources balance increased by around 0.5% over December of the preceding year to EUR 86.5 billion, albeit down 1.2% over the same half year 2011.

### RESOURCES TAKEN BY GROUP

Balances (EUR million)	Jun-11	Dec-11	Jun-12	Change Jun-12 - Jun-11		Change Jun-12 - Dec-11	
				Total	%	Total	%
<b>Balance sheet</b>	<b>94 804</b>	<b>90 209</b>	<b>86 867</b>	<b>-7 937</b>	<b>-8.4%</b>	<b>-3 342</b>	<b>-3.7%</b>
<b>Retail</b>	<b>77 282</b>	<b>75 910</b>	<b>75 371</b>	<b>-1 911</b>	<b>-2.5%</b>	<b>-539</b>	<b>-0.7%</b>
Customer deposits	64 264	64 030	64 397	133	0.2%	368	0.6%
Capitalisation insurance (a)	9 912	8 893	8 163	-1 749	-17.6%	-729	-8.2%
Other customer resources	3 105	2 987	2 810	-295	-9.5%	-177	-5.9%
<b>Institutional investors</b>	<b>17 522</b>	<b>14 299</b>	<b>10 596</b>	<b>-6 926</b>	<b>-39.5%</b>	<b>-3 703</b>	<b>-25.9%</b>
EMTN	7 758	7 128	5 294	-2 464	-31.8%	-1 834	-25.7%
ECP and USCP	47	0	1 140	1 093	-	1 140	-
<i>Nostrum Mortgages</i>	425	403	376	-49	-11.5%	-27	-6.8%
Covered bonds	7 101	5 806	3 146	-3 954	-55.7%	-2 660	-45.8%
Bonds guaranteed by the Portuguese Republic	1 161	-	-	-1 161	-100.0%	0	-
Bonds on the public sector	1 031	962	640	-391	-37.9%	-321	-33.4%
<b>Portuguese State</b>	<b>-</b>	<b>-</b>	<b>900</b>	<b>900</b>	<b>-</b>	<b>900</b>	<b>-</b>
CoCo bonds	-	-	900	900	-	900	-
<b>Off-balance sheet</b>	<b>10 196</b>	<b>10 131</b>	<b>11 098</b>	<b>902</b>	<b>8.8%</b>	<b>967</b>	<b>9.5%</b>
Investment units in unit trust investment funds	4 485	4 055	4 343	-142	-3.2%	288	7.1%
Caixagest	2 848	2 490	2 791	-57	-2.0%	301	12.1%
Fundimo	1 637	1 565	1 552	-85	-5.2%	-13	-0.8%
Pension funds	2 110	2 075	2 128	18	0.9%	53	2.6%
Wealth management (b)	3 601	4 001	4 627	1 026	28.5%	626	15.6%
<b>Total</b>	<b>105 000</b>	<b>100 340</b>	<b>97 965</b>	<b>-7 035</b>	<b>-6.7%</b>	<b>-2 375</b>	<b>-2.4%</b>
<b>Total excluding institutional investors</b>	<b>87 478</b>	<b>86 041</b>	<b>86 468</b>	<b>-1 010</b>	<b>-1.2%</b>	<b>428</b>	<b>0.5%</b>

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

(b) Does not include CGD Group companies' insurance portfolios



Translating the bank's and domestic companies' difficulties in access to funding from the capital market and buy-backs, the balance on resources taken from institutional investors in the form of own issues was down 39.5% by EUR 6.9 billion over June 2011 and 25.9% by EUR 3.7 billion since the start of the year to EUR 10.6 billion.

**Off-balance sheet resources**, at the end of June, totalled EUR 11.1 billion, up by an annual amount of 8.8% and comprising a half yearly increase of 9.5% over the end of 2011, translating a strong increase in the wealth management balance.

### CUSTOMER RESOURCES (CONSOLIDATED)

#### Balances

(EUR million)	June 2011	Dec 2011	June 2012	Change Jun 12 - Dec 11	
				Total	Percentage
<b>Deposits</b>	<b>64 397</b>	<b>64 030</b>	<b>64 397</b>	<b>368</b>	<b>0.6%</b>
Sight	17 723	17 819	17 723	-96	-0.5%
Term and savings	45 691	45 281	45 691	410	0.9%
Mandatory	984	930	984	53	5.7%
<b>Other resources <sup>(a)</sup></b>	<b>5 997</b>	<b>6 558</b>	<b>5 997</b>	<b>-561</b>	<b>-8.5%</b>
<b>Total</b>	<b>70 394</b>	<b>70 587</b>	<b>70 394</b>	<b>-193</b>	<b>-0.3%</b>

(a) Includes fixed rate insurance products

**Customer resources**, for the amount of EUR 70.4 billion remained close to the end of 2011 figure (down 0.3%), more than 90% of whose total comprised customer deposits, up 0.6% by EUR 368 million in the half to EUR 64.4 billion.

### CUSTOMER DEPOSITS (CONSOLIDATED)

#### BALANCES

(EUR million)	June 2011	Dec. 2011	June 2012	Change Jun 12 – Dec 11	
				Total	%
<b>Individual customers</b>	<b>48 537</b>	<b>49 950</b>	<b>52 000</b>	<b>2 050</b>	<b>4.1%</b>
Sight deposits	13 318	12 491	12 196	-295	-2.4%
Term deposits and savings	35 219	37 459	39 804	2 345	6.3%
<b>Corporate</b>	<b>8 752</b>	<b>10 093</b>	<b>9 263</b>	<b>-830</b>	<b>-8.2%</b>
Sight deposits	3 769	4 223	4 362	139	3.3%
Term deposits	4 983	5 870	4 900	-969	-16.5%
<b>Public sector</b>	<b>6 975</b>	<b>3 986</b>	<b>3 134</b>	<b>-852</b>	<b>-21.4%</b>
Sight deposits	2 963	1 104	1 164	60	5.4%
Term deposits	3 574	1 952	987	-965	-49.5%
Mandatory deposits	438	930	984	53	5.7%
<b>Total</b>	<b>64 264</b>	<b>64 030</b>	<b>64 397</b>	<b>368</b>	<b>0.6%</b>

A contributory factor to this change was the performance of term and savings deposits which were up 4.4% by EUR 1.9 billion over the same date in 2011 and 0.9% by EUR 410 million since the start of the year, to a balance of EUR 45.7 billion (71.0% of the deposits total). This evolution reflected the active promotion of deposit-taking from customers and contributed towards a decrease in CGD's borrowing requirements from the wholesale market.

In the case of deposits by segments, it should be pointed out the very positive behaviour of individual customers' deposits with a growth of EUR 2.1 billion (up 4.1% since the start of the year) fueled by term and savings modalities presenting a growth of EUR 2.3 billion (up 6.3%).

CGD Group's market share of customer deposits, up 27.6% at the end of 2011 to 28.0% in May 2012, translated an increase in market share in most segments.

### CUSTOMER DEPOSITS – MARKET SHARE<sup>(a)</sup>

BY CUSTOMER SEGMENT	June 2011	Dec 2011	June 2012
Corporate	10.7%	11.2%	10.3%
General government	42.0%	23.1%	42.0%
Individual customers	32.9%	32.0%	32.3%
Emigrants	42.3%	37.7%	39.7%
Mandatory	95.3%	95.8%	95.9%
<b>Total</b>	<b>29.4%</b>	<b>27.6%</b>	<b>28.0%</b>

(a) Activity in Portugal

**Debt securities**, at EUR 11.15 million, were down 25.3% since the end of 2011, reflecting the reductions of covered bonds and bonds issued under the EMTN programme balances. This was offset by the balance on ECP and USCP programme issues which was up EUR 1.1 billion.

### DEBT SECURITIES

(EUR million)	June 2011	Dec 2011	June 2012	Change Jun 12 - Dec 11	
				Total	%
EMTN programme issues <sup>(a)</sup>	7 834	7 576	5 733	-1 843	-24.3%
ECP and USCP programme issues	47	0	1 140	1 140	-
Nostrum Mortgages and Nostrum Consumer	425	403	376	-27	-6.8%
Covered bonds	7 101	5 806	3 146	-2 660	-45.8%
Bonds guaranteed by the Portuguese Republic	1 161	-	-	-	-
Bonds issued on the public sector	1 031	962	640	-321	-33.4%
Cash bonds and certificates of deposit	217	176	115	-61	
<b>Total</b>	<b>17 815</b>	<b>14 923</b>	<b>11 150</b>	<b>-3 773</b>	<b>-25.3%</b>

(a) Does not include issues classified as subordinated liabilities

Caixa took in resources of EUR 2.9 billion, in the form of subordinated liabilities, up 38.5% by EUR 798 million, particularly deriving from last June's issue of EUR 900 million in contingent convertible CoCo bonds under the terms of CGD's recapitalisation plan.

### SUBORDINATED LIABILITIES

(EUR million)	June 2011	Dec 2011	June 2012	Change Jun 12 - Dec 11	
				Total	%
EMTN programme issues (a)	1 502	1 123	1 125	1	0.1%
CoCo's	-	-	900	900	-
Other	1 047	952	849	-103	-10.8%
<b>Total</b>	<b>2 548</b>	<b>2 075</b>	<b>2 874</b>	<b>798</b>	<b>38.5%</b>

a) Does not include issues classified as debt securities

### 6.1.3. CAPITAL MANAGEMENT

The group's shareholders' equity was significantly up over the end of 2011 by 28.5% (EUR 1 515 million) to EUR 6 839 million at the end of June.

### SHAREHOLDERS' EQUITY

(EUR million)	Jun-11	Dec-11	Jun-12	Change Jun 12 – Jun 11		Change Jun 12 – Dec 11	
				Total	%	Total	%
Share capital	5 050	5 150	5 900	850	16.8%	750	14.6%
Fair value reserves	-1 669	-2 085	-1 197	473	28.3%	888	-42.6%
Other reserves and retained earnings	1 914	1 703	1 146	-768	-40.1%	-556	-32.7%
Non-controlling interests	1 413	1 045	1 002	-411	-29.1%	-43	-4.1%
Net income for period	91	-488	-13	-104	-113.9%	476	-
<b>Total</b>	<b>6 799</b>	<b>5 324</b>	<b>6 839</b>	<b>40</b>	<b>0.6%</b>	<b>1 515</b>	<b>28.5%</b>

The increase in shareholders' equity over December 2011 derived from the EUR 750 million increase in CGD's share capital, following CGD's Recapitalisation Plan, last June, in addition to the EUR 888 million increase in fair value reserves.

CGD's share capital was therefore increased from EUR 5 150 million to EUR 5 900 million comprising 1 180 000 000 shares with nominal value of EUR 5 each, fully subscribed for and paid up by the state.

This capital increase, in addition to the issue of hybrid instruments eligible for core capital Tier I own funds for the amount of EUR 900 million in the scope of CGD's Recapitalisation Plan, therefore increased the Core Tier I ratio, on a consolidated basis, including retained earnings, from 9.5% in December 2011 to 11.7% at the end of June, as defined by the Bank of Portugal. The said ratio was 9.6%, in June 2012, under the terms defined by the

European Banking Authority (EBA). These latter values were higher than the 9% minimum required by the EBA at 30 June 2012 and the 10% defined by the Portuguese authority for 31 December 2012, respectively in the scope of the economic and financial assistance programme.

The solvency ratio on a consolidated basis, including retained earnings, increased from 11.6% at the end of 2011 to 13.8% in June 2012.

### SOLVENCY RATIO (CONSOLIDATED BASIS) <sup>(a)</sup>

#### Balances

(EUR million)	Jun 2011	Dec 2011	Jun 2012
<b>Own funds</b>			
1. Core capital	6 730	6 543	8 200
1.1. Deduction of investments in credit institutions and insurance companies	-404	-410	-346
1.2. Preference shares (Tier I)	520	96	96
2. Basis own funds – TIER I	6 846	6 229	7 950
3. Complementary own funds – TIER II	2 421	1 820	1 799
4. Deductions from own funds	-41	-42	-45
5. Total eligible own funds (2+3+4)	9 226	8 007	9 704
6. Total weighted positions	79 991	69 021	70 370

#### Ratios

Core Tier I (BdP) (1./6.)	8.4%	9.5%	11.7%
Core Tier I (EBA) (1.-1.1-(b))/6.	-	-	9.6%
Tier I (2./6.)	8.6%	9.0%	11.3%
Solvency ratio (5./6.)	11.5%	11.6%	13.8%

(a) Including annual results

(b) Sovereign debt buffer (EUR 1 073 million)



### 6.1.4. GROUP RATING

In first half 2012, the international rating agencies Standard & Poor's and DBRS made additional cuts to their ratings on Portuguese banks, including CGD, following their rating downgrades on the Portuguese public debt.

However, in July, following June's recapitalisation operation, CGD's "SACP" (Stand-Alone Credit Profile) and "Viability Rating" were upgraded by Standard & Poor's and FitchRatings, respectively.

Information on CGD's present short and long term ratings is set out in the following table:

	Short term		Long term		
	CGD	Portuguese Republic	CGD	Portuguese Republic	
STANDARD & POOR'S	B	B	BB-	BB	Jul/2012
FITCH RATINGS	B	B	BB+	BB+	Jul/2012
MOODY'S	N/P	N/P	Ba3	Ba3	Mar/2012
DBRS	R-2 (mid)		BBB (low)	BBB (low)	May/2012

#### **Standard & Poor's**

On 14 February 2012, following its ratings downgrade on nine euro area members, including Portugal, Standard & Poor's downgraded CGD's long term rating from BB+ to BB-, with a negative outlook having reaffirmed its short term B rating.

On 11 July 2012, Standard & Poor's upgraded CGD's "SACP" (Stand-Alone Credit Profile) from b+ to bb- following its recapitalisation plan, having reaffirmed its long and short term ratings of BB- and B, respectively, with a negative outlook.

#### **Fitch Ratings**

On 18 June 2012, Fitch Ratings downgraded its VR ("Viability Rating") on four Portuguese banks, including CGD, from b+ to b.

On 17 July 2012, the referred to rating agency, reviewed CGD's ratings following its recapitalisation plan and upgraded its "Viability Rating" from b to bb-. The long term BB+ rating with a negative outlook and short term B rating were reaffirmed on the same date.

#### **Moody's**

On 28 March 2012, Moody's downgraded its ratings on several Portuguese banks, including CGD, following the 13 February 2012 downgrade of its long term rating on the Portuguese Republic, from Ba2 to Ba3, with a negative outlook.

The long term rating on CGD's therefore changed from Ba2 to 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 on its long term rating on the Portuguese Republic, the DBRS rating agency, which started its cover operations on CGD in December 2011, attributing it with a long term BBB rating and a short term R-2 (high) rating, both with a negative trend, downgraded the ratings to BBB (low), with a negative trend (identical to the Portuguese Republic's) and to R-2 (mid), also with a negative trend.

On 24 May 2012, the DBRS rating agency placed CGD's ratings under review with negative implications following and in line with the long term rating on the Portuguese Republic on 22 May last, reflecting the impact of additional systemic risks.

## 6.2. SEPARATE ACTIVITY<sup>5</sup>

### 6.2.1. RESULTS

**Gross operating income** from Caixa Geral de Depósitos's separate operations totalled EUR 554 million in 1st half 2012, comprising an expressive 28% growth of EUR 121 million in comparison to earnings of EUR 433 million in the same half 2011.

### Income Statement (Separate), at 30 June 2012

(EUR thousand)

	30.06.2011	30.06.2012	Change	
			Total	%
Interest and similar income	2 506 425	2 706 971	200 546	8.0%
Interest and similar costs	1 987 626	2 259 527	271 901	13.7%
<b>Net interest income</b>	<b>518 799</b>	<b>447 444</b>	<b>-71 354</b>	<b>-13.8%</b>
Income from equity instruments	170 191	113 983	-56 208	-33.0%
<b>Net interest income including income from equity instruments</b>	<b>688 990</b>	<b>561 427</b>	<b>-127 562</b>	<b>-18.5%</b>
Income from services and commissions	235 078	248 992	13 914	5.9%
Cost of services and commissions	46 046	58 640	12 594	27.4%
<b>Commissions (net)</b>	<b>189 032</b>	<b>190 352</b>	<b>1 320</b>	<b>0.7%</b>
Income from financial operations	17 016	211 156	194 141	-
Other operating income	41 601	54 042	12 441	29.9%
<b>Non interest income</b>	<b>247 648</b>	<b>455 550</b>	<b>207 902</b>	<b>84.0%</b>
<b>Net operating income</b>	<b>936 638</b>	<b>1 016 978</b>	<b>80 339</b>	<b>8.6%</b>
Staff costs	280 845	248 506	-32 338	-11.5%
Other administrative costs	170 936	164 799	-6 137	-3.6%
Depreciation and amortisation	51 694	49 347	-2 347	-4.5%
<b>Operating costs and amortisation</b>	<b>503 475</b>	<b>462 652</b>	<b>-40 822</b>	<b>-8.1%</b>
<b>Operating income (gross)</b>	<b>433 163</b>	<b>554 325</b>	<b>121 162</b>	<b>28.0%</b>
Provisions and impairment of other assets, net of reversals	36 245	165 568	129 323	356.8%
Correction of amount of loans and advances. to costumers and receivables from other debtors	254 190	467 174	212 984	83.8%
<b>Provisions and impairment</b>	<b>290 435</b>	<b>632 742</b>	<b>342 307</b>	<b>117.9%</b>
<b>Income before tax</b>	<b>142 728</b>	<b>-78 416</b>	<b>-221 145</b>	<b>-154.9%</b>
<b>Income tax</b>	<b>46 376</b>	<b>-6 779</b>	<b>-53 441</b>	<b>-115.2%</b>
Current	11 871	73 207	61 336	516.7%
Deferred	21 032	-93 745	-114 777	-545.7%
Extraordinary contribution on banking sector	13 473	13 759	286	2.1%
<b>Net income</b>	<b>96 352</b>	<b>-71 637</b>	<b>-167 990</b>	<b>-174.3%</b>

<sup>5</sup> Including the operations of the France, London, Spain, Luxembourg, New York, Grand Cayman, Madeira Offshore, Timor and Zhuhai branch offices.

This positive evolution resulted from the 8.6% increase of EUR 80.3 million in **net operating income from banking activities** together with an 8.1% reduction of EUR 40.8 million in operating costs.

**Net interest income, including income from equity instruments** at EUR 561.4 million, was down 18.5% over 1st half 2011, owing both to the drop in net interest income and income from equity instruments.

There was a sharp 84.0% increase of EUR 207.9 million in **non-interest income**, deriving from all component parts, particularly **income from financial operations**, up EUR 194.1 million over the same period 2011, essentially deriving from the gains made on own debt repurchases.

As regards **operating costs** and as in the case of the preceding year, reference should be made to the 8.1% reduction of EUR 40.8 million over 1st half 2011, in which a significant contributory factor was the 11.5% decrease of EUR 32.3 million in employee costs.

Translating the provisioning situation during the half, totalling EUR 632.7 million, CGD earned negative net income of EUR 71.6 million on its separate operations over first half 2012, against a positive EUR 96.4 million in the same period of the preceding year.

#### 6.2.2. EVOLUTION OF BALANCE SHEET

**Net assets** of EUR 105.4 billion from CGD's separate operations, at the end of first half 2012, were down 3.2% by EUR 3.5 billion over December 2011.

On the assets side and analysing the changes in comparison to December 2011, reference should be made to the decreases in **cash balances and investments in central banks and credit institutions** (down 27.5% by EUR 3.6 billion) and **loans and advances to customers** (down 0.9% by EUR 590 million) and the increase in **securities investments**, including assets with repo agreements (up 4.7% by EUR 888 million).

On the liabilities side, **debt securities** were down 23.2% by EUR 3.7 billion over December 2011 and subordinated liabilities up 37.1% by EUR 802 million, which latter evolution translated CGD's issue of EUR 900 million in hybrid debt instruments. There was a marginal reduction of 1% during the half year in **customer resources** to EUR 57.3 billion of which EUR 56.3 billion comprised **customer deposits**.

### Balance Sheet (Separate) at 30 June 2012

(EUR million)

#### ASSETS

	30.06.2011	31.12.2011	30.06.2012	Δ Jun/12- Jun/11		Δ Jun/12- Dec/11	
				Total	%	Total	%
Cash and cash equivalents at central banks	564	1 888	629	65	11.6%	-1 259	-66.7%
Loans and advances to credit institutions	11 862	11 209	8 872	-2 990	-25.2%	-2 337	-20.8%
Loans and advances to customers	71 083	67 075	66 485	-4 598	-6.5%	-590	-0.9%
Securities investments	19 213	17 490	18 655	-558	-2.9%	1 166	6.7%
Assets with repurchase agreement	1 566	1 917	1 572	6	0.3%	-345	-18.0%
Investments in subsidiaries and associates	3 486	3 522	3 959	473	13.6%	437	12.4%
Intangible and tangible assets	609	598	584	-25	-4.1%	-14	-2.3%
Deferred tax assets	1 023	1 395	1 261	238	23.3%	-134	-9.6%
Other assets	3 378	3 775	3 399	21	0.6%	-376	-10.0%
<b>TOTAL</b>	<b>112 784</b>	<b>108 869</b>	<b>105 416</b>	<b>-7 368</b>	<b>-6.5%</b>	<b>-3 453</b>	<b>-3.2%</b>

#### LIABILITIES

	30.06.2011	31.12.2011	30.06.2012	Δ Jun/12- Jun/11		Δ Jun/12- Dec/11	
				Total	%	Total	%
Central banks' and credit institutions' resources	14 948	16 786	15 271	323	2.2%	-1 515	-9.0%
Customers resources	59 454	57 856	57 296	-2 158	-3.6%	-560	-1.0%
Financial liabilities	6 863	7 578	7 732	869	12.7%	154	2.0%
Debt securities	18 981	16 131	12 387	-6 594	-34.7%	-3 743	-23.2%
Provisions	1 142	1 060	1 074	-67	-5.9%	14	1.3%
Subordinated liabilities	2 949	2 161	2 962	14	0.5%	801	37.1%
Other liabilities	2 945	2 635	2 763	-182	-6.2%	128	4.9%
<b>SUB-TOTAL</b>	<b>107 282</b>	<b>104 205</b>	<b>99 485</b>	<b>-7 796</b>	<b>-7.3%</b>	<b>-4 720</b>	<b>-4.5%</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>5 503</b>	<b>4 664</b>	<b>5 930</b>	<b>427</b>	<b>7.8%</b>	<b>1 267</b>	<b>27.2%</b>
<b>TOTAL</b>	<b>112 784</b>	<b>108 869</b>	<b>105 416</b>	<b>-7 368</b>	<b>-6.5%</b>	<b>-3 453</b>	<b>-3.2%</b>

### 6.2.3. CAPITAL MANAGEMENT

**Shareholders' equity** was up 27.3% over last December by more than EUR 1.3 billion to EUR 5.9 billion at the end of 1st half 2012. A major contributory factor was June's EUR 750 million increase in **share capital** to EUR 5.9 billion and the 44.4% improvement of EUR 601 million in revaluation reserves.

#### SHAREHOLDERS' EQUITY (SEPARATE)

##### BALANCES

(EUR million)	Jun 2011	Dec 2011	Jun 2012	Change Jun/12 - Jun/11		Change Jun/12 - Dec/11	
				Total	%	Total	%
Capital	5 050	5 150	5 900	850	16.8%	750	14.6%
Revaluation reserves	-909	-1 353	-752	157	17.3%	601	44.4%
Other reserves and retained earnings	1 265	1 183	854	-411	-32.5%	-329	-27.8%
Net income for period	96	-316	-72	-168	-174.3%	245	-77.3%
<b>Total</b>	<b>5 503</b>	<b>4 664</b>	<b>5 930</b>	<b>427</b>	<b>7.8%</b>	<b>1 267</b>	<b>27.2%</b>

## 7. MAIN RISKS AND UNCERTAINTIES IN 2ND HALF 2012

Second half 2012 will be a period of weak economic growth. With very low risks of inflation, central banks will have the leeway to implement even more expansionary monetary policies and whenever necessary, reinforce unconventional measures.

The economic environment inherited from the first half of the year is not favourable. Several of the events which marked first half 2012 will extend into the second half and the situation may well worsen. The contagion of the sovereign debt crisis to countries of greater relevance in the centre of EMU is a process still in development and should particularly constrain economic expectations.

The synchronising of the austerity measures now implemented in several of the larger central countries will significantly impact economic growth in second half 2012 and consequently, projections which are already very conservative. There also continues to be a high level of unpredictability regarding the capacity of several countries at greater risk to obtain funding. These include Spain and Italy, naturally on account of the dimension of their economies.

An easing or worsening of the uncertainties over the EMU project's feasibility is largely dependent on success over the development of three difficult, important steps on which decisions will have to be made in the second half: (i) how far the ECB is willing to go in terms of implementing a more expansionary monetary policy which is already partly in progress, albeit indirectly in the form of incentives to reactivate the interbank market, (ii) the result of discussions on debt mutualisation and, lastly (iii) details on the creation of an EMU level banking union, with all of its implicit foundations.

Risk is not, however confined to Europe. Economic deceleration has been occurring in the USA during the first half, also on account of the EMU contagion effect and it is also likely that the USA will be forced to implement greater fiscal discipline. The economy is expected to continue to underperform and in a half in which congressional and presidential elections are due to be held, one of the focuses of interest will be whether the Federal Reserve will be forced to implement a 3rd round of quantitative easing, i.e. the reinforcement of economic stimulus measures.

The effects of the slowdown of activity in the developed bloc, largely based on corporate and household deleveraging processes and contractionary fiscal policies implemented by governments will also be felt in the emerging markets and increase the uncertainties over the outlook for the international economic environment.

Other marked risk factors are associated with geopolitical instability in the Middle East, particularly in Iran and Syria and their impact on energy costs in addition to the October power transition process in China.

In Portugal, more negative developments associated with EMU sovereign debt and greater than expected contraction in Spain represent risks which may have a negative effect on the economy in the second half of the year, increasing the difficulty of achieving fiscal consolidation goals.

Although Portuguese banks' recapitalisation and deleveraging processes are progressing at a good rate, a new stage of deterioration in activity will contribute towards the worsening of the main domestic risk which is associated with the evolution of unemployment, with negative consequences on the quality of banks' credit portfolios.

In a context in which the sovereign risk premium on economies remains high and acts as a conditioning factor on credit risk and banking liquidity, these two phenomena, in making the need for economic and financial system deleveraging more pressing and increasing doubts over the capacity of achieving the agreed capitalisation levels, will sharply constrain the activity of Portuguese banks.

The ECB's management of monetary policy, regarding endeavours to normalise the operation of the money market and reduce investors' levels of risk aversion is a crucial factor in contributing towards a reduction of funding costs and pressure on net interest income felt by the Portuguese banks.

Insurance area activity will also continue to be conditioned, in second half 2012, by the signs of the worsening of the current crisis, in a context of adjustments to the accumulating macroeconomic imbalances (particularly the external and state budget deficits) and a reduction of the supply of credit and consequent deleveraging of the economy.

Positive aspects of the decline of (public and private) spending and resulting investment will be a recovery of the external trade balance, owing to the joint effect of lower imports and higher exports and a substantial improvement in the primary balance on the state budget – the latter very much on account of the part elimination of holiday and Christmas subsidies.

In general, this framework, with its negative implications on the population's purchasing power will also have an effect on insurance activity and be particularly visible in the reduction of the premiums portfolio and increase in business-associated risks.

Periods of difficulty, however, create specific opportunities which should not be disregarded, either in terms of improvements to internal reorganisation processes or responses to new protection requirements or even as regards the possibilities of internationalisation, especially for markets of strategic interest to CGD Group.

Special reference should be made to the first half merger between Fidelidade Mundial and Império Bonança which will permit significant progress to be achieved in terms of additional efficiency gains.

From another angle, the year 2011 acquisition of a controlling interest in Universal Seguros, incorporated in Angola, made it possible to start up activity in this market which is of major strategic interest and in which an important increase in turnover is expected to occur in the second half of this year.

## 8. SUBSEQUENT EVENTS

- On 12 June, Caixa Geral de Depósitos, S.A. entered into a forward's agreement relative to an OTC transaction on 33 181 144 ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A., shares for 10.735 % of Zon's share capital and voting rights to Jadeium B.V. The shares were surrendered on 2 July 2012 with the operation's financial settlement operation, for the amount of EUR 86 270 974.40 euros.
- On 18 July 2012, the European Commission, under the terms of EU rules on state aid, temporarily authorised the operation for the injection of EUR 1 650 million of Caixa Geral de Depósitos, S.A.'s basis own funds already referred to in this document, for reasons of financial stability. Portugal undertook to submit a restructuring plan for CGD within a period of six months from the injection. The Commission will take a definitive decision on the compatibility between the capital injection and rules on EU state aid in its assessment of the restructuring plan.
- On 14 August, CGD sold 9 million shares held in the share capital of Brisa, at a unit price of EUR 2.76 euros under the Tagus takeover bid.



## 9. CONCLUDING REMARKS

Under the terms of a unanimous corporate resolution of 30 March 2012, set out in writing, the Portuguese state in its capacity as CGD's sole shareholder, issued the following resolution:

- a) To accept the resignation of Dr. Jorge Humberto Correia Tomé from his position as a member of the board of directors
- b) To elect, in his place, for completing the term of office in question Dr. José Pedro Cabral dos Santos, who will take up office on 29 March 2012.

## 10. DECLARATION OF CONFORMITY OF THE PRESENTATION OF FINANCIAL INFORMATION

Under the terms of sub-paragraph c) of no. 1 of article 246 of the Securities Market Code, we declare that the condensed financial statements for first half 2012 and the other accounting documents, have, to the best of our knowledge, been produced in conformity with the applicable accounting standards and provide a true and appropriate image of the assets and liabilities, financial situation and results of Caixa Geral de Depósitos, SA and the companies included in its consolidation perimeter and that the board of directors' interim report gives an accurate account of the important events occurring in the respective period and the impact of the financial statements and contains a description of the main risks and uncertainties for the next six months.

#### 11. STATEMENT ON THE AUDITING OF THE ACCOUNTS

Under the terms of no. 3 of no.1 Securities Code, we declare that the financial information for first half 2012 relating to Caixa Geral de Depósitos, SA and the companies included in its consolidation perimeter has not been audited.

## 12. BONDS HELD BY MEMBERS OF THE BOARD OF DIRECTORS

(Article 447 of the Commercial Companies Code)

Bondholders	Security	No. securities at 30/06/2012
<b>Members of the board of directors:</b>		
Faria de Oliveira	"Caixa Valor Nacional" bonds 2010/2015	50
	"Caixa Dia da Poupança" bonds 2010/2013	25
Norberto Rosa	Subordinated Caixa bonds – CGD 2007/2017	200
	"Caixa Valor Nacional" bonds 2010/2015	40
Rodolfo Lavrador	Subordinated Caixa bonds – CGD 2008/2018 – 1st issue	300
João Nuno Palma	Subordinated bonds – CGD – 2009/2019 Anniversary issue	50
	CGD bonds– 5.125% – 2014	1
Álvaro Nascimento	CGD bonds 4.375% 2013	4
José Pedro Cabral dos Santos	Caixa Valor Nacional bonds 2010/2015	15
<b>Spouse/children:</b>		
Marina Maria Wolffensperger Faria de Oliveira	Covered Bond CGD 2016	3
	"Caixa Valor Nacional" bonds 2010/2015	25

### 13. INFORMATION ON CGD SHAREHOLDERS

(Article 448 of Commercial Companies Code)

Shareholders	Share capital at 30/06/2012	% equity investment at 30/06/2012
Portuguese state	EUR 5 900 000 000	100%

Lisbon, 29 August de 2012

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
	Doutor Eduardo Manuel Hintze da Paz Ferreira
	Pedro Miguel Duarte Rebelo de Sousa
	Álvaro José Barrigas do Nascimento

**[ This page has been intentionally left blank ]**

## 14. SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

### CAIXA GERAL DE DEPÓSITOS, S.A.

### BALANCE SHEET (SEPARATE) AT 30 JUNE 2012 AND 31 DECEMBER 2011

(EUR)

	30-06-2012	31-12-2011
Cash and cash equivalents at central banks	9 080 634 686	9 015 597 149
Cash balances at other credit institutions	2 733 471 619	2 510 065 118
Other financial assets held for trading	6 190 190 986	7 770 059 638
Financial assets at fair value through profit or loss	57 295 852 311	57 856 002 055
Available-for-sale financial assets	12 387 393 293	16 130 621 745
Financial assets with repurchase agreement	4 998 383 305	5 067 876 208
Financial assets to credit institutions	73 551 109	93 071 712
Loans and advances to customers	1 074 206 834	1 059 667 763
Loans and advances to customers	68 487 601	1 484 313
Hedging derivatives	2 962 478 933	51 065 618
Non-current assets held for sale	2 554 896 257	2 489 026 652
Investment property	99 485 290 491	104 205 266 806
Other tangible assets		
Intangible assets		
Investments in associates, subsidiaries and joint ventures		
Current tax assets		
Deferred tax assets		
Other assets		
<b>Total assets</b>	<b>105 415 743 903</b>	<b>108 868 964 166</b>
Resources of central banks		
Financial liabilities held for trading		
Resource of other credit institutions		
Customer resources		
Debt securities		
Financial liabilities associated with transferred assets		
Hedging derivatives		
Provisions		
Current tax liabilities		
Deferred tax liabilities		
Other subordinated liabilities		
Other liabilities		
<b>Total liabilities</b>	<b>59 000 000 000</b>	<b>5 150 000 000</b>
Share capital		
Revaluation reserves		
Other reserves and retained earnings		
Net income for the period		
<b>Total Equity</b>	<b>46 415 743 903</b>	<b>103 718 964 166</b>
<b>Total Liabilities and Equity</b>	<b>105 415 743 903</b>	<b>108 868 964 166</b>

#### Board of Directors

Chairman

Fernando Manuel Barbosa Faria de Oliveira

Deputy chairman

João Agostinho Martins de Matos

Members

António do Pranto Nogueira Leite

Rodolfo Vasco Castro Gomes Mascarenhas Lavrador

Nuno Mira Pinto de Magalhães Fernandes Thomaz

João Nuno de Oliveira Jorge Palma

João Pedro Cabral dos Santos

Edoardo Manuel Héniz da Paz Ferreira

Pedro Miguel Duarte Rebelo de Sousa

Álvaro José Barriga do Nascimento

#### Certified Public Accountant

Maria Filomena O. Melo F. Sanches



### CAIXA GERAL DE DEPÓSITOS, S.A.

#### INCOME STATEMENT (SEPARATE) FOR THE PERIODS ENDED

30 JUNE 2012 AND 30 JUNE 2011

(EUR)

	30-06-2012	30-06-2011
Interest and similar income	2 706 971 021	2 506 424 638
Interest and similar costs	(2 259 526 908)	(1 987 626 075)
<b>NET INTEREST INCOME</b>	<b>447 444 113</b>	<b>518 798 563</b>
Income from equity instruments	113 983 224	170 191 101
Income from services and commissions	248 992 069	235 077 830
Cost of services and commissions	(58 640 261)	(46 046 107)
Net results of assets and liabilities measured at fair value through profit or loss	172 227 979	2 987 555
Net gain on available-for-sale financial assets	37 417 134	9 538 180
Net foreign exchange revaluation gain	2 663 336	27 804 043
Net gain on the sale of other assets	(1 152 155)	(23 314 262)
Other operating income	54 042 174	41 601 255
<b>NET OPERATING INCOME</b>	<b>1 016 977 613</b>	<b>936 638 158</b>
Staff costs	(248 506 357)	(280 844 626)
Other administrative costs	(164 799 171)	(170 936 099)
Depreciation and amortisation	(49 346 658)	(51 693 936)
Provisions net of reversals	(15 752 253)	(12 967 314)
Correction of amount of loans and advances to costumers and receivables from other debtors	(467 173 955)	(254 190 031)
Impairment of other financial assets net of reversals	(99 347 524)	(20 183 201)
Impairment of other assets net reversals	(50 468 013)	(3 094 523)
<b>INCOME BEFORE TAX</b>	<b>(78 416 318)</b>	<b>142 728 428</b>
<b>Income tax</b>		
Current	(86 965 679)	(25 344 136)
Deferred	93 744 699	(21 031 976)
	<b>6 779 020</b>	<b>(46 376 112)</b>
<b>Net income for the period</b>	<b>(71 637 298)</b>	<b>96 352 316</b>
Average number of ordinary shares outstanding	1 030 000 000	1 010 000 000
Earnings per share (in Euros)	(0.07)	0.10

#### Certified Public Accountant

Maria Fátima O. Melo F. Sanchas

#### Board of Directors

##### Chairman

Fernando Manuel Barbosa Faria de Oliveira

##### Deputy chairman

José Agostinho Martins de Matos

##### Members

António do Pranto Nogueira Leite

Norberto Emílio Sequeira da Rosa

Rodolfo Vasco Castro Gomes Mascarenhas Lavrador

Nuno Maria Pinto de Magalhães Fernandes Thomaz

João Nuno de Oliveira Jorge Palma

João Pedro Cabral dos Santos

Eduardo Manuel Hintze da Paz Ferreira

Pedro Miguel Duarte Rebelo de Sousa

Álvaro José Barrigas do Nascimento

### CAIXA GERAL DE DEPÓSITOS, S.A.

#### STATEMENT OF COMPREHENSIVE INCOME (SEPARATE) FOR THE PERIODS ENDED 30 JUNE 2012 AND 30 JUNE 2011

(EUR thousand)

	30-06-2012	30-06-2011
Adjustments to fair value of available-for-sale financial assets		
Changes in period	789 939	(1 083 574)
Reclassification of adjustments of fair value reserves to results:		
Recognition of impairment for the period	93 207	20 813
Sale of available-for-sale financial assets	(37 417)	(9 538)
Tax effect	(244 729)	284 618
Post employment benefits - amortisation of transition to IAS' s impact		
Change in period	(16 728)	(16 728)
Tax effect	4 690	4 685
Exchange fluctuations	(1 638)	3 506
Other	1 071	464
Total comprehensive income for the period recognised in reserves	<u>588 394</u>	<u>(795 756)</u>
Net income for the period	(71 637)	96 352
Total comprehensive income for the period	<u><u>516 756</u></u>	<u><u>(699 403)</u></u>

### CAIXA GERAL DE DEPÓSITOS, S.A.

### CASH FLOW STATEMENTS (SEPARATE) FOR THE PERIODS

### ENDED 30 JUNE 2012 AND 30 JUNE 2011

(EUR thousand)

	30-06-2012	30-06-2011
<b>OPERATING ACTIVITIES</b>		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	3 040 896	2 716 427
Interest, commissions and similar costs paid	(1 855 658)	(1 526 707)
Recovery of principal and interest	13 927	13 047
Payments to employees and suppliers	(429 652)	(484 197)
Payments and contributions to pensions funds, health plan and other benefits	(10 007)	-
Other results	37 288	60 790
	<b>796 795</b>	<b>779 360</b>
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	2 448 051	(1 522 024)
Assets held for trade and other assets		
at fair value through profit or loss	381 132	730 076
Other assets	(69 454)	(79 636)
	<b>2 759 729</b>	<b>(871 584)</b>
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	(1 565 633)	(1 728 823)
Customer resources	(597 996)	4 584 793
Other liabilities	97 972	(289 205)
	<b>(2 065 657)</b>	<b>2 566 764</b>
Net cash from operating activities before taxation	<b>1 490 866</b>	<b>2 474 540</b>
Income tax	(53 810)	(48 645)
Net cash from operating activities	<b>1 437 056</b>	<b>2 425 896</b>
<b>INVESTING ACTIVITIES</b>		
Capital gains from subsidiary and associated companies	49 108	42 425
Capital gains from available-for-sale financial assets	70 536	55 215
Acquisition of investments in subsidiary and associated companies, net of disposals	(5 027)	(15 656)
Acquisition of available-for-sale financial assets, net of disposals	(209 935)	(853 908)
Acquisition of tangible and intangible assets, net of disposals	(35 200)	(49 409)
Net cash from investing activities	<b>(130 518)</b>	<b>(821 333)</b>
<b>FINANCING ACTIVITIES</b>		
Interest on subordinated liabilities	(32 959)	(34 932)
Interest on debt securities	(418 232)	(378 974)
Issue of subordinated liabilities, net of repayments	791 186	(224 568)
Issue of debt securities	(3 632 917)	(1 379 735)
Dividends paid	750 000	-
Net cash from financing activities	<b>(2 542 923)</b>	<b>(2 018 209)</b>
Increase (decrease) in cash and cash equivalents	<b>(1 236 385)</b>	<b>(413 646)</b>
Cash and cash equivalents at beginning of period	2 338 920	1 414 248
Net change of cash and cash equivalents	(1 236 385)	(413 646)
Cash and cash equivalents at end of period	<b>1 102 535</b>	<b>1 000 603</b>

### CAIXA GERAL DE DEPÓSITOS, S.A.

### STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (SEPARATE)

### FOR THE PERIODS ENDED 30 JUNE 2012 AND 2011

(EUR thousand)

	Revaluation reserves		Other reserves and retained earnings			Total	Net income	Total
	Fair value reserves	Reserves for deferred tax	Fixed assets	Reserva legal	Outras reservas			
Balances at 31 December 2010	5 050 000	(440 289)	110 280	208 998	853 455	397 105	(24 382)	1 226 178
Impact from changes in accounting policy regarding actuarial gains and losses recognition associated with post-employment benefits (Note 2.3)	-	-	-	-	-	-	-	-
Balances at 31 December 2010 - pro forma	5 050 000	(440 289)	110 280	208 998	853 455	397 105	(24 382)	1 226 178
Appropriation of net income for 2010:	-	-	-	-	-	-	-	-
Transfer to reserves and retained earnings	-	-	-	-	-	-	-	-
Other entries directly recorded in equity:	-	-	-	-	-	-	-	-
Valuation of available-for-sale financial assets	-	(1 072 299)	284 618	-	-	-	-	-
Amortisation of the impact of the transition to the IAS relative to post-employment benefits	-	-	-	-	-	-	-	-
Currency changes in subsidiaries	-	-	-	-	-	-	-	-
Reclassification between reserves and retained earnings	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total gains and losses for the period recognised in equity	-	(1 072 299)	284 618	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	-	-
Balances at 30 June 2011 - pro forma	5 050 000	(1 512 588)	394 898	208 998	862 906	325 947	(14 054)	1 174 799
Balances at 31 December 2011	5 150 000	(2 052 719)	589 423	110 425	862 906	345 921	(26 004)	1 182 823
Appropriation of net income for 2011:	-	-	-	-	-	-	-	-
Transfer to reserves and retained earnings	-	-	-	-	-	-	-	-
Other entries directly recorded in equity:	-	-	-	-	-	-	-	-
Valuation of available-for-sale financial assets	-	845 728	(244 729)	-	-	-	-	-
Amortisation of the impact of the transition to the IAS relative to post-employment benefits	-	-	-	-	-	-	-	-
Currency changes in subsidiaries	-	-	-	-	-	-	-	-
Reclassification between reserves and retained earnings	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total gains and losses for the period recognised in equity	-	845 728	(244 729)	-	-	-	-	-
Share capital increase	750 000	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	-	-
Balances at 30 June 2012	5 900 000	(1 206 991)	344 694	110 425	862 906	344 935	(353 879)	853 962

### CAIXA GERAL DE DEPÓSITOS, S.A.

### CONSOLIDATED BALANCE SHEET AT 30 JUNE 2012 AND 31 DECEMBER 2011

(EUR)

		30-06-2012	31-12-2011			30-06-2012	31-12-2011
	Assets	Notes (a)	Amounts before impairment, amortisation and depreciation	Impairment and amortisation and depreciation	Net assets	LIABILITIES AND EQUITY	Notes (a)
4	Cash and cash equivalents at central banks		1 264 927 867	-	2 704 481 554	Resources of central banks and other credit institutions	19
5	Cash balances at other credit institutions		1 257 518 676	-	986 196 721	Customer resources	20
6	Loans and advances to credit institutions		3 278 863 990	(13 727 453)	4 595 113 288	Liability of unit-linked products	21
			5 815 000 388	(13 727 453)	8 446 795 563	Debt securities	21
7	Financial assets at fair value through profit or loss		4 111 815 726	-	4 131 709 466		
8	Available-for-sale financial assets		19 088 292 406	(946 598 026)	18 141 694 379	Financial liabilities at fair value through profit or loss	11
9	Financial assets with repurchase agreement		412 974 139	-	777 953 832	Hedging derivatives with negative revaluation	11
10	Unit-linked investments		623 810 285	-	584 878 996	Non-current liabilities held for sale	14
11	Hedging derivatives		122 352 456	-	108 128 626	Provisions for employee benefits	22
12	Held-to-maturity investments		2 502 442 391	-	2 837 379 183	Provisions for other risks	22
			25 861 687 402	(946 598 026)	25 283 692 984	Technical provisions for insurance contracts	22
13	Loans and advances to customers		81 365 937 289	(3 847 590 511)	77 519 346 778	Current tax liabilities	23
14	Non-current assets held for sale		734 783 948	(126 384 808)	608 399 140	Other liabilities	24
			2 166 769 845	(1 064 026 519)	1 102 743 326	Other subordinated liabilities	24
	Other tangible assets		1 116 456 370	(685 214 305)	431 242 065	Other liabilities	25
15	Intangible assets		32 295 559	-	35 938 692	Total liabilities	
16	Investments in associates		92 571 403	-	87 828 128	Share capital	26
17	Current tax assets		1 670 836 381	-	1 928 680 350	Fair value reserves	27
18	Deferred tax assets		229 019 782	-	229 019 782	Other reserves and retained earnings	27
	Technical provisions for outward reinsurance		4 041 031 003	(192 350 745)	3 620 000 563	Net income attributable to the shareholder of CGD	27
	Other assets					Equity attributable to the shareholder of CGD	27
						Non-controlling interests	28
						Total equity	
						Total liabilities and equity	
	Total assets		124 569 999 513	(6 975 892 307)	117 594 106 644	117 594 106 644	

(a) These notes are detailed in the Chapter Notes to the Consolidated Financial Statement

Certified Public Accountant  
Mário Filipe O. Melo F. Sanches

Board of Directors  
Chairman

Fernando Manuel Barbosa Faria de Oliveira

Deputy chairman

José Agostinho Martins de Matos

Members

António José de Almeida

Nelson Henriques

Rodrigo Vasco Castro Gomes Mascarenhas Lavrador

Nuno Maria Pires de Magalhães Fernandes Thomaz

José Paulo de Oliveira Jorge Palma

João Pedro de Almeida

Estuário Manuel Hincz de Paz Ferreira

Pedro Miguel Duarte Rebelo de Sousa

Alvaro José Barriga do Nascimento

### CAIXA GERAL DE DEPÓSITOS, S.A.

### CONSOLIDATED INCOME STATEMENTS FOR THE PERIODS ENDED

30 JUNE 2012 AND 2011

(EUR)

	Notes (a)	30-06-2012	Pro forma 30-06-2011
Interest and similar income	29	2 756 945 283	2 497 120 811
Interest and similar costs	29	(2 037 281 275)	(1 695 087 339)
Income from equity instruments	30	80 533 083	116 040 240
<b>NET INTEREST INCOME</b>		<b>800 197 091</b>	<b>918 073 712</b>
Income from services rendered and commissions	31	347 311 033	315 291 881
Cost of services and commissions	31	(89 589 502)	(67 345 955)
Results from financial operations	32	255 870 172	51 180 263
Other net operating income	33	57 312 726	65 171 775
<b>NET OPERATING INCOME</b>		<b>1 371 101 520</b>	<b>1 282 371 676</b>
<b>TECHNICAL MARGIN ON INSURANCE OPERATIONS</b>			
Premiums net of reinsurance	34	614 289 499	635 645 990
Result of investments relating to insurance contracts	34	76 053 063	88 380 178
Cost of claims net of reinsurance	34	(396 758 924)	(461 294 578)
Commissions and other income and cost relating to insurance contracts	34	(45 638 287)	(51 753 217)
		<b>247 945 351</b>	<b>210 978 373</b>
<b>NET OPERATING INCOME FROM BANKING AND INSURANCE OPERATIONS</b>		<b>1 619 046 871</b>	<b>1 493 350 049</b>
Staff costs	35	(443 418 404)	(469 982 212)
Other administrative costs	36	(295 348 185)	(299 327 466)
Depreciation and amortisation		(87 919 900)	(89 274 305)
Provisions net of reversals	22	(19 392 850)	(12 209 204)
Loan impairment net of reversals and recovery	37	(483 301 648)	(349 267 195)
Other assets impairment net of reversals and recovery	37	(226 172 456)	(37 548 574)
Results in subsidiaries held for sale	14	(1 433 268)	(27 784 686)
Results in associated companies		2 099 154	3 728 724
<b>INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS</b>		<b>64 159 314</b>	<b>211 685 131</b>
Tax			
Current	16	(153 796 734)	(46 517 357)
Deferred	16	96 510 473	(34 879 371)
		<b>(57 286 261)</b>	<b>(81 396 728)</b>
Consolidated net income for the period, of which:		<b>6 873 053</b>	<b>130 288 403</b>
Non-controlling interests	28	(19 586 141)	(38 858 986)
<b>CONSOLIDATED NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD</b>		<b>(12 713 088)</b>	<b>91 429 417</b>
Average number of ordinary shares outstanding	26	1 030 000 000	1 010 000 000
Earnings per share (in Euros)		(0.01)	0.09

(a) These notes are detailed in the Chapter Notes to the Consolidated Financial Statement

**Certified Public Accountant**  
Maria Fátima O. Melo F. Sanchas

**Board of Directors**  
**Chairman**  
Fernando Manuel Barbosa Faria de Oliveira  
**Deputy chairman**  
José Agostinho Martins de Matos  
**Members**  
António do Pranto Nogueira Leite  
Norberto Emílio Sequeira da Rosa  
Rodolfo Vasco Castro Gomes Mascarenhas Lavrador  
Nuno Maria Pinto de Magalhães Fernandes Thomaz  
João Nuno de Oliveira Jorge Palma  
João Pedro Cabral dos Santos  
Eduardo Manuel Hintze da Paz Ferreira  
Pedro Miguel Duarte Rebelo de Sousa  
Álvaro José Barrigas do Nascimento

### CAIXA GERAL DE DEPÓSITOS, S.A.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2012 AND 2011

(EUR thousand)

	30-06-2012	Proforma 30-06-2011
Adjustments to fair value of available-for-sale financial assets		
Changes in period	1 116 600	(1 581 579)
Reclassification adjustments of fair value reserves to results		
Recognition of impairment for the period	128 174	26 910
Sale of available-for-sale financial assets	(46 725)	(4 910)
Tax effect	(366 610)	431 755
Exchange fluctuations		
Changes in period	9 008	(72 365)
Reclassification adjustments of foreign exchange reserve to results		
Recognition of impairment for the period in available-for-sale financial assets		
- Participating units in foreign currency	(6 185)	-
Tax effect	745	3 453
Other	(34 463)	(6 398)
Total comprehensive income for the period recognised in reserves	<u>800 543</u>	<u>(1 203 134)</u>
Net income for the period	6 873	130 288
Total comprehensive income for the period, of which:	<u>807 416</u>	<u>(1 072 845)</u>
Non-controlling interests	3 462	(33 048)
Total comprehensive income attributable to the shareholder of CGD	<u><b>810 878</b></u>	<u><b>(1 105 894)</b></u>

### CAIXA GERAL DE DEPÓSITOS, S.A.

### CONSOLIDATED CASH FLOW STATEMENTS

### FOR THE PERIODS ENDED 30 JUNE 2012 AND 2011

(EUR thousand)

	30-06-2012	30-06-2011
<b>OPERATING ACTIVITIES</b>		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	3 141 566	2 762 727
Interest, commissions and similar costs paid	(1 661 683)	(1 327 519)
Premiums received (insurance)	584 467	612 923
Cost and claims paid (insurance)	(678 843)	(730 590)
Recovery of principal and interest	15 683	14 917
Payments to employees and suppliers	(760 590)	(814 007)
Payments and contributions to pension funds	(21 279)	(2 098)
Other results	330 792	428 804
	<u>950 114</u>	<u>945 157</u>
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	1 750 471	(1 334 151)
Assets held for trade and other assets at fair value through profit or loss	(41 272)	480 967
Other assets	(141 696)	37 422
	<u>1 567 503</u>	<u>(815 762)</u>
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	(1 878 817)	(1 309 520)
Customer resources	280 445	3 867 042
Other liabilities	308 354	(804 053)
	<u>(1 290 018)</u>	<u>1 753 469</u>
Net cash from operating activities before taxation	<u>1 227 599</u>	<u>1 882 864</u>
Income tax	(49 838)	(79 859)
Net cash from operating activities	<u>1 177 761</u>	<u>1 803 005</u>
<b>INVESTING ACTIVITIES</b>		
Dividends received from equity instruments	92 292	116 088
Acquisition of investments in subsidiary and associated companies, net of disposals	(100 189)	(1 195)
Acquisition of available-for-sale financial assets, net of disposals	223 814	(12 750)
Acquisition of tangible and intangible assets and investment property, net of disposals	(21 400)	(136 677)
Net cash from investing activities	<u>194 517</u>	<u>(34 535)</u>
<b>FINANCING ACTIVITIES</b>		
Interest on subordinated liabilities	(32 614)	(30 183)
Interest on debt securities	(403 973)	(358 849)
Dividends paid on preference shares	(1 043)	(5 685)
Issue of subordinated liabilities, net of repayments	792 085	(254 891)
Issue of debt securities, net of repayments	(3 644 965)	(1 486 923)
Share capital increase	750 000	-
Net cash from financing activities	<u>(2 540 510)</u>	<u>(2 136 531)</u>
Increase (decrease) in cash and cash equivalents	<u>(1 168 232)</u>	<u>(368 061)</u>
Cash and cash equivalents at the beginning of the period	3 690 678	2 733 725
Net change of cash and cash equivalents	<u>(1 168 232)</u>	<u>(368 061)</u>
Cash and cash equivalents at the end of period	<u>2 522 447</u>	<u>2 365 664</u>



### CAIXA GERAL DE DEPÓSITOS, S.A.

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE PERIODS ENDED 30 JUNE 2012 AND 2011

(EUR thousand)

	Share capital	Fair value reserve	Other reserves and retained earnings	Net income	Sub-total	Minority interest	Total
			Other reserves				
			Retained earnings				
			Total				
Balances at 31 December 2010	5 050 000	(507 360)	1 659 988	250 582	6 309 646	1 530 350	7 839 996
Changes in accounting policy regarding the recognition of actuarial gains and losses associated with post-employment benefits (Note 2.3)	-	-	(109 319)	4 291	(105 028)	-	(105 028)
Balances at 31 December 2010 - pro forma	5 050 000	(507 360)	1 550 669	254 873	6 204 617	1 530 350	7 734 967
Appropriation of net income for 2010:	-	-	230 491	254 873	-	-	-
Transfer to reserves and retained earnings	-	-	-	-	-	-	-
Other entries directly recorded in equity:	-	(1 162 079)	23 192	23 192	(1 138 887)	11 063	(1 127 824)
Valuation of available-for-sale financial assets	-	(58 248)	-	(58 248)	-	(10 663)	(68 912)
Currency changes	-	(188)	-	(188)	-	(6 210)	(6 398)
Other	-	(1 162 079)	(35 245)	-	(1 197 323)	(5 811)	(1 203 134)
Total gains and losses for the period recognised in equity	-	-	-	-	-	(98 303)	(98 303)
Changes in Group perimeter	-	-	32 002	32 002	32 002	(34 474)	(2 472)
Acquisition of preference shares issued by Caixa Geral Finance	-	-	-	-	-	(17 573)	(17 573)
Dividends paid on preference shares and other dividends paid to non-controlling interests	-	-	6 045	-	-	-	-
Reclassification between reserves and retained earnings	-	-	-	91 429	91 429	38 859	130 288
Net income for the period	-	-	-	91 429	91 429	-	91 429
Balances at 30 June 2011 - pro forma	5 050 000	(1 669 439)	1 783 962	91 429	5 130 724	1 413 048	6 543 771
Balances at 31 December 2011	5 150 000	(2 078 222)	1 833 961	(488 425)	4 292 050	1 045 203	5 337 253
Appropriation of net income for 2011:	-	-	(172 170)	(488 425)	-	-	-
Transfer to reserves and retained earnings	-	-	-	-	-	-	-
Other entries directly recorded in equity:	-	881 289	(41 550)	-	839 738	(8 300)	831 438
Valuation of available-for-sale financial assets	-	4 191	-	4 191	4 191	(623)	3 568
Currency changes	-	(20 338)	-	(20 338)	-	(14 125)	(34 463)
Other	-	881 289	(57 697)	-	823 591	(23 048)	800 543
Total gains and losses for the period recognised in equity	-	-	-	-	-	-	-
Share capital increase	750 000	-	-	-	750 000	-	750 000
Changes in Group perimeter	-	-	(16 590)	-	(16 590)	(16 287)	(32 877)
Dividends paid on preference shares and on minority interest	-	-	-	-	-	(21 869)	(21 869)
Acquisition of preference shares issued by Caixa Geral Finance	-	-	490	-	490	(1 400)	(910)
Reclassification between reserves and retained earnings	-	-	2 793	-	-	-	-
Net income for the period	-	-	-	(12 713)	(12 713)	19 586	6 873
Balances at 30 June 2012	5 900 000	(1 196 934)	1 590 787	(12 713)	5 836 828	1 002 186	6 839 014

**[ This page has been intentionally left blank ]**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

## 15. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of Euros – EUR thousand, unless otherwise specified)

### 1. INTRODUCTORY NOTE

Caixa Geral de Depósitos, SA (hereinafter referred to as Caixa or CGD), founded in 1876, is an exclusively State owned company. Caixa became a State owned company on 1 September 1993 pursuant to the terms of Decree Law no. 287/93, of 20 August, which also approved its articles of association. On 23 July 2001 Banco Nacional Ultramarino, SA (BNU) was merged into Caixa.

At 30 June 2012, CGD operates with a national network of 857 branch offices, a branch in France with 46 branch offices, a branch in Timor with 8 branch offices, a branch in Luxembourg with two branch offices, branches in Spain, London, New York, the Cayman Islands and Zhuhai, and an International Financial Branch in Madeira.

Caixa also has direct and indirect investments in a significant number of domestic and foreign companies, notably in Spain, Cape Verde, Angola, Mozambique, South Africa, Brazil and Macau, in which it is the major shareholder. These companies comprise the Caixa Geral de Depósitos Group (the "Group"). They operate in various financial sub sectors such as banking, insurance, investment banking, brokerage, venture capital, property, asset management, specialised credit, e-commerce and cultural activities. Caixa also holds equity investments in companies operating in non-financial sectors of the Portuguese economy.

## 2. ACCOUNTING POLICIES

### 2.1. Presentation bases

The consolidated financial statements at 30 June 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) 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 sale's process of HPP – Hospitais Privados de Portugal, the assets and liabilities of this entity were reclassified in "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 one single line of the financial statements ("Results in subsidiaries held for sale"). The comparative period (30 June 2011) was restated accordingly.

At 31 December 2011, Caixa changed its accounting policy concerning the recognition of actuarial gains and losses associated with liabilities with post-employment benefits in accordance with Note 2.3. below. As a result, the financial statements were restated to reflect the effects of the retrospective application of the new accounting criteria used.

These financial statements comply with the requirements of IAS 34 – "Interim Financial Reporting" and do not include all the information required in the context of the preparation of the annual financial statements.

The accounting policies described in this note were applied consistently in all the 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, in the period of six months ended 30 June 2012, CGD Group adopted the standard issued by the IASB and endorsed by the European Union, for application in financial years starting on or after 1 January 2012. The following alterations were relevant to CGD Group:

- IFRS 7 – "Financial instruments: Disclosures" (Amendment) – The amendments made introduce clarifications about 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.

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 measurement criteria of financial assets, including:

#### Classification and measurement of financial assets

- a) Debt instruments held to receive contractual flows (therefore not being managed on the basis of the changes in their fair value), for which contractual cash flows represent only payments of principal and interest on the initial investment, should be measured at amortised cost. Debt instruments that do not meet the criteria for amortised cost measurement should be measured at their fair value through profit or loss;
- b) Equity instruments are measured at fair value through profit or loss, there being available an irrevocable option at initial recognition to present other comprehensive income changes in fair value in an equity instrument that is not held for trading. If an entity makes such option, all subsequent valuations of the instrument (including capital gains realised on sale but excluding dividends received) are recognised on "Reserves";
- c) Financial assets with embedded derivatives, should be measured and classified considering the total characteristics of the instruments, no longer being possible to separate the embedded derivative from the host contract;
- d) There is also an option at initial recognition to irrevocably designate a financial liability as measured at fair value through profit or loss, if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise exist;
- e) The standard is required to be applied retrospectively. However, the classification and measurement of financial assets under the terms of the new requirements of IFRS 9 are to be made on the basis of the facts and circumstances that existed at the date of its first application (irrespective of the circumstance and purposes considered at the date of the initial recognition of the assets that remain on the balance sheet at the reference date for the standard's adoption).

### 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 (Amendment) – "Financial instruments: Disclosures". The text of the new standard is changed in order to include specific disclosures in adopting IFRS 9, allowing users of financial statements to reconcile the categories and balance sheet items in compliance with the requirements of IAS 39, with the new categories and balance sheet items in compliance with the requirements of new standard.
- IFRS 13 – "Fair value measurement" – IFRS 13 sets out a framework for the initial recognition and subsequent measure of assets or liabilities at fair value, whenever this measuring is required by any other standard. It also defines disclosure requirements for assets and liabilities measured at fair value. The application of this standard is mandatory for financial years starting on or after 1 January 2013 although early adoption may be possible.

- IAS 19 – “Employee benefits” (Amendment) – The amendment to the text of the standard eliminates the corridor method, requiring the entities to recognise the changes in the fund’s assets and in the liabilities with the defined benefit plan in the period it refers to. The standard revised text is mandatory for the financial years starting on or after 1 January 2013. Early adoption is permitted.
- “The Package of five”

In May 2011, IASB published a collection of five standards addressing to the preparation of consolidated financial statements and transactions between entrepreneurs. Therefore, amendments to IAS 27 – “Separate and consolidated financial statements” and IAS 28 – “Investments in Associates and Joint Ventures”, as well as the new standards IFRS 10 – “Consolidated financial statements”, IFRS 11 – “Joint arrangements” and IFRS 12 – “Disclosures of interests in other entities” were issued. Each of these standards is mandatory for financial years starting on or after 1 January 2013 although early adoption is permitted. The early adoption of one of these standards included in the “Package of five” is extended to the others.

- IFRS 10 – “Consolidated financial statements” and IAS 27 – “Separate financial statements”. IFRS 10 supersedes SIC 12 – “Consolidation – Special Purpose Entities” and is based on the text of IAS 27 in what 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” (Amendment) - The amended text of IAS 28 prescribes the accounting for investments when accounting for investments in associates and sets out the requirements for the application of the equity method in accounting investments in associates and joint ventures. This standard is applicable to entities that are investors with joint control or significant influence over an investee.

- IFRS 12 – “Disclosure of interests in other entities – this standard sets out the disclosure requirements on associates and joint ventures that will enable the assessment of the nature and risks that the reporting entity has in other entities and the way in which the referred to participations will affect its financial position, performance and cash flows.

In June 2012, IASB published an exposure to clarify some aspects relating to the transition guidance in IFRS 10 – “Consolidated Financial Statements”, IFRS 11 – “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”, which sets out amendments to the referred to standards.

- “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 the opening balance of the comparative period.
- IAS 32 – “Financial Instruments: Presentation” (Amendment): the amendment issued defines that the amount of the tax on 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 segments 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.

Although an assessment of the effect of adopting the above standards and interpretations on CGD’s separate financial statements has not yet been made, the Board of Directors believes that their adoption in the future will not have any materially relevant impact.



#### **2.3. Change in the accounting policy during the year – IAS 19 – Actuarial gains and losses associated with liabilities with post-employment benefits**

On 31 December 2011 the Group changed its policy of recognition of actuarial gains and losses associated with the liabilities with pensions and medical benefits to employees.

In accordance with the provisions of IAS 19 – “Employee Benefits” (paragraph 93.A), actuarial and financial gains and losses arising from differences observed between the assumptions used in setting out liabilities and expected return on associated assets and the actual amounts, as well as those arising from the changes in actuarial assumptions occurred during the year, are fully recognised as against equity, whereas up to that date, these values were deferred in an assets or liabilities account (“corridor”), up to a limit of 10% of the higher of the present value of the past service liability or the value of the pension fund. Amounts that exceeded the corridor were amortised against net income for the year, over the average period up to the expected retirement age of employees covered by the plan.

This change in recognising actuarial gains and losses enables to immediately highlight the effects of the application of the terms included in the revised text of IAS 19 (as published by IASB during June 2011) in the Group’s financial statements, which eliminates the deferral option of recognising the changes occurred in the liabilities with the defined benefit plans. The standard revised text, not yet endorsed by the European Union, is mandatory for the financial years starting on or after 1 January 2013.

The Group also believes that the immediate recognition of actuarial and financial gains and losses at the time they occur will enable a more accurate presentation of its financial statements, since these liabilities’ inherent costs will be fully reflected in equity.

To adequately reflect the effects of change in the accounting policy, the Group restated its financial statements in the comparative periods reported, including the following:

	01-01-2010	31-12-2010	30-06-2011
Statutory equity before the change in the accounting policy	7 156 850	7 839 996	6 648 802
Impact of the recognition of actuarial gains and losses in other reserves			
. Caixa Geral de Depósitos	(287 198)	(133 163)	(127 139)
. Caixa Seguros e Saúde	(18 798)	(16 194)	(16 194)
. Other	(7 876)	(4 116)	(4 116)
	<u>(313 872)</u>	<u>(153 474)</u>	<u>(147 450)</u>
Tax effect	82 454	44 154	42 420
	<u>(231 418)</u>	<u>(109 319)</u>	<u>(105 029)</u>
Reversal of actuarial (gains) / losses recognised as a charge to net income for the year (amortisation of deviation exceeding corridor)		6 024	-
Tax effect		(1 733)	-
		<u>4 291</u>	<u>-</u>
Restated equity (pro forma)	6 925 434	7 734 967	6 543 771
Equity attributable to the shareholder of CGD			
Before the change in the accounting policy		250 582	91 429
After the change in the accounting policy		254 873	91 429
Income per share			
Before the change in the accounting policy		0.278	0.091
After the change in the accounting policy		0.283	0.091

### 2.4. Consolidation principles

The consolidated financial statements include the accounts of CGD and the entities controlled directly and indirectly by the Group (Note 3), including special purpose entities.

Subsidiary companies are those in which the Group has effective control over their current management with the aim of obtaining economic benefits from their operations. Control is normally considered to exist where more than 50% of the share capital or voting rights are held. In addition, and as a result of applying IAS 27 – “Consolidated and separate financial statements”, the Group included special purpose entities in its consolidation perimeter, i.e. vehicles and funds created under securitisation operations, venture capital and investment funds and other similar entities over which it exercises financial and operating control and/or where the Group holds the majority of the risks and benefits relating to their operations.

CGD's subsidiaries were consolidated by the full consolidation method. Significant transactions and balances between the consolidated companies were eliminated. In addition, whenever applicable, consolidation adjustments were made to ensure consistency with the Group's accounting principles.

Third party participation in such companies is recognised in the equity heading "Non-controlling 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.

#### **2.5. Business combinations and goodwill**

Acquisitions of subsidiaries are recorded by the purchase method. The cost of acquisition comprises the sum of the fair value of assets given, equity instruments issued and liabilities incurred or assumed in exchange for obtaining control over the entity acquired. The costs of acquisition directly attributable to the operation are recognised as charges to the income statement on the date of acquisition (for acquisitions between 1 January 2004 and 31 December 2009 these costs were added to the cost of acquisition). On the date of acquisition, which is the date on which the Group obtains control over the subsidiary, identifiable assets, liabilities and contingent liabilities that meet the recognition requirements of IFRS 3 – “Business combinations” are recognised at their respective fair value.

Goodwill corresponds to the positive difference between the cost of a subsidiary and the effective participating interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired by the Group, on the acquisition date. Goodwill is recognised as an asset and is not amortised.

If the Group's participating interest acquired in a subsidiary's identifiable assets, liabilities and contingent liabilities exceeds the respective cost of acquisition, the excess is recorded as income in the income statement for the year.

The acquisition of non-controlling 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.

#### 2.6. Investments in associates

Associates are those companies over which the Group has significant influence, but does not have effective control over their management. Significant influence is presumed to exist whenever the Group has a direct or indirect participation of between 20% and 50% in their share capital or of voting rights.

Investments in associates are accounted for using the equity method of accounting. In accordance with this method, investments are initially recognised at acquisition cost, which is subsequently adjusted for the Group's share in the changes in the equity of associates (including profit or loss). The equity method of accounting is used up to the moment in which the Group's share of losses of an associate equals or exceeds its interest in the associate. From this moment on the Group discontinues recognising its share of further losses, except if there is a legal or constructive obligation through the creation of a provision for that purpose.

If there are significant differences between the Group's accounting principles and those of an associate, adjustments are made to the associate's equity, used for applying the equity method, to comply with the Group's accounting principles.

Goodwill, corresponding to the positive difference between the acquisition cost of an associate and the fair value of the share of assets, liabilities and contingent liabilities acquired by the Group, is included in the carrying amount of the investment, which is annually tested for impairment.

Unrealised gains or losses on transactions with associates are eliminated to the extent of the Group's effective participating interest in the associates.

#### 2.7. Translation of balances and transactions in foreign currency

The non-consolidated accounts of the Group entities included in the consolidation are prepared in their functional currencies. In the consolidated accounts, the results and financial position of each entity are expressed in the Group's functional currency, which is the Euro.

Foreign currency transactions are recognised in the separate financial statements of Caixa and its subsidiaries based on the reference foreign exchange rates in force on the transaction dates.

Foreign currency monetary assets and liabilities at each balance sheet date are translated to each entity's functional currency using the closing exchange rate. Non-monetary assets carried at fair value are translated based on the exchange rates in force on the last measurement date. Non-monetary assets carried at historical cost, including tangible and intangible assets, continue to be recognised at their original exchange rates.

Exchange differences arising on translation are recognised in the income statement for the 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.

#### 2.8. Financial instruments

##### a) Financial assets

Financial assets are recognised at fair value at the trade date. In the case of financial assets measured at fair value through profit or loss, costs directly attributable to the transactions are recognised in the heading “Cost of services and commissions”. In the remaining cases, such costs are included in the book value of the asset. Upon initial recognition, these assets are classified in one of the following IAS 39 categories:

##### i) Financial assets at fair value through profit or loss

This category includes:

- Financial assets held for trading, which comprise essentially securities acquired for the purpose of realising gains from short term market price fluctuations. This category also includes derivatives, excluding those that comply with the requirements for hedge accounting; and
- Financial assets upon initial recognition were irrevocably designated as at fair value through profit or loss (“Fair Value Option”). This designation is limited to situations in which the adoption results in the production of more relevant financial information, namely:
  - If its application eliminates or significantly reduces an otherwise inconsistency in measurement or recognition (“accounting mismatch”) that would have occurred as a result of measuring the related assets and liabilities or recognising gains and losses thereon inconsistently;
  - Groups of financial assets, financial liabilities, or both, which are managed and when their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategies; and the related information thereon is provided internally on that basis to the management bodies.
  - It is also possible to classify financial instruments containing one or more embedded derivatives in this category, unless:
    - The embedded derivatives do not significantly modify the cash flows that would otherwise be required by the contract;
    - It is evident, with little or no analysis, that the embedded derivatives should not be separated.

Financial assets classified in this category are measured at fair value, with gains and losses arising from subsequent changes in fair value being recorded in the income statement heading “Results from financial operations”. Interest is recognised in the appropriate “Interest and similar income” heading.

ii) Held-to-maturity investments

Fixed-income securities which the Group intends and is able to hold to maturity are classified in this category.

These financial assets are measured at amortised cost. In accordance with this method, the carrying amount of the financial instruments at each balance sheet date corresponds to their initial cost less repayments of principal, plus or minus the cumulative amortisation, using the effective interest rate method of any difference between the initial cost and the maturity amount, and minus impairment losses.

Interest is recognised in accordance with the effective interest method, which enables amortised cost to be calculated and interest to be allocated over the period of the operation. The effective interest rate is that, which being used to discount estimated future cash flows relating to the financial instrument, enables its present value to equal the amount of the financial instrument initially 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 includes the following financial instruments:

- Equity securities not classified as financial assets at fair value through profit or loss, including stable equity investments. Therefore it also includes equity instruments held under the Group's venture capital operations, without associated options;
- Bonds and other 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; and
- The combined financial instrument is not measured at fair value, with the changes in fair value recognised in profit or loss.

The main impact of this procedure as regards the Group's operations, consists of the need to separate and measure at fair value the derivatives embedded in deposits and debt securities, namely those whose return/remuneration does not comprise interest (such as returns/remuneration indexed to share indices or prices, exchange rates, etc.). At the time of separation, the derivative is recognised at its fair value, the initial amount of the host contract corresponding to the difference between the total value of the combined instrument and the initial fair value of the derivative. Therefore, no profit or loss is recognised upon the initial recognition of the operation.

#### Hedging derivatives

These derivatives are contracted to hedge the Group's exposure to specific risks of its operations. The classification as a hedging derivative and the use of hedge accounting, as explained below, are subject to compliance with the IAS 39 requirements.

At 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 carrying amount of hedged items up to the date that hedge accounting ceases to be effective or the revoking of that designation is decided, are recognised in profit or loss up to the financial asset or liability's maturity, based on the effective interest rate.

Caixa decided to revoke the hedge designation as from 1 October 2008 and during 2009 of a certain number of swaps, which were hedging interest rate risk of liabilities issued. Gains on those swaps as from that date, were recorded in "Results from financial assets and liabilities held for trade – in derivatives – interest rate".

Positive and negative revaluation of hedging derivatives is recognised in specific asset and liability headings, respectively.

Valuation in fair value of hedged items is recognised in the balance sheet headings in which such assets and liabilities are recorded.

#### Trading derivatives

These include all derivatives that are not effective hedging instruments in accordance with IAS 39, namely:

- Derivatives contracted to hedge risks on assets or liabilities measured at fair value through profit or loss, thus rendering hedge accounting unnecessary;
- Derivatives contracted for hedging purposes that fail to meet the requirements for hedge accounting under IAS 39, due to difficulty in specifically identifying the hedged items, cases other than micro hedges or if the results of the effectiveness tests fall outside the range permitted by IAS 39;
- Derivatives contracted for trading purposes.

Trading derivatives are measured at fair value, with daily changes being recorded in profit or loss for the period in the heading "Results from financial operations", except for the part relating to accrued and settled interest, which is recognised in "Interest and similar income" or "Interest and similar costs". Derivatives with positive and negative fair value are recorded in the headings "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss", respectively.

d) Impairment of financial assets

Financial assets at amortised cost

The Group periodically performs impairment tests on its financial assets measured at amortised cost, namely loans and advances to credit institutions, held-to-maturity investments and loans and advances to customers.

Objective evidence of impairment is assessed individually in the case of financial assets having significant exposure amounts, and collectively in the case of homogenous assets, which are not individually significant

In accordance with IAS 39, the following events are considered objective evidence of impairment of financial assets recorded at amortised cost:

- Breach of contract, such as arrears of interest and principal;
- A record of defaults in the financial system;
- Existence of loan restructuring operations or respective negotiations, in progress;
- Difficulties in terms of the capacity of the shareholders and management, notably when major shareholders and key staff leave the company or when the shareholders are in dispute;
- Significant financial difficulties of the debtor or debt issuing entity;
- High probability of the debtor or debt issuing entity being declared bankrupt;
- Decrease of the debtor's competitive position;
- Historical record of collections suggesting that the nominal value will not be fully recovered.

Whenever objective evidence of impairment on individually assessed assets is identified, the possible impairment loss corresponds to the difference between the present value of the estimated future cash flows (i.e. recoverable value), discounted at the effective original interest rate of the asset, and the book value at the time of the analysis.

In the case of loans collateralised by shares, impairment loss is determined based on the estimated value of those shares in a period compatible with the maturity of the corresponding loans. Additional collateral received as well as the debtors' financial capacity, is also considered for determining impairment.

Assets not specifically assessed for impairment are included in homogenous groups with similar risk characteristics (on the basis of counterparty and credit type) and are collectively assessed for impairment. Future cash flows are estimated based on historical information on defaults and recoveries on assets with similar characteristics.

Assets individually assessed on which no objective evidence of impairment has been identified, are also subject to collective impairment assessments, as described in the preceding paragraph.

Impairment losses calculated on a collective basis include the time effect of discounting estimated cash flows receivable on each operation to the balance sheet date.

The impairment loss is recognised in the heading "Loan impairment net of reversals and recovery" and is recognised separately in the balance sheet as a deduction from the amount of the respective credit.

#### *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

Conforme referido na Nota 2.8. a), os ativos financeiros disponíveis para venda são registados ao justo valor, As mentioned in Note 2.8. a), available-for-sale financial assets are measured at fair value, with fair value changes being recognised directly in the equity heading “Fair value reserve”.

Whenever there is objective evidence of impairment, the accumulated losses recognised in reserves are transferred to the income statement heading “Other asset impairment net of reversals and recovery”.

In addition to the above mentioned signs of impairment for assets recognised at amortised cost, IAS 39 provides for the following objective evidence of impairment of equity instruments:

- Information regarding significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuing entity operates, indicating that the cost of the investment may not be fully recovered;
- A significant or prolonged decline in fair value below cost.

The Group performs impairment analysis on available-for-sale financial assets at each balance sheet date taking into consideration the nature and specific and individual characteristics of the referred to assets.

In addition to the abovementioned impairment analysis, the following events were considered as objective evidence of impairment in equity instruments:

- Existence of unrealised losses exceeding 50% of the corresponding acquisition cost;
- When the fair value of an equity instrument is below the respective acquisition cost for a period over 24 months.

Existence of unrealised losses exceeding 30% of the corresponding acquisition cost, over a period of more than nine months, was also considered as objective evidence of impairment.

Impairment losses on equity instruments cannot be reversed. Any unrealised gains arising after the recognition of impairment losses are recognised in the “Fair value reserve”. Subsequent additional losses are always considered impairment and therefore reflected in net income for the 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.

#### **2.9. Non-current assets held for sale and groups of assets and liabilities to be sold**

IFRS 5 – “Non-current assets held for sale and discontinued operations” applies to single assets or groups of assets to be disposed of, by sale or other means together as a group, in a single transaction, and all liabilities directly associated with such assets, to be transferred in the transaction (referred to as “disposal groups”).

Non-current assets or disposal groups are classified as held for sale whenever their book value is expected to be recovered by sale and not by continuing use. For an asset (or group of assets and liabilities) to be classified under this heading, the following requirements must be met:

- The sale must be highly probable;
- The asset must be available for immediate sale in its present condition;
- The sale must be expected to occur within a year of classification of the asset in this heading.

Assets recognised in this heading are not amortised and are measured at the lower of cost or fair value less costs to sell. Fair value of these assets is determined based on appraisals by experts.

If book value exceeds fair value less costs to sell, impairment losses are recognised in the heading “Impairment of other assets, net of reversals and recovery”.

Property and other assets received as settlement of defaulting loans are also recorded in this heading at repossessed values.

Periodic appraisals of property received as settlement of defaulting loans are obtained. Impairment losses are recognised when the appraisal amount, deducted from the estimated costs to be incurred on the sale of the property, is lower than book value.

Repossessed goods will be written off upon their sale with corresponding gains or losses recognised in the heading “Other operating costs”

At 30 June 2012, this heading also comprises consolidated assets and liabilities of HPP – Hospitais Privados de Portugal Group, whose process of sale is currently in progress.

#### **2.10. Investment property**

Investment property corresponds to property held by the Group with the purpose of obtaining income from rental and/or increase in value.

Investment properties are not depreciated and are measured at fair value, determined annually based on expert appraisals. Fair value changes are recognised in the income statement heading “Other net operating income”.

#### **2.11. Other tangible assets**

Other tangible assets are recognised at cost, less accumulated depreciation and impairment losses. The cost of repairs and maintenance and other expenses associated with their use are recognised in the income statement heading "Other administrative costs".

Up to 1 January 2004, Caixa and some subsidiaries recorded revaluations of tangible assets under the terms of the applicable legislation. As permitted under IFRS 1, upon transition to IFRS, the book value of the assets, including the revaluations, was considered as deemed cost, as their book value on the revaluation dates corresponded approximately to cost or depreciated cost under IFRS, adjusted to reflect changes in price level indices. In respect of companies based in Portugal, 40% of the increase in depreciation resulting from these revaluations is not tax deductible, the respective deferred tax liability having been recorded.

Property for own use held by the Group's insurance companies is stated at fair value, in accordance with the rules defined by the Chart of Accounts for Insurance Companies. On transition to IFRS, the book value of such property was considered to be its deemed cost, as permitted under IFRS 1.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which correspond to the periods over which the assets are expected to be available for use, which are:

	<u>Years of useful life</u>
Property for own use	50 - 100
Equipment:	
Furniture and material	8
Machines and tools	5 - 8
Computer equipment	3 - 8
Interior fittings	3 - 10
Vehicles	4 - 6
Security equipment	4 - 10

Land is not depreciated.

The cost of leasehold improvements to property occupied by Group companies is capitalised under this heading and depreciated over an average period of 10 years.

Depreciation is recognised as a cost for the 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.

### 2.12. Finance leases

Finance lease operations are recorded as follows:

#### As lessee

Assets purchased under finance lease agreements are recorded at fair value in "Other tangible assets" and in liabilities and the corresponding depreciation is recognised.

Lease instalments are divided in accordance with the respective financial plan, under which the liability is reduced by principal repayment component of the instalments and the interest component is recognised in "Interest and similar costs".

#### As lessor

Leased assets are recognised in the balance sheet as "Loans and advances to customers", and are repaid in accordance with the financial plan of the corresponding contracts. Interest included in the instalments is recognised in the heading "Interest and similar income".

#### 2.13. Intangible assets

This heading comprises essentially the cost of acquiring, developing and preparing for use the software used in Group's operations. Where the requirements of IAS 38 – "Intangible assets" are met, the internal costs incurred in developing software are capitalised as intangible assets. These costs basically consist of staff costs.

Intangible assets are carried at cost less accumulated amortisation and impairment losses.

Intangible assets are amortised to the income statement on a systematic basis over the estimated useful life of the assets, which is normally between 3 and 6 years.

Software maintenance costs are recognised as a cost for the period in which they are incurred.

#### 2.14. 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 the said tax scheme, of which CGD is the dominant entity, comprises all companies with head offices in Portugal whose total income is subject to the IRC general tax regime, at the highest tax rate, in which companies it holds either directly or indirectly an equity interest of at least 90%, for a period over one year, and that that equity interest ensures more than 50% of the voting rights.

Taxable income is calculated on the basis of the algebraic sum of taxable incomes and the companies' separate tax losses included in the perimeter. The branches' accounts are included in the head office accounts for tax purposes in compliance with the article 3 of IRC code. In addition to being subject to IRC, the net income of branches is also subject to local taxes in the countries/territories in which they operate. Local taxes are deductible from the head office's tax under article 91 of the Corporate Income Tax Code and Double Taxation Agreements entered into by Portugal.

Under article 33 of the Statute of Tax Benefits, the offshore subsidiaries of CGD and Caixa - Banco de Investimento, 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 cases 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.

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 the 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 the six month period ended 30 June 2012 and for the year 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 risk are reversed, 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. According to the understanding of the Secretary of State for Tax Affairs of 19 January 2006, on this matter, for the calculation of taxable income, the amount recorded in costs is tax deductible under the terms of the accounting regulations applicable, but with the limit of the contribution effectively paid to the pension fund in that same year or previous years.

Therefore considering that deductible costs recognised by CGD in the course of 2012 and 2011 are lower than the amount effectively paid to the pension fund, (as required under the terms of the understanding of the Secretary of State for Tax Affairs), such amounts are considered as In addition to the change of the accounting policy relative to the recognition of actuarial gains and losses with pension plans and other post-employment benefits (as detailed in Note 2.3.), the balance of deferred net costs recorded in Caixa's balance sheet as at 31 December 2011, was fully recognised as against reserves. Considering that the referred to amounts complied with the requirements set in article 183 of Law 64-A of 30 December, which approved the State Budget law for 2012, the negative equity changes occurred in 2011, which are irrelevant for tax purposes, will be recognised as a deduction from taxable income, in equal parts, in the ten years starting on or after 1 January 2012.

– Settlement results

Article 92 of the IRC Code, introduced by the State Budget Law for 2011, establishes that the taxable income, net of deductions relative to international double taxation and tax benefits, may not be less than 90% of the amount which would be determined if the tax payer (i) did not benefit from tax benefits, (ii) did not make supplementary contributions to pension funds and similar to cover pension liabilities, and (iii) did not benefit from tax losses transferred under corporate mergers to deduction from taxable income of the new acquiring company.

Tax benefits provided for in no. 2 of the same article, are excluded from settlement results.

CGD did not make any adjustment to taxable income for the six month period ended 30 June 2012 and for the year 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 income statement for the period, except where the tax arises from transactions that have been recognised directly in equity (such as unrealised gains and losses on available-for-sale financial assets, 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.

### 2.15. Provisions and contingent liabilities

A provision is recorded whenever a present obligation (legal or constructive) exists as a result of a past event involving the probable future outflow of resources and this can be reliably determined. The amount of the provision comprises the best estimate of the amount to be paid to settle the liability as at the balance sheet date.

When the outflow of resources is not probable, a contingent liability exists. Contingent liabilities need only to be disclosed, unless the probability of their payment is remote.

Provisions for other risks are to cover:

- The liability for guarantees provided and other off-balance sheet commitments determined based on a risk analysis of operations and the respective customers;
- Legal, tax and other contingencies resulting from the Group's activity.

### 2.16. Employee benefits

Liabilities for employee benefits are recognised in accordance with IAS 19 – Employee Benefits. The principal benefits granted by Caixa include retirement and survivor pensions, healthcare and other long term benefits.

#### Liability for pensions and healthcare

The CGD Group has several pension plans, including defined benefit plans and, in some cases, defined contribution plans. Caixa, and Fidelidade - Companhia de Seguros, S.A. are responsible for the payment of retirement, disability and survivor pensions to their employees. Other Group companies also have defined benefit plans, namely Banco Comercial do Atlântico, SA, Banco Caixa Geral and Banco Nacional Ultramarino (Macau).

In addition, healthcare for CGD's (Head Office) current and retired employees is provided by the Caixa Geral de Depósitos Social Services ("Social Services"), which is funded by contributions by CGD's head office and its employees. Caixa also has liabilities for contributions for SAMS (Healthcare) for employees of the former BNU that retired prior to the 23 July 2001 merger of BNU into CGD.

The liability for the defined benefit plans recognised on the balance sheet comprises the difference between the present value of the liability and the fair value of pension funds' assets. The total liability is determined annually, by specialised actuaries, using the Unit Credit Projected method and other actuarial assumptions considered appropriate. 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 actuarial gains and losses cannot be deferred, and so they are fully recognised in profit or loss for the period.

#### Short term benefits

Short term benefits, including productivity bonuses paid to employees are recognised on an accruals basis in "Staff costs" for the respective period.

### **2.17. Insurance**

#### a) Insurance contracts

Transactions relating to insurance contracts written and reinsurance contracts held by the Group are recorded in accordance with IFRS 4 – "Insurance contracts". This standard allows issuers of insurance contracts to maintain the accounting policies used prior to the adoption of IFRS, provided that certain minimum requirements, established by that standard, are complied with. These include the requirement of a test of the adequacy of recognised insurance liabilities, with reference to each balance sheet date. Consequently, insurance contracts written and reinsurance contracts held by the Group were recorded in accordance with the accounting policies established in the Chart of Accounts for Insurance Companies ("Plano de Contas para as Empresas de Seguros" - PCES), approved by Instituto de Seguros de Portugal (Portuguese Institute of Insurance – ISP) and other ISP standards, complemented by the changes arising from IFRS 4. Contracts with a significant insurance risk are classified as insurance contracts and recorded in accordance with IFRS 4. Contracts not having a significant insurance risk are classified as investment contracts and recorded in accordance with IAS 39.

In addition, as permitted by IFRS 4, the Group did not change its accounting policies for investment contracts with profit sharing that include a discretionary participation feature and therefore continues to recognise premiums written as income and corresponding increases in liabilities as a cost.

An insurance or investment contract is considered to have a profit sharing that includes a discretionary participation feature when the respective contractual terms foresee, as a complement of the contract guarantees, the grant to the insurer of some additional benefits characterised by the following:

- the probability of comprising a significant part of the total benefits to be attributed under 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 determined assets held by the issuer of the contract or results achieved by the entity responsible for the issue of the contract.

Potential capital gains, net of capital losses, resulting from the revaluation of assets allocated to insurance with profit sharing and which are expected to be attributed to the insured are recognised in the profit sharing provision.

Liabilities originated on insurance and investment contracts with profit sharing with a discretionary component are included in the liability adequacy tests performed by the group.

#### b) Recognition of income and costs

Premiums received on non-life insurance, life insurance and investment contracts with discretionary profit sharing, are recognised as income when written, in the "Premiums, net of reinsurance" heading, in the income statement.

Premiums written on non-life insurance contracts and associated acquisition costs are recognised as income and cost over the term of the related risk periods, through changes in the provision for unearned premiums.

Insurance liabilities related to life insurance contracts and investment contracts with discretionary profit sharing feature are recorded in the "Life insurance mathematical provision" heading. This provision and the respective cost are recognised simultaneously with the income associated with premiums written.

Income from the sale of debt and equity instruments related to insurance contracts classified as "Available-for-sale financial assets" are recorded as a charge to "Results of investments relating to insurance contracts", in the income statement.

#### c) Provision for unearned premiums and deferred acquisition costs

The provision for unearned premiums reflects the portion of non-life insurance premiums attributable to future years, namely the portion corresponding to the period between the balance sheet date and the end of the period to which the premium refers. It is calculated, for each contract in force, by the application of the pro rata temporis method to the respective gross premiums.

Expenses incurred on the acquisition of on-life insurance contracts, including commission paid to agents and others, and other expenses allocated to the acquisition function, are deferred and recorded in the income statement over the respective period and recognised as a deduction from the technical provisions for insurance contracts, in the "Provisions for unearned premiums" heading.

In accordance with ISP rules, deferred acquisition costs on each technical insurance business may not exceed 20% of the respective deferred premiums.

### d) Provision for claims

This provision reflects the estimated amounts payable for claims, including claims that have been incurred but not reported (IBNR) and future administrative costs to be incurred on the settlement of claims under management and IBNR claims. With the exception of labour accident insurance, mathematical provisions and provisions for lifelong assistance, the provisions for claims recorded by the Group are not discounted.

### Provision for workman's compensation insurance claims

The provision for workman's compensation insurance claims includes the mathematical provision, provision for temporary assistance expenses and provision for lifelong assistance expenses.

The mathematical provision for workman's compensation insurance reflects the liability for:

- Pensions payable on claims whose amounts have already been ratified by the Labour Court;
- Estimated pension liabilities regarding claims already incurred but awaiting a final settlement agreement or ruling, referred to as "defined pensions";
- Estimated pension liabilities regarding claims already incurred but where the respective clinical procedures have not been completed at the balance sheet date or pensions payable in respect of claims incurred but not reported, referred to as "presumed pensions".

The assumptions and technical bases used for calculating mathematical provisions for workman's compensation insurance, relating to ratified or defined pensions are set out below:

	Compulsory	Non
	<u>Redeemable</u>	<u>Redeemable</u>
Mortality table	TD 88/90	TD 88/90 (Men) TV 88/90 (Women)
Discount rate	5.25%	4%
Management charges	2.40%	4%

The estimated mathematical provision for presumed pensions on workman's compensation insurance is based on the development triangles of historical variables that are relevant in the calculation of mathematical provisions.

In accordance with current legislation, the liability resulting from the annual increase in pensions is covered by FAT ("Fundo de Acidentes de Trabalho" – Workman's Compensation Fund). Insurance companies pay the pensions in full and are subsequently reimbursed for the share corresponding to FAT's liability. FAT is managed by the Portuguese Insurance Institute, the income of the fund consisting of contributions made by the

insurance companies and workman's compensation insurance policyholders. A liability is recorded for future contributions to FAT in respect of pension liabilities existing at the balance sheet date.

The provision for temporary assistance expenses recognises the liability for expenses on workman's compensation insurance claims, other than lifelong expenses. The calculation is based on actuarial models applied to run-off matrices on such expenses.

The provision for lifelong assistance expenses is calculated using the following technical bases:

Mortality table	35%*TV 88/90 + 65%*TD 88/90
Discount rate	4%
Inflation rate	2%
Management charges	2%

Internal information databases are used to calculate workman's compensation provisions.

### Provision for motor insurance claims

The opening of a motor insurance claim automatically generates the recording of an initial average provision for each sub-claim, that affects the unit at risk and the relevant insurance coverage. The automatic provision is also dependent on the seriousness of bodily harm, if any. This provision may be revised, whenever the claims manager verifies its inadequacy. Adjustments are made as a result of information received (specialised technical reports) during the claim settlement period, i.e. the available provision becomes a result of a specific analysis.

### Provision for claims on other types of insurance

The provision for claims on other types of insurance is calculated on a case-by-case basis by the claims manager and revised whenever updated information is obtained from specialised technical reports.

The analysis of the adequacy of provisions for all types of insurance is assessed/validated, throughout the year by the responsible actuary, who produces a specific report at year-end.

This analysis is performed for the principal types of insurance business, representing more than 90% of the provision for claims, namely motor, workman's compensation, personal accidents and health.

These estimates include direct liabilities to claimants (whether claims are reported or not) as well as future payments, notably contributions to FAT.

These estimates are based on payment triangles using deterministic chain ladder or average link-ratio models.

### e) Provision for premium insufficiency

This is calculated for all non-life insurance and provides for situations in which premium income recognisable in future years, on contracts in force at the balance sheet date is less than the amount of claims payable and expenses allocated to the respective insurance business. This provision is calculated on the basis of claims, expenses, reinsurance coverage and income ratios in accordance with ISP rules.



f) Mathematical provision on life insurance

Reflects the actuarial value of future payments to life insurance beneficiaries, including profit sharing attributed and after deduction of the actuarial value of future premiums, calculated for each contract using actuarial methods, in accordance with the respective technical bases.

As to life insurance contracts in which the investment risk is supported by the policyholder, this heading only comprises additional technical provisions eventually created to cover mortality risks, administrative costs or other costs (i.e. guaranteed instalments at maturity or redemption amounts).

The results of the liability adequacy test are compared with recorded mathematical provisions, plus a shadow reserve. If the result of the liability adequacy test is higher, the difference is recorded in the mathematical provisions in order to obtain the final amount of the liability. The liability adequacy test is described in Note 2.17. i).

g) Profit sharing provision

The profit sharing provision includes amounts payable to policyholders or contract beneficiaries, in the form of a profit sharing scheme, to be or already attributed, provided that such amounts have not already been distributed.

The profit sharing provision to be attributed comprises the net amount of the fair value adjustments relating to investments allocated to life insurance with profit sharing, for the policyholder's or contract beneficiary's estimated part share. The estimated amounts to be attributed to the insured in the form of profit sharing for each modality or collection thereof is calculated on the basis of a consistently applied adequate plan, taking into consideration the profit sharing plan, maturity of the commitments, the allocated assets and other specific variables of the modality or modalities in question. In cases in which the profit sharing plan does not unequivocally define the percentage to be attributed, the historical percentages attributed over a period of not less than 3 years and the most recent information available to the company are taken into account.

This provision is set up as a charge to net income for the 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.

For the products, in general this provision is calculated considering assets assigned, including realised gains or losses and impairment losses recorded in the period and deducted from the negative balances from previous years whereas this deduction is contractually foreseen.

h) Portfolio stabilisation provision

The portfolio stabilisation provision is set up for annually renewable group insurance contracts, with death risk as the principal guaranteed cover, designed to provide for the heightened risk inherent to the increase of the average age of the insured group, whenever the tariff is based on a single rate, which, owing to contractual commitments is to be maintained over a certain period.



i) Liability adequacy tests

In accordance with IFRS 4, at the balance sheet date the Group performs liability adequacy tests relating to contracts in force. These tests include estimates of the present value of future cash flows under its insurance contracts, including claim handling costs and cash flows resulting from embedded options and guarantees.

If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets) is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognised in profit or loss.

The methodology and main assumptions used in the liability adequacy tests are described below:

Life insurance

The liability adequacy test is performed by discounting, at the Portuguese interest rate debt, future cash flows on claims, redemptions, fees and management charges, less future cash flows from premiums.

These future cash flows are estimated for each contract using the companies' secondary technical bases, which are calculated based on an analysis of its historical data, as follows:

*Mortality:*

The distribution by age of insured persons at the beginning and end of the period and claims during the year is obtained from files extracted from the companies' databases. From the collection of these data over an eight year period, a mortality table is graduated, based on the Gompertz-Makeham law, which is subsequently used to estimate future mortality.

*Redemption:*

The mathematical provisions at the beginning and end of the year and the amounts redeemed are obtained from the companies' databases.

For Fidelidade, the referred to data is used to calibrate a generalised linear model based on the time elapsed since the beginning of the contract, on the type of product and on the difference between market interest rate and technical rate, with explanatory variable. This, results in a model used to estimate future redemptions.

For liabilities of former Império-Bonança, the average mathematical provisions for each product, is calculated and a division of the number of redemptions by that amount gives the annual redemption rate. An analysis of the amounts for the last five years enables the redemption assumption for each product to be determined.

*Expenses:*

Expenses are split into investment, administrative and claims-related expenses. To obtain unit costs, investment expenses are divided by the average amount of the mathematical provisions, administrative expenses by the average number of insured persons and claims expenses by the total number of claims for the year.

*Yield:*

Future yields of each product are determined based on the Portuguese interest rate debt with a maturity equal to the duration of the respective liability plus the attributable profit sharing provision and the fair value reserve.

These yields are used to project future profit sharing, for subsequent incorporation into mathematical provisions and then projected upon maturities, claims and future redemptions.

#### Non-life insurance

The responsible actuaries regularly assess the adequacy of the reserves using the analysis of the liabilities of the companies in terms of uncertainty, contract duration, type of claim and expenses incurred on claim settlements. A collection of micro or macroeconomic scenarios to verify the adequacy thereof is also applied.

#### j) Technical provisions for outwards reinsurance

These provisions are determined by applying the above described criteria for direct insurance, taking into account the percentages ceded, in addition to other clauses existing in the treaties in force.

#### k) Liability to subscribers of unit-linked products

Liabilities associated with unit-linked investment contracts issued by the Group are measured at fair value, determined based on the fair value of the assets in the investment portfolio allocated to each of the products, less corresponding management costs.

Investment portfolios allocated to unit-linked products comprise financial assets, including fixed-income securities, variable-income securities, derivatives and deposits in credit institutions, which are measured at fair value, the resulting unrealised gains and losses being recognised in profit or loss for the 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 heading “Impairment of other assets, net of reversals and recovery”.

#### n) Intangible assets arising from the acquisition of insurance contracts

The difference between the fair value of insurance contracts acquired under business combinations and their respective book value calculated in accordance with Group accounting policies that corresponds to the value in force of the insurance portfolio acquired, is detached from goodwill at the acquisition date and recognised separately as an intangible asset.

Value in force is amortised over the term of the contracts acquired and is subject to impairment tests on an annual basis.

o) Embedded derivatives in insurance contracts

In accordance with IFRS 4, options held by the contract beneficiaries for the early redemption of the contracts in force with a fixed amount or a fixed amount plus interest, are not separated from the host contract.

#### **2.18. Commissions**

As mentioned in Note 2.8., commissions on credit operations and other financial instruments, namely amounts charged or paid for originating such operations, are included in amortised cost and recognised over the course of the operation, using the effective interest method, in the heading "Interest and similar income".

Commissions and fees for services rendered are usually recognised as income during the period the service is rendered or in a single amount if resulting from single acts.

#### **2.19. Issuance of equity instruments**

Equity instruments issued are recognised at the fair value of the benefit received, net of the direct costs of issuance.

Preference shares issued by the Group are classified in accordance with IAS 32. Accordingly, where the payment of dividends and/or repayment of capital are at the exclusive discretion of the Group, the securities issued are considered equity instruments. Preference shares issued by subsidiaries complying with these requirements are recognised in the consolidated balance sheet heading "Non-controlling interests".

#### **2.20. Securities and other items held under custody**

Securities and other items held under custody, namely customers' securities, are recognised in off-balance sheet headings, at their nominal value.

#### **2.21. Cash and cash equivalents**

In preparing the cash flow statements, the Group included in the heading "Cash and cash equivalents", the amounts in the balance sheet headings "Cash and cash equivalents at central banks" and "Cash balances at other credit institutions".

#### **2.22. Critical accounting estimates and key 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 2.8. d). Impairment of assets analysed individually is therefore determined based on a specific assessment by Caixa, considering its knowledge of the customer's situation and the guarantees securing the operations.

Impairment of assets assessed on a collective basis is determined based on historical parameters for types of comparable operations, considering default and recovery estimates.

Caixa considers that the impairment determined using this methodology enables the risks on its loan portfolio to be adequately recognised, taking into account the requirements of IAS 39.

#### Determination of impairment loss on instruments measured as a charge to fair value reserves

Unrealised losses resulting from the measurement of these assets are recognised against “Fair value reserves”. Whenever there is objective evidence of impairment, accumulated capital losses recognised in “Fair value reserves” must be transferred to cost for the period.

In the case of equity instruments determination of impairment losses involves some subjectivity. Impairment on those assets is determined, by the Group through a specific analysis at each balance date, considering the objective evidence defined in IAS 39 (see Note 2.8. d)). As a general criterion, impairment should be determined whenever the amount invested is unlikely to be fully recovered in view of the dimension of the unrealised loss.

In the case of debt instruments classified in this category, the capital losses are transferred from the “Fair value reserve” heading to the income statement, whenever there is evidence that contractual cash flows may not be collected, namely for financial difficulties of the issuer, impairment of other financial liabilities, or a significant downgrade of the issuer’s rating.

#### Measurement of financial instruments not traded on active markets

As required by IAS 39, Caixa measures all financial instruments at fair value except for those carried at amortised cost. The valuation models and techniques described in Note 2.8. are used to value financial instruments not traded on liquid markets. The valuations obtained correspond to the best estimate of the fair value of the instruments at the balance sheet date. As mentioned in Note 2.8., in order to ensure adequate segregation of functions, these financial instruments are valued by a body that is independent of the trading function.

#### Employee benefits

As explained in Note 2.16. above, the Group’s liability for post-employment benefits and other long term benefits granted to its employees is determined on an actuarial basis. The actuarial calculations are based on financial and actuarial assumptions including, among others, mortality, disability, salary and pension growth, return on assets and discount rate. The assumptions used are the best estimates of the Group and its actuaries of the future evolution of the respective variables.

#### Impairment of goodwill

As mentioned in Note 2.5. above, the Group performs impairment tests of goodwill at least annually. These tests are performed based on estimates of future cash flows to be generated by each unit tested, discounted at appropriate rates.

The projections include a broad range of assumptions on the evolution of the future operations of the units, which may or not occur. Such assumptions, however, reflect the Group’s best estimate as at the balance sheet date.

#### Determination of liabilities for insurance contracts

The Group’s liability for insurance contracts is determined using the methodologies and assumptions described in Note 2.17. above. The liability reflects a quantified estimate of the impact of future events on the accounts of the Group’s insurance companies, based on actuarial assumptions, past claims experience and other methods accepted in the sector.

Given the nature of the insurance operations, determination of provisions for claims and other liabilities under insurance contracts is highly subjective and the actual amounts to be paid in the future may be significantly different from the estimates.

However, the Group considers that the liability for insurance contracts recorded in the consolidated financial statements reflects, on an adequate and conservative basis, the best estimate at that date of the amounts to be paid by the Group.

#### Determination of income tax

Income tax (current and deferred) is determined for group companies based on the rules established in the tax legislation in force in the countries in which they operate. In several cases, however, tax legislation is not sufficiently clear and objective and may give rise to different interpretations. Although the amounts recorded in such cases represent the best understanding of the responsible bodies of Caixa and CGD Group companies, regarding the appropriate tax treatment for their operations, they may be questioned by the tax authorities.

### 3. GROUP COMPANIES AND TRANSACTIONS DURING THE PERIOD

The Group's structure in terms of its main subsidiaries, by operating sector, and the financial data taken from their statutory non-consolidated financial statements, except when expressly indicated, are summarised below:

Activity / Entity	Head office	30-06-2012			31-12-2011	
		% Effective participating interest	Equity (a)	Net income	Equity (a)	Net income
<b><u>Holding Companies</u></b>						
Caixa - Gestão de Ativos, SGPS, S.A.	Lisbon	100.00%	23 533	6 477	23 066	4 863
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	74 509	7 159	70 349	10 041
Caixa Desenvolvimento, SGPS, S.A.	Lisbon	100.00%	488	(16)	4 127	31
Caixa Seguros e Saúde, SGPS, S.A.	Lisbon	100.00%	1 350 177	3 103	996 542	42 955
Gerbanca, SGPS, S.A.	Lisbon	100.00%	79 345	(25)	99 331	14 924
Parbanca, SGPS, S.A.	Madeira	100.00%	46 101	6 742	42 707	11 075
Parcaixa SGPS, S.A.	Lisbon	51.00%	996 522	13 392	1 022 320	23 687
Partang, SGPS, S.A.	Lisbon	51.00%	130 216	8 809	112 384	16 653
<b><u>Banking</u></b>						
Banco Caixa Geral, S.A. (b)	Vigo	99.97%	469 055	(510)	455 627	1 311
Banco Comercial do Atlântico, S.A.R.L.	Praia	59.33%	27 609	1 912	27 806	5 190
Banco Comercial e de Investimentos, S.A.R.L.	Maputo	51.00%	125 599	13 240	119 886	23 511
Banco Nacional de Investimentos, S.A.	Maputo	50.01%	61 461	720	61 077	(3 520)
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	165 410	3 336	173 127	6 113
Banco Interatlântico, S.A.R.L.	Praia	70.00%	14 821	955	14 633	1 590
Banco Nacional Ultramarino, S.A. (Macau)	Macau	100.00%	263 312	14 334	230 813	29 150
Caixa - Banco de Investimento, S.A. (b)	Lisbon	99.71%	259 537	5 024	213 816	8 553
Caixa Geral de Depósitos - Subsidiária Offshore de Macau	Macau	100.00%	28 407	1 220	26 470	2 194
CGD - North America	Delaware	100.00%	1	-	1	-
CGD - Participações em Instituições Financeiras Ltda.	São Paulo	99.86%	69 916	247	(509)	(17)
CGD Investimentos CVC	São Paulo	99.86%	614	(31)	-	-
Mercantile Lisbon Bank Holdings, Ltd. (b)	Johannesburg	100.00%	152 259	5 844	159 839	12 791
Banco Caixa Geral Totta Angola, S.A.	Luanda	26.01%	214 340	17 162	216 262	37 501
Banco para Promoção e Desenvolvimento, S.A.	Luanda	50.00%	370 965	(9 921)	372 761	(5 767)
<b><u>Insurance</u></b>						
Cares - Companhia de Seguros, S.A.	Lisbon	100.00%	19 356	4 096	17 389	4 728
Fidelidade - Companhia de Seguros, S.A.	Lisbon	100.00%	1 130 978	40 876	626 067	13 580
Império - Bonança - Companhia de Seguros, S.A.	Lisbon	100.00%	-	-	203 777	10 195
Companhia Portuguesa de Resseguros, S.A.	Lisbon	100.00%	9 863	114	9 866	265
Garantia - Companhia de Seguros de Cabo Verde, S.A.R.L.	Praia	65.36%	9 773	726	8 061	1 023
Multicare - Seguros de Saúde, S.A.	Lisbon	100.00%	27 725	168	26 138	215
Universal Seguros, S.A. (Angola)	Luanda	70.00%	5 042	(870)	6 149	(372)
Via Directa - Companhia de Seguros, S.A.	Lisbon	100.00%	26 811	767	25 019	261
<b><u>Specialised Credit</u></b>						
Caixa Leasing e Factoring - Instituição Financeira de Crédito, S.A.	Lisbon	51.00%	99 438	(27 542)	126 979	(11 402)
CREDIP - Instituição Financeira de Crédito, S.A.	Lisbon	80.00%	11 810	(86)	11 895	193
Promoleasing - Sociedade de Locação Financeira, S.A.	Praia	60.25%	146	(7)	153	(49)
<b><u>Asset Management</u></b>						
Caixagest - Técnicas de Gestão de Fundos, S.A.	Lisbon	100.00%	26 820	684	27 189	1 142
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	4 035	352	4 684	710
Fundimo - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisbon	100.00%	5 447	2 747	7 076	4 376
<b><u>Venture Capital</u></b>						
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	52.72%	3 272	96	3 159	31
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	100.00%	40 702	2 599	38 103	5 148
<b><u>Property</u></b>						
Imocaixa - Gestão Imobiliária, S.A.	Lisbon	100.00%	(330)	(554)	(2 104)	(3 235)
Caixa-Imobiliário S.A.	Lisbon	100.00%	(398)	(622)	(591)	(656)
Fidelidade Mundial - SGII, S.A.	Lisbon	100.00%	45 449	757	44 142	2 388
Inmobiliaria Caixa Geral SL	Madrid	100.00%	(30 049)	(9 101)	(20 949)	(8 051)
<b><u>Other Financial Entities</u></b>						
CGD Finance	Cayman	100.00%	2 644	(13)	3 049	20 106
Caixa Geral Finance (c)	Cayman	0.00%	111 270	1 043	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	30-06-2012			31-12-2011	
		% Effective participating interest	Equity (a)	Net income	Equity (a)	Net income
<u>Other Companies</u>						
Caixanet - Telemática e Comunicações, S.A.	Lisbon	80.00%	1 786	9	1 778	-
Caixatec, Tecnologias de Comunicação, S.A.	Lisbon	100.00%	(87)	(109)	77	(5)
Cares RH - Companhia de Assistência e Representação de Seguros, S.A.	Lisbon	100.00%	1 614	808	805	187
Cares Multiassistance, S.A.	Lisbon	51.00%	1 855	906	2 501	1 552
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	Lisbon	100.00%	132	25	152	72
EPS - Gestão de Sistemas de Saúde, S.A.	Lisbon	100.00%	586	(10)	596	(25)
LCS - Linha de Cuidados de Saúde, S.A.	Lisbon	100.00%	5 548	1 486	4 062	1 612
Cetra - Centro Técnico de Reparação Automóvel, S.A.	Lisbon	100.00%	4 524	96	4 428	181
GEP - Gestão de Peritagens Automóveis, S.A.	Lisbon	100.00%	518	353	204	86
HPP - Hospitais Privados de Portugal, SGPS, S.A. (b)	Lisbon	100.00%	4 867	(792)	(14 688)	(14 776)
HPP International Ireland, Ltd.	Dublin	100.00%	30 905	(9)	30 913	(19)
HPP International - Luxembourg, S.A.R.L.	Luxembourg	100.00%	(30 728)	(24)	(30 704)	(14 013)
Wolfpart, SGPS, S.A.	Lisbon	100.00%	1 359	(643)	(12 083)	(5 776)
Mesquita ETVIA, Construção de Vias de Comunicação, S.A.	Lisbon	99.98%	19 089	2 527	20 341	1 947
<u>Complementary Corporate Groupings</u>						
Groupment d'Interet Economique	Paris	100.00%	-	-	-	-
Sogruppo - Serviços Administrativos, ACE	Lisbon	100.00%	-	-	-	-
Sogruppo - Sistemas de Informação, ACE	Lisbon	100.00%	-	-	-	-
Sogruppo IV - Gestão de Imóveis, ACE	Lisbon	100.00%	-	-	-	-
<u>Special Purpose Entities and Investment Funds</u>						
Fundo Nostrum Mortgage 2003-1	Lisbon	100.00%	409 880	79	430 786	(129)
Nostrum Mortgages PLC	Dublin	100.00%	4 431	68	5 443	928
Nostrum Mortgages 2	Lisbon	100.00%	-	-	-	-
Intermoney Banking Caixa Geral RMBS	Madrid	99.97%	-	-	-	-
Fundo de Capital de Risco - Grupo CGD - Caixa Capital	Lisbon	99.98%	356 215	(8 476)	333 872	(11 706)
Fundo de Capital de Risco - Energias Renováveis - Caixa Capital	Lisbon	-	-	-	33 042	1 967
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	11 805	(1 175)	7 980	(1 706)
Fundo de Capital de Risco Caixa Mezzanine - Caixa Capital	Lisbon	100.00%	29 308	(29)	29 337	(18)
Fundo de Capital de Risco Desenvolvimento e Reorganização Empresarial	Lisbon	100.00%	13 649	(672)	14 321	(679)
Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	Lisbon	99.68%	81 895	758	81 137	473
Fundo Invest. Imobil. Fechado Imocentro	Lisbon	100.00%	4 557	(90)	4 647	(345)
Caixagest Estratégia Dinâmica	Lisbon	62.46%	55 940	781	56 779	(1 679)
Fundo Especial Investimento Aberto Estratégias Alternativas	Lisbon	79.49%	25 689	(259)	26 332	(1 836)
Caixa Imobiliário - Fundo de Investimento fechado de Arrendamento Habitacional	Lisbon	100.00%	51 282	(143)	51 425	1 006
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	71.15%	101 918	2 615	99 303	15 963
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Lisbon	70.21%	249 753	(824)	251 173	10 533
Caixagest Infra-Estruturas - Fundo Especial de Investimento	Lisbon	66.69%	79 042	2 412	76 631	2 094
Caixagest Oportunidades - Fundo Especial de Investimento	Lisbon	58.70%	35 099	4 118	30 978	308
Fundo de Investimento Imobiliário Fechado Saudeinvest	Lisbon	99.09%	117 694	(2 540)	113 759	3 259
Fundo de Investimento Imobiliário Fechado Bonança 1	Lisbon	100.00%	15 341	163	15 179	65
<u>Companies Recorded by the Proportional Method</u>						
Esegur - Empresa de Segurança, S.A.	Lisbon	50.00%	10 739	686	10 000	445
Locarent	Lisbon	50.00%	7 316	1 434	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 the six month period ended 30 June 2012 and in 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.. 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 deliberation of Caixa Seguros e Saúde SGPS, S.A. shareholder, the share capital of Fidelidade increased from EUR 520,000 to EUR 605,000. This share capital increase was fully subscribed by Caixa through the conversion of subordinated loans of equal amount, granted to this entity as Caixa Seguros e Saúde renounced to its preference right while single shareholder. Following this operation CGD holds a direct participation of 14% of Fidelidade's equity and reduced Caixa Seguros e Saúde's interest to 86%.

Also in June, Caixa Seguros e Saúde increased its share capital by EUR 351,525 as against a subordinated loan in the same amount, previously 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, direct or indirectly, the major 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 (former 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 Corretora de Valores e Câmbio, S.A.'s share capital. This operation was subject 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 investment 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 foresees the following:

- Sale option by Banif Group of the remaining equity participation held in Banif CVC to be completed between the 12<sup>th</sup> and 60<sup>th</sup> month from the signature date of the shares Sale-Purchase Contract dated 2 June 2010;

- Purchase option by Caixa group of the remaining equity participation held by Banif Group in Banif CVC from the 60<sup>th</sup> month from the signature date of the shares Sale-Purchase Contract dated 2 June 2010, onwards;

On 12 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..

### 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 30 June 2012 and 31 December 2011, the amounts relative to the share capital increases subscribed by Caixa Geral de Depósitos were fully paid up.



#### 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 already paid up). CGD Group's equity investment in BPD is 50%, split up between CGD (49.99%), Caixa – Participações (0.005%) and Gerbanca (0.005%).

#### 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 30 June 2012 and 31 December 2011, of the total amount of the Fund's share capital EUR 15 000 thousand was already paid up. The remaining will be settled depending on the achievement of the investment needs.

#### Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional – Caixa Arrendamento (FIIAH – Caixa Arrendamento)

On 30 September 2011, and subsequent to the deliberation of the Fund's participants, CGD subscribed 38 873 participating units for the global amount of EUR 39 999 thousand, increasing its equity participation to 82.51%, as a result of this transaction.

The Fund's share capital increase, fully subscribed by CGD, was paid up through the delivery of EUR 29 979 thousand in cash and the remaining EUR 10 020 thousand in properties.

#### Caixaweb, 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..

### 4. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This heading comprises the following:

	30-06-2012	31-12-2011
Cash	541 603	806 559
Demand deposits in central banks	723 117	1 897 315
	<u>1 264 721</u>	<u>2 703 874</u>
Interest on demand deposits in central banks	207	607
	<u><u>1 264 928</u></u>	<u><u>2 704 482</u></u>

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 30 June 2012 and 31 December 2011 and 2010, complied with the minimum limits defined by the regulations in force in the countries in which they operate

### 5. CASH BALANCES AT OTHER CREDIT INSTITUTIONS

This heading comprises the following:

	30-06-2012	31-12-2011
Cheques for collection		
Portugal	108 560	129 083
Abroad	42 371	47 155
	<u>150 931</u>	<u>176 239</u>
Demand deposits		
Portugal	236 733	213 721
Abroad	867 440	592 316
	<u>1 104 173</u>	<u>806 037</u>
Accrued interest	2 415	3 921
	<u><u>1 257 519</u></u>	<u><u>986 197</u></u>

“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:

	30-06-2012	31-12-2011
Interbank Money Market	371 892	883 073
Term deposits		
Portugal	108 064	80 343
Abroad	446 736	132 230
Loans		
Portugal	630 411	2 570 868
Abroad	531 886	599 321
Other applications		
Portugal	88 807	33 240
Abroad	962 068	547 034
Purchase operations with resale agreement	141 164	101 077
Overdue loans and interest	7 897	7 594
	<u>3 288 926</u>	<u>4 954 780</u>
Adjustments to assets under hedging operations	671	219
Accrued interest	3 547	13 992
Deferred income	(591)	(561)
	<u>3 292 554</u>	<u>4 968 430</u>
Impairment (Note 37)	(13 727)	(12 312)
	<u><u>3 278 826</u></u>	<u><u>4 956 118</u></u>

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 reprivatization process of the bank, started in July 2011.

In the scope of the reorganization process of BPN's assets and liabilities structure, the ownership of the vehicles Parvalorem, S.A., Parups, S.A. and Participadas, S.A. and inherently the loans and bond loans granted by CGD to these entities, which on 30 June 2012 had a nominal value of EUR 791,349 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, it remains a commercial paper programme granted to BPN, 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 whose use is limited to BPN's customer deposits amount. On 30 June 2012, the referred to credit facilities to BPN are not used.

In addition, at 30 June 2012 and 31 December 2011, the heading "Interbank Money Market" included EUR 342 thousand and EUR 433 849 thousand, respectively, of applications made in BPN.

As to applications made in banks headquartered in Iceland, the impairment accumulated balance recognised by Caixa relating those assets, was at 30 June 2012 and 31 December 2011, EUR 12,157 thousand.

Impairment of loans and advances to credit institutions during the half years ended 30 June 2012 and 2011 and 2010 is presented in Note 37.

### 7. FINANCIAL ASSETS HELD FOR TRADING AND OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

These headings comprise the following:

	30-06-2012			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
<u>Debt instruments</u>						
Public issuers:						
Public debt securities	59 616	-	59 616	85 346	-	85 346
Treasury bills	93 066	6 297	99 362	112 493	10 551	123 043
Bonds of other public issuers:						
Foreign	295 436	19 894	315 330	285 908	16 571	302 479
Other issuers:						
Bonds and other securities:						
Issued by residents	87 514	19 492	107 006	81 770	21 292	103 062
Issued by non-residents	65 721	125 207	190 929	32 427	124 809	157 235
	<u>601 353</u>	<u>170 890</u>	<u>772 243</u>	<u>597 944</u>	<u>173 222</u>	<u>771 166</u>
<u>Equity instruments</u>						
Residents	18 794	160 700	179 494	15 902	495 394	511 296
Non-residents	24 889	874	25 762	15 333	953	16 286
	<u>43 683</u>	<u>161 574</u>	<u>205 257</u>	<u>31 235</u>	<u>496 347</u>	<u>527 582</u>
<u>Other financial instruments</u>						
Trust fund units						
Issued by residents	2 466	477 182	479 648	2 704	234 728	237 433
Issued by non-residents	-	540 306	540 306	44 594	573 668	618 262
	<u>2 466</u>	<u>1 017 488</u>	<u>1 019 954</u>	<u>47 298</u>	<u>808 396</u>	<u>855 695</u>
<u>Loans and receivables</u>	-	697	697	-	1 337	1 337
<u>Derivatives with positive fair value (Note 11)</u>						
Swaps	1 618 178	-	1 618 178	1 487 109	-	1 487 109
Futures and other forward operations	13 235	-	13 235	3 561	-	3 561
Options - shares and currency	290 467	-	290 467	312 790	-	312 790
Caps and floors	190 966	-	190 966	170 392	-	170 392
Other	820	-	820	2 078	-	2 078
	<u>2 113 665</u>	<u>-</u>	<u>2 113 665</u>	<u>1 975 930</u>	<u>-</u>	<u>1 975 930</u>
	<u><b>2 761 168</b></u>	<u><b>1 350 648</b></u>	<u><b>4 111 816</b></u>	<u><b>2 652 407</b></u>	<u><b>1 479 303</b></u>	<u><b>4 131 709</b></u>

Financial assets held for trading and other financial assets at fair value through profit or loss at 30 June 2012, include participating units in unit trust and property funds managed by Group entities, in the amounts EUR 57,444 thousand and EUR 281,407 thousand, respectively (EUR 48,005 thousand and EUR 81,774 thousand, respectively, on 31 December 2011).

On 30 June 2012 and 31 December 2011 the heading “Financial assets held for trading – debt instruments”, includes securities which form part of the cover pool of covered bonds with a book value of EUR 124,346 thousand and EUR 118,065 thousand, respectively (Note 21).

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 has an option to purchase the

equity participation to Caixa, at acquisition cost, capitalised at a Euribor indexed rate. During February 2012, the period for the option's exercise came to an end, and there was no buyback from the seller of the referred to shares. On 31 December 2011, 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 this year, 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 30 June 2012 and 31 December 2011, the heading "Financial assets at fair value through profit or loss" includes EUR 61,180 thousand and EUR 62,616 thousand, respectively, relative to an equity investment of 19.4% in the share capital of Sumol + Compal S.A..

### 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This heading comprises the following:

	30-06-2012	31-12-2011
<u>Debt instruments</u>		
- Public debt	6 329 495	4 827 809
- Other public issuers	975 801	1 044 296
- International financial organisations	95 812	57 390
- Other issuers	8 672 201	8 763 637
	<u>16 073 308</u>	<u>14 693 132</u>
<u>Equity instruments</u>		
- Measured at fair value	1 670 325	1 728 865
- Measured at historical cost	189 541	194 480
	<u>1 859 866</u>	<u>1 923 344</u>
<u>Other instruments</u>	<u>1 155 118</u>	<u>1 107 648</u>
	<u>19 088 292</u>	<u>17 724 124</u>
<u>Impairment (Note 37)</u>		
- Equity instruments	(821 056)	(724 211)
- Debt instruments	(27 083)	(52 629)
- Other instruments	(98 459)	(103 641)
	<u>(946 598)</u>	<u>(880 481)</u>
	<u>18 141 694</u>	<u>16 843 643</u>

On 30 June 2012 and 31 December 2011, the heading “Debt instruments – Issued by other issuers” includes EUR 2,535,369 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 and will be amortised in increasing capital instalments over a 10 year period.

On 30 June 2012 and 31 December 2011, impairment of debt instruments includes EUR 13,138 thousand and EUR 26,885 thousand respectively, relative to bonds issued by banks domiciled in the Republic of Iceland. 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 39, during the first half 2012, the Group joined 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 as against new issues were derecognised from the balance sheet. Also in the scope of the exchange bid, the bonds received as against the issues initially classified as investments to be held to maturity (Note 12), were recorded as available-for-sale financial assets.

On 30 June 2012, impairment of “Other instruments” includes EUR 3,130 thousand and EUR 3,687 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 30 June 2011, the balance net of impairment of participating units in unit trust and property funds managed by Group entities recorded in the available-for-sale financial assets’ portfolio amounts to



EUR 267,610 thousand and EUR 121,986 thousand, respectively (EUR 277,860 thousand and EUR 123,183 thousand, respectively at 31 December 2011)

The equity instruments heading includes the following investments:

31-06-2012								
	Banking	Insurance	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net	Fair value reserve	Effective participating interest (%)
<u>Measured at fair value</u>								
Portugal Telecom, S.A.	459 990	4 746	-	464 736	(273 700)	191 036	209	6.18
Galp Energia, SGPS, S.A.	139 334	2 383	-	141 717	-	141 717	(34 179)	1.71
ZON - Serviços de Telecomunicações e Multimédia, SGPS, S.A.	301 255	1 563	-	302 818	(224 767)	78 050	2 086	10.80
SICAR NovEnergia II	-	-	52 349	52 349	-	52 349	9 926	15.49
Finpro, SGPS, S.A.	-	-	30 307	30 307	-	30 307	6 489	17.16
Banco Comercial Português, S.A.	119 812	18 750	-	138 562	(118 618)	19 944	1	2.82
La Seda Barcelona, S.A.	57 287	-	2	57 289	(52 201)	5 087	-	14.24
Brisa - Autoestradas de Portugal, S.A.	63 000	2 600	-	65 600	(41 922)	23 678	100	1.56
Redes Energéticas Nacionais, SGPS, S.A.	14 650	244	-	14 894	-	14 894	3 405	1.12
A.Silva & Silva - Imobiliário e Serviços, S.A.	-	-	21 300	21 300	(15 986)	5 314	-	19.64
EDP - Energias de Portugal, S.A.	12 328	4 835	-	17 163	(8 317)	8 846	296	0.13
EDP Renováveis, S.A.	8	1 649	-	1 657	(993)	664	266	0.03
Foreign entities' shares	7 202	288 699	8 537	304 439	(58 459)	245 979	(10 553)	-
Other instruments with characteristics of equity	122	-	-	122	(29)	92	(2)	-
Other	17 868	18 205	21 300	57 373	(18 792)	38 581	(6 621)	-
	<b>1 192 857</b>	<b>343 674</b>	<b>133 794</b>	<b>1 670 325</b>	<b>(813 785)</b>	<b>856 540</b>	<b>(28 577)</b>	
<u>Measured at historical cost</u>								
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	22 978	61	8 819	31 858	(6 093)	25 765	-	-
	<b>180 039</b>	<b>61</b>	<b>9 441</b>	<b>189 541</b>	<b>(7 271)</b>	<b>182 270</b>	<b>-</b>	
	<b>1 372 896</b>	<b>343 735</b>	<b>143 235</b>	<b>1 859 866</b>	<b>(821 056)</b>	<b>1 038 810</b>	<b>(28 577)</b>	

31-12-2011								
	Banking	Insurance	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net	Fair value reserve	Effective participating interest (%)
<u>Measured at fair value</u>								
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)	-
	<b>1 214 074</b>	<b>358 362</b>	<b>156 428</b>	<b>1 728 865</b>	<b>(715 957)</b>	<b>1 012 907</b>	<b>(11 703)</b>	
<u>Measured at historical cost</u>								
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	-	-
	<b>186 271</b>	<b>67</b>	<b>8 142</b>	<b>194 480</b>	<b>(8 254)</b>	<b>186 226</b>	<b>-</b>	
	<b>1 400 345</b>	<b>358 428</b>	<b>164 570</b>	<b>1 923 345</b>	<b>(724 211)</b>	<b>1 199 133</b>	<b>(11 703)</b>	

The following criteria were used to prepare the above tables:

- The “Insurance” column includes securities held by Caixa Seguros e Saúde and Garantia;
- The “Investment banking and venture capital” column includes the securities held by Caixa - Banco de Investimento and the Group’s venture capital area, including consolidated venture capital funds (Note 3);
- Securities held by the remaining entities were allocated to “Banking” activity.

Impairment of equity instruments recorded by the Group as a charge to net income for 30 June 2012 and 2011 comprises the following (Note 37):

	31-06-2012	31-06-2011
Portugal Telecom, SGPS, S.A.	57 444	-
La Seda Barcelona, S.A.	28 757	-
Banco Comercial Português, S.A.	7 516	23 928
A. Silva & Silva - Imobiliário & Serviços, SA	6 857	-
Equity instruments - Insurance	16 505	1 774
Other	2 639	1 800
	<b>119 718</b>	<b>27 501</b>

At 30 June 2012 and 31 December 2011, the fair value reserve of available-for-sale financial assets comprises the following:

	31-06-2012	31-12-2011
Fair value reserve (Note 27) (gross amount before non-controlling interests)		
Debt instruments	(1 418 724)	(2 604 931)
Equity instruments		
- Positive fair value	60 550	65 052
- Negative fair value		
. Unrealised loss lower than 20% of acquisition cost	(23 260)	(29 623)
. Unrealised loss between 20% and 30% of acquisition cost	(27 832)	(8 341)
. Unrealised loss between 30% and 40% of acquisition cost	(25 803)	(13 586)
. Unrealised loss between 40% and 50% of acquisition cost	(12 232)	(25 205)
	<b>(28 577)</b>	<b>(11 703)</b>
Other instruments	43 640	17 880
	<b>(1 403 661)</b>	<b>(2 598 753)</b>
Balance attributable to non-controlling interests	8 997	1 571
	<b>(1 394 664)</b>	<b>(2 597 182)</b>
Deferred tax reserve	396 896	738 453
	<b>(997 768)</b>	<b>(1 858 729)</b>

In the six month period ended on 30 June 2012 and in 2011, the changes in the main equity instruments recorded 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 32).

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 32).

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.

In March 2012, Caixa sold 6,000,000 shares of BCP for a global amount of EUR 981 thousand. As a result, Caixa recorded a capital gain of EUR 165 thousand (Note 32).

Also in the first half 2012, Caixa acquired 125,000 and sold 153,000 subordinated perpetual securities for the global amounts of EUR 72 thousand and EUR 99 thousand, respectively. As a result Caixa recorded a capital loss of EUR 11 thousand (Note 32).

#### 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 took place on 2 July 2012, date of the liquidation of the sales price agreed upon by the parties, in the amount of EUR 86,830 thousand. As a result of this operation, the Group only recorded in its financial statements for the six month period ended 30 June 2012, the commitment resulting from the sales agreement of the referred to shares, under the terms of the contract.

The capital gain generated by this operation was EUR 10,869 thousand and was recognised at the same date of the operation's financial liquidation.

#### 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.

#### 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. During 2011, impairment losses recognised as against net income for the period were EUR 32,621 thousand.

#### 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.

Also in this year the capital gains made by Caixa Seguros e Saúde in securities not associated with insurance contracts, totalled EUR 1 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 2.8., owing to the exceptional circumstances experienced in the financial markets in the referred to periods.

The reclassifications made by Caixa resulting from the instability and volatility experienced by the evolution of the financial markets, notably in 2010 regarding the evolution of credit markets, highly affected by the disturbance in funding of sovereign debt of Eurozone countries, determined the change of Caixa's perspectives relating to the sale of these assets and therefore, Caixa no longer had the expectation to sell these securities in the short term. The transfer of securities occurred in the first half 2010, mainly comprised sovereign debt instruments, securities issued by government agencies and other credit instruments issued by financial institutions directly affected by the turmoil in the Eurozone public debt markets.

Also during the first half 2010 Caixa reclassified securities from the “Available-for-sale financial assets” category to “Loans and advances to customers” category.

The impact of the reclassification of those securities on net income for the period and on fair value reserves is as follows:

### Securities reclassified in 2008

	Financial assets at fair value as a charge to revaluation reserves	Financial assets at amortised cost
Book value at reclassification date	1 001 797	n.a
Book value at 31-12-2008	873 101	n.a
Book value at 31-12-2009	560 350	n.a
Book value at 31-12-2010	336 275	n.a
Book value at 31-12-2011	261 035	n.a
Book value at 30-06-2012	232 976	n.a
Fair value of securities reclassified at 30-06-2012	232 976	n.a
Fair value reserve of securities reclassified at 30-06-2012	(20 708)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2008 and 31-12-2009		
Unrealised capital gains (net) recognised as a charge to fair value reserves	6 315	n.a
Impairment for the period	(6 673)	n.a
Other gains and losses recognised as a charge to net income	(60 758)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2009 and 31-12-2010		
Unrealised capital gains (net) recognised as a charge to fair value reserves	57 186	n.a
Impairment for the period	(52 234)	n.a
Other gains and losses recognised as a charge to net income	(2 247)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2010 and 31-12-2011		
Unrealised capital gains (net) recognised as a charge to fair value reserves	(17 620)	n.a
Other gains and losses recognised as a charge to net income	(487)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2011 and 30-06-2012		
Unrealised capital gains (net) recognised as a charge to fair value reserves	8 016	n.a
Impairment for the period	(243)	n.a
Other gains and losses recognised as a charge to net income	7 227	n.a

### Securities reclassified in 2010

	Financial assets at fair value as a charge to revaluation reserves	Financial assets at amortised cost
Book value at reclassification date	1 414 007	503 466
Book value at 31-12-2010	1 039 972	504 393
Book value at 31-12-2011	483 799	495 037
Book value at 30-06-2012	352 742	486 139
Fair value of securities reclassified at 30-06-2012	352 742	491 293
Fair value reserve of securities reclassified at 30-06-2012	(49 244)	n.a
Gains / (losses) associated with the change in securities fair value between reclassification date and 31-12-2010		
Unrealised capital gains (net) recognised as a charge to fair value reserves	(36 589)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2010 and 31-12-2011		
Unrealised capital gains (net) recognised as a charge to fair value reserves	(47 894)	n.a
Other gains and losses recognised as a charge to net income	(1 234)	-
Gains / (losses) associated with the change of the fair value of securities between 31-12-2011 and 30-06-2012		
Unrealised capital gains (net) recognised as a charge to fair value reserves	14 004	n.a
Other gains and losses recognised as a charge to net income	539	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

At 30 June 2012 and 31 December 2011, financial assets with repurchase agreement comprised the following:

	30-06-2012	31-12-2011
<b>At fair value through revaluation reserves</b>		
<b><u>Debt instruments</u></b>		
- From public issuers:		
. Debt securities	51 089	272 634
. Bonds of other public issuers:		
Foreign entities	47 025	58 130
- From other issuers:		
. Bonds and other securities:		
Non-residents	314 860	447 190
	<b><u>412 974</u></b>	<b><u>777 954</u></b>

During the six month period ended 30 June 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 19) and “Customer resources – Other resources – Sale operations with repurchase agreement” headings (Note 20).

### 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 30 June 2012 and 31 December 2011 comprise the following:

	<b>30-06-2012</b>	<b>31-12-2011</b>
Unit-linked investments:		
- Debt instruments	535 412	509 211
- Equity instruments	17 978	20 615
- Other	15	18
Derivatives		
- Positive fair value	6 361	5 765
Loans and advances to credit institutions	64 044	49 270
	<b>623 810</b>	<b>584 879</b>
Liability to subscribers of unit-linked products	<b>623 810</b>	<b>584 879</b>



#### 11. DERIVATIVES

The Group carries out derivative operations in the normal course of its business in order to meet the specific needs of its customers and to hedge its exposure to foreign exchange, interest rate and stock market fluctuations.

The Group controls the risk of its activities with derivatives through operation approval procedures, definition of exposure limits by product and counterparty, and by monitoring the daily evolution of the respective results.

At 30 June 2012 and 31 December 2011 these operations were valued in accordance with the criteria explained in Note 2.8. c). The notional and book values of these operations on the above mentioned dates were as follows:

	30-06-2012							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading (Note 7)	Liabilities held for trading	Hedging derivatives		Total
						Assets	Liabilities	
<b>Forward foreign exchange transactions</b>				1 131	(1 603)	-	-	(472)
<u>Foreign exchange</u>								
Purchase	381 461	-	381 461					
Sale	362 416	-	362 416					
<b>FRA (forward rate agreements)</b>	305 000	-	305 000	3 378	-	-	-	3 378
<b>Swaps</b>								
<u>Currency swaps</u>				40 551	(25 220)	-	-	15 331
Purchase	2 492 568	16 058	2 508 626					
Sale	2 477 471	16 164	2 493 634					
<u>Interest rate swaps e cross currency interest rate swaps</u>				1 565 680	(1 584 521)	122 352	(73 551)	29 961
Purchase	65 320 814	966 649	66 287 463					
Sale	65 265 650	902 545	66 168 195					
<u>Loan swaps</u>				11 946	(18 489)	-	-	(6 543)
Purchase	189 142	-	189 142					
Sale	116 342	-	116 342					
<b>Futures</b>				-	-	-	-	-
<u>Currency</u>								
Long positions	23 174	-	23 174					
Short positions	-	-	-					
<u>Interest rate</u>								
Long positions	3 943 296	-	3 943 296					
Short positions	-	-	-					
<u>Shares and indexes</u>				8 727	(14)	-	-	8 713
Long positions	43 970	-	43 970					
Short positions	-	-	-					
<u>Other</u>				-	-	-	-	-
. Traded on behalf of customers								
Long positions	76 823	-	76 823					
Short positions	-	-	-					
<b>Options</b>								
<u>Currency</u>				1 060	(1 315)	-	-	(255)
Purchase	-	-	-					
Sale	-	-	-					
<u>Shares and indexes</u>				289 407	(291 105)	-	-	(1 699)
Purchase	-	-	-					
Sale	-	-	-					
<u>Interest rates (Caps &amp; Floors)</u>				190 966	(199 517)	-	-	(8 551)
Purchase	756 795	-	756 795					
Sale	781 879	-	781 879					
<u>Other</u>				820	(28 660)	-	-	(27 840)
Purchase	-	-	-					
Sale	-	-	-					
	<b>142 536 801</b>	<b>1 901 415</b>	<b>144 438 216</b>	<b>2 113 665</b>	<b>(2 150 444)</b>	<b>122 352</b>	<b>(73 551)</b>	<b>12 023</b>

In June 2012, the “Liabilities held for trading” heading, also includes EUR 1,088 thousand relative to liabilities arising from loans operations of equity instruments from the Group’s portfolio, which were settled in July.

	31-12-2011							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading (Nota 7)	Liabilities held for trading	Hedging derivatives		Total
						Assets	Liabilities	
<b>Forward foreign exchange transactions</b>				3 505	(3 187)	-	-	319
<u>Foreign exchange</u>								
Purchase	335 753	-	335 753					
Sale	346 410	-	346 410					
<b>FRA (forward rate agreements)</b>	5 000	-	5 000	36	-	-	-	36
<b>Swaps</b>								
<u>Currency swaps</u>				34 777	(1 591)	-	-	33 186
Purchase	2 167 174	-	2 167 174					
Sale	2 133 643	-	2 133 643					
<u>Interest rate swaps e cross currency interest rate swaps</u>				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					
<u>Loan swaps</u>				9 552	(19 096)	-	-	(9 544)
Purchase	400 943	-	400 943					
Sale	400 943	-	400 943					
<b>Futures</b>								
<u>Currency</u>				-	-	-	-	-
Long positions	78 819	-	78 819					
Short positions	-	-	-					
<u>Interest rate</u>				-	-	-	-	-
Long positions	(249 713)	-	(249 713)					
Short positions	1 457 636	-	1 457 636					
<u>Shares and indexes</u>				19	-	-	-	19
Long positions	6 410	-	6 410					
Short positions	3 667	-	3 667					
<u>Other</u>				-	-	-	-	-
. Traded on behalf of customers								
Long positions	99 211	-	99 211					
Short positions	216 988	-	216 988					
<b>Options</b>								
<u>Currency</u>				2 682	(1 981)	-	-	701
Purchase	1 055	-	1 055					
Sale	1 055	-	1 055					
<u>Shares and indexes</u>				310 108	(314 833)	-	-	(4 725)
Purchase	-	-	-					
Sale	-	-	-					
<u>Interest rates (Caps &amp; Floors)</u>				170 392	(179 501)	-	-	(9 109)
Purchase	769 174	-	769 174					
Sale	793 037	-	793 037					
<u>Other</u>				2 078	(4 193)	-	-	(2 114)
Purchase	-	-	-					
Sale	-	-	-					
	<b>137 492 560</b>	<b>2 072 595</b>	<b>139 565 155</b>	<b>1 975 930</b>	<b>(1 918 488)</b>	<b>108 129</b>	<b>(93 072)</b>	<b>72 499</b>

### 12. HELD TO MATURITY INVESTMENTS

At 30 June 2012 and 31 December 2011, this heading comprises the following:

	30-06-2012	31-12-2011
<u>Debt instruments</u>		
- Public debt	1 833 672	1 818 396
- Other public issuers	61 241	341 950
- Other issuers		
Other residents	269 596	366 944
Other non-residents	337 934	430 124
	<u>2 502 442</u>	<u>2 957 414</u>
<u>Impairment (Note 37)</u>	-	(120 035)
	<u><u>2 502 442</u></u>	<u><u>2 837 379</u></u>

In April and October 2011, Caixa Seguros e Saúde reclassified a series of sovereign debt instruments, debt issued by financial institutions, and other corporate debt, from the available-for-sale financial assets to the held to maturity investments category.

The criteria governing the reclassification, took into account the portfolios associated with the financial assets, as well as their maturities, bearing in mind the future cash flow needs of the portfolios involved.

The details on the characteristics of the reclassified debt instruments on the date of transfer between financial assets categories in addition to the gains and losses recognised in shareholders' equity after the reclassification date are given below:

	Portuguese public debt securities	Securities issued by foreign public entities	Securities issued by other entities	Total
<b>Reclassification date</b>				
Balance sheet value	1 760 395	297 508	843 223	2 901 126
Fair value reserve	(314 586)	(80 233)	(28 604)	(423 423)
Effective interest rate	8.46%			
<b>At 31 December 2012</b>				
Balance sheet value	1 818 396	221 915	797 068	2 837 379
Fair value	1 476 727	209 636	739 892	2 426 254
Gains / (losses) which would have been recognised as a charge to shareholders' equity if the assets had not been reclassified	(341 669)	(12 280)	(57 176)	(411 125)
<b>At 30 June 2012</b>				
Balance sheet value	1 833 672	61 241	607 530	2 502 442
Fair value	1 816 035	60 832	565 380	2 442 248
Gains / (losses) which would have been recognised as a charge to shareholders' equity if the assets had not been reclassified	(17 636)	(408)	(42 150)	(60 195)

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 the six month period ended 30 June 2012 and in 2011 related to reclassified securities (excluding the tax effect), are as follows:

Impact in net income for the first half of 2012, of which:

Interest and similar income	67 295
Impairment for the year	(49 556)
Other	(2 365)
	<b>15 375</b>

Impact in net income for 2011, of which:

Interest and similar income	141 923
Impairment for the year	(120 035)
Foreign exchange income	4
Other	1 136
	<b>23 026</b>

In 2011, the Group recognised impairment losses for EUR 120,035 thousand on Greek sovereign debt securities, classified as held to maturity investments. The amount of impairment losses recorded as against net income for the year was calculated based on the assumption of a 50% recovery of nominal value and accrued interest of the issues in the portfolio. In addition, EUR 50,856 thousand are recorded as provisions for other risks and charges, to cover additional impairment losses in these securities. These provisions were calculated based on the market value as of the first day (9 March 2012) in which the price of assets received in the context of the exchange offer as disclosed by the Greek Republic on 21 February 2012, was set. This exchange offer was considered an ‘adjusting event’ according to IAS 10.

At 31 December 2011, the book value of investments in Greek sovereign debt securities, net of impairment losses and provisions recorded by the Group, is EUR 53,592 thousand which reflects an implicit impairment level of around 76% of the respective nominal value. The book value of these securities (net of accumulated impairment) and the corresponding market price calculated on the basis of the price at that date was EUR 104,448 thousand and EUR 56,785 thousand, respectively (Note 39).

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 39, and after assessing the effective value of losses resulting from this operation, in the first half 2012, the Group recognised impairment additional losses of EUR 49,556 thousand in securities classified as held to maturity investments, recorded as a charge to the annulment of provisions created for that purpose in 2011, in provisions for other risks and charges (Note 22). Also following these assets exchange programme, the Group derecognised these liabilities in its balance sheet and recognised the new issues, which were classified in the available-for-sale category (Note 8).

### 13. LOANS AND ADVANCES TO CUSTOMERS

This heading comprises the following:

	30-06-2012	31-12-2011
Domestic and foreign loans		
Loans	55 830 806	56 887 363
Current account loans	3 804 443	4 170 807
Other loans	7 281 640	7 793 675
Other loans and amounts receivable - securitised		
. Commercial Paper	4 272 536	3 293 879
. Other	1 467 497	1 489 151
Property leasing operations	1 624 296	1 691 124
Discounts and other loans secured by bills	509 545	604 186
Purchase operations with resale agreement	108 926	97 865
Equipment leasing operations	1 024 896	1 135 854
Factoring	358 963	430 413
Overdrafts	413 724	397 845
	<u>76 697 272</u>	<u>77 992 162</u>
Adjustment to assets under hedging operations	1 394	1 443
Accrued interest	328 122	414 236
Deferred income, commissions and other cost and income associated with amortised cost	(56 362)	805
	<u>76 970 427</u>	<u>78 408 646</u>
Overdue loans and interest	4 396 510	3 222 225
	<u>81 366 937</u>	<u>81 630 871</u>
Impairment (Note 37)	(3 847 591)	(3 383 246)
	<u>77 519 347</u>	<u>78 247 625</u>

The “Domestic and foreign – other loans” heading at 30 June 2012 and 31 December 2011 includes EUR 89,494 thousand and EUR 86,366 thousand, respectively, relating to mortgage and personal loans granted by CGD to its employees.

At 30 June 2012 and 31 December 2011, the heading “Purchase operations with resale agreement” refers only to contracts settled with Caixa Geral de Depósitos’ Pension Fund.

At 30 June 2012 and 31 December 2011, the heading “Loans” includes EUR 791,349 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 e 8). These loans are collateralised 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, liabilities resulting from the commercial paper programme subscribed by Caixa from BPN for the amount of EUR 1,000,000 thousand, formalised through the transmission of the contractual position between the bank and Parvalorem. At 30 June 2012, this operation is recognised in the “Other loans and amounts receivable – securitised – commercial paper” heading.

The heading “Loans” at 30 June 2012 and 31 December 2011, includes mortgage and consumer loans ceded by Caixa in securitisation operations. The changes in these loans in the half year ended 30 June 2012 were as follows

	<b>Nostrum Mortgages no. 1</b>	<b>Nostrum Mortgages no. 2</b>	<b>Total</b>
Balances at 31-12-2011	429 069	5 055 709	5 484 778
Sale of new loans	462	8 389	8 851
Payments	(20 417)	(69 182)	(89 599)
Repurchase	-	(16 208)	(16 208)
Other	(462)	2 831	2 369
Balances at 30-06-2012	<b>408 652</b>	<b>4 981 539</b>	<b>5 390 191</b>

These loans serve as collateral for the securities issued by the SPEs in these operations, which amounted, in what concerns Nostrum Mortgage no. 1, to EUR 375,689 thousand and EUR 402,830 thousand, respectively, at 30 June 2012 and 31 December 2011 (Note 21). 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 30 June 2012 and 31 December 2011 includes mortgage loans associated with the issue of covered bonds with a book value of EUR 11,527,740 thousand and EUR 12,167,353 thousand, respectively, as well as loans associated to the issue of bonds on the public sector whose book value is EUR 1, 516,059 thousand and EUR 1,620,035 thousand, respectively (Note 21).

In addition, at 30 June 2012 and 31 December 2011, the autonomous pool of assets allocated to the issue of covered bonds also included debt securities with a book value of EUR 124,346 thousand and EUR 118,065 thousand, respectively (Note 7).

At 30 June 2012 and 31 December 2011, the aging of “Overdue loans and interest” was as follows:

	<b>30-06-2012</b>	<b>31-12-2011</b>
Up to three months	672 763	317 427
Three to six months	472 598	201 934
Six months to one year	413 100	481 765
One to three years	1 340 233	931 223
Over three years	1 497 816	1 289 875
	<b>4 396 510</b>	<b>3 222 225</b>

Loans and advances to customers at 30 June 2012 and 31 December 2011, except adjustments to the value of assets under hedging operations, by business sector, are made up as follows:

30-06-2012									
	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
<b>Companies</b>									
Agriculture, cattle breeding, hunting and forestry	-	-	-	403 595	25 487	429 083	403 595	25 487	429 083
Mining industries	-	-	-	162 605	6 269	168 873	162 605	6 269	168 873
<b>Manufacturing industries</b>									
Food, beverages and tobacco	-	-	-	878 640	62 065	940 705	878 640	62 065	940 705
Textiles	-	-	-	264 808	44 613	309 421	264 808	44 613	309 421
Leather and by-products	-	-	-	61 188	3 211	64 399	61 188	3 211	64 399
Wood and cork	-	-	-	187 184	25 374	212 558	187 184	25 374	212 558
Pulp, paper, printing and publishing	-	-	-	238 477	7 518	245 995	238 477	7 518	245 995
Coal, oil products and nuclear fuel	-	-	-	401 688	7	401 696	401 688	7	401 696
Chemical products and synthetic or artificial fibres	1 981	-	1 981	297 992	4 452	302 444	299 973	4 452	304 424
Rubber and plastic goods	3 644	-	3 644	119 449	7 707	127 156	123 093	7 707	130 800
Non-metallic mineral products	-	-	-	342 130	30 992	373 123	342 130	30 992	373 123
Basic metallurgy industries and metallic products	-	-	-	413 178	50 985	464 164	413 178	50 985	464 164
Machinery and equipment	-	-	-	90 513	8 612	99 125	90 513	8 612	99 125
Electrical and optical equipment	-	-	-	159 194	3 232	162 426	159 194	3 232	162 426
Transport equipment	408	-	408	79 858	3 541	83 399	80 266	3 541	83 807
Miscellaneous manufacturing industries	2 767	-	2 767	284 686	40 862	325 547	287 452	40 862	328 314
Electricity, water and gas	71 428	133	71 561	1 786 633	26 838	1 813 471	1 858 061	26 971	1 885 032
Building	32 192	137	32 329	5 379 993	953 803	6 333 796	5 412 185	953 940	6 366 125
Wholesale / retail trade and repair of cars, motorcycles and personal and domestic goods	65	-	65	3 026 690	285 563	3 312 253	3 026 755	285 563	3 312 318
Restaurants and hotels	340	-	340	1 116 687	83 179	1 199 865	1 117 027	83 179	1 200 205
Transports, warehousing and communications	61 930	-	61 930	2 065 016	76 369	2 141 385	2 126 947	76 369	2 203 315
Financial activities	96 621	-	96 621	7 572 296	249 593	7 821 890	7 668 918	249 593	7 918 511
Real estate activities	27 999	-	27 999	3 092 146	733 107	3 825 253	3 120 145	733 107	3 853 252
Other activities	1 720 036	-	1 720 036	2 137 405	85 552	2 222 957	3 857 440	85 552	3 942 992
Public administration, defence and mandatory social security contributions	2 990 963	85 777	3 076 741	158 666	2 145	160 811	3 149 630	87 922	3 237 552
Education	6 359	0	6 359	196 325	3 156	199 480	202 683	3 156	205 839
Healthcare and welfare	1 415	6 784	8 200	650 625	74 996	725 621	652 400	81 781	733 821
Other activities and social and personal services	100 605	315	100 920	1 832 127	193 529	2 025 656	1 932 732	193 844	2 126 576
Families with domestic employees	-	-	-	238	93	330	238	93	330
International entities and other institutions	-	-	-	22	246	268	22	246	268
	5 118 753	93 147	5 211 901	33 400 056	3 093 094	36 493 150	38 518 809	3 186 242	41 705 051
<b>Individuals</b>									
Housing	-	-	-	36 271 673	1 050 538	37 322 211	36 271 673	1 050 538	37 322 211
Other	-	-	-	2 178 551	159 730	2 338 281	2 178 551	159 730	2 338 281
	-	-	-	38 450 224	1 210 269	39 660 492	38 450 224	1 210 269	39 660 492
	<b>5 118 753</b>	<b>93 147</b>	<b>5 211 901</b>	<b>71 850 279</b>	<b>4 303 363</b>	<b>76 153 642</b>	<b>76 969 033</b>	<b>4 396 510</b>	<b>81 365 543</b>

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
<b>Companies</b>									
Agriculture, cattle breeding, hunting and forestry	-	-	-	404 389	33 145	437 533	404 389	33 145	437 533
Mining industries	-	-	-	144 755	4 002	148 757	144 755	4 002	148 757
<b>Manufacturing industries</b>									
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	8 075	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
<b>Individuals</b>									
Housing	-	-	-	36 621 882	979 646	37 601 528	36 621 882	979 646	37 601 528
Other	-	-	-	2 400 030	146 967	2 546 997	2 400 030	146 967	2 546 997
	-	-	-	39 021 912	1 126 613	40 148 525	39 021 912	1 126 613	40 148 525
	<b>4 303 446</b>	<b>86 556</b>	<b>4 390 002</b>	<b>74 103 757</b>	<b>3 135 669</b>	<b>77 239 427</b>	<b>78 407 203</b>	<b>3 222 225</b>	<b>81 629 428</b>



### 14. NON-CURRENT ASSETS HELD FOR SALE

At 30 June 2012 and 31 December 2011, this heading comprised the following:

	30-06-2012	31-12-2011
<b>ASSETS</b>		
Property and equipment	642 409	576 859
Subsidiaries - HPP - Hospitais Privados de Portugal	92 375	-
	<u>734 784</u>	<u>576 859</u>
Impairment (Note 37)	(126 385)	(103 374)
	<u><b>608 399</b></u>	<u><b>473 485</b></u>
<b>LIABILITIES</b>		
Subsidiaries - HPP - Hospitais Privados de Portugal	107 286	-
	<u><b>107 286</b></u>	<u><b>-</b></u>

The headings “Non-current assets and liabilities held for sale - Subsidiaries” at 30 June 2012, correspond to the assets and liabilities aggregated value of HPP – Hospitais Privados de Portugal, SGPS, S.A (HPP). These balances were reflected in aggregated form in this heading, pursuant to the dispositions of IFRS 5, after starting the procedures for the sale of this business area, including restructuring of the sale process and attracting future investors.

The sale process of the health area results from the rationalisation goal of CGD Group structure, as well as the concentration of its banking business activities (core segment), pursuant to the guidelines defined by the shareholder state.

The book value (without fair value allocations), of the main HPP's assets and liabilities categories, at 30 June 2012, is as follows:

	30-06-2012
<b>Non-current assets held for sale</b>	
Customers	46 361
Fixed assets	34 923
Cash and cash equivalents	5 321
Inventories	4 185
Other assets	1 585
	<u>92 375</u>
<b>Non-current liabilities held for sale</b>	
Loans	42 943
Suppliers and other debts from third parties	24 622
Other assets	39 721
	<u>107 286</u>
<b>Equity</b>	<u>(14 911)</u>

In addition, it was proved necessary to review the presentation of results generated by this business unit, which are evidenced, on an individual basis, in the income statement as “Results subsidiaries held for sale”. Consolidated financial statements and the statement of comprehensive income for the comparative period (30 June 2011) were restated in order to comply with the provisions of IFRS 5. At 30 June 2012 and in 2011, the main categories contributing to the calculation of HPP results comprise the following:

	30-06-2012	30-06-2011
<b>Income</b>		
Provision of services	96 690	92 638
Other	724	3 736
	<u>97 414</u>	<u>96 374</u>
<b>Costs</b>		
Cost of goods sold and consumed	17 581	18 154
Supplies and external services	40 182	37 611
Staff costs	26 121	28 204
Depreciation of tangible and intangible assets	6 915	7 169
Interest costs	1 336	1 404
Impairment net of reversals	(392)	14 676
Other	7 896	7 463
	<u>99 639</u>	<u>114 681</u>
Income tax	(792)	9 478
<b>Net income</b>	<u>(1 433)</u>	<u>(27 785)</u>

As explained in Note 2.9, the Group records in this heading, property and other assets obtained in the recovery of credit.

### 15. INVESTMENT PROPERTY

This heading comprises the following:

	30-06-2012		31-12-2011	
	Effective participating interest (%)	Book Value	Effective participating interest (%)	Book Value
SIBS - Sociedade Interbancária de Serviços, S.A.	21.60	14 660	21.60	16 931
Torre Ocidente Imobiliária, S.A.	25.00	4 954	25.00	5 571
Prado - Cartolinas da Lousã, S.A.	38.15	4 043	38.15	4 257
Banco Internacional de São Tomé e Príncipe, S.A.	27.00	3 005	27.00	2 851
Companhia de Papel do Prado, S.A.	38.15	1 301	38.15	1 303
Other		4 334		5 026
		<b>32 296</b>		<b>35 939</b>

Statutory financial data (non-audited financial statements) of the main associated companies, at 30 June 2012 and 31 December 2011, was as follows:

Business sector / Entity	Registered office	30-06-2012				
		Assets	Liabilities	Equity (a)	Net income	Total income
<u>Banking</u>						
Banco Internacional de São Tomé e Príncipe	São Tomé	67 795	56 662	11 133	571	3 959
<u>Property</u>						
Torre Ocidente, Imobiliária, S.A.	Lisbon	68 557	48 743	19 814	(2 468)	469
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	375 974	446 433	(70 459)	(10 239)	10 982
<u>Other</u>						
Companhia de Papel do Prado, S.A.	Tomar	4 379	968	3 411	(4)	-
Prado - Cartolinas da Lousã, S.A.	Lousã	18 567	7 970	10 597	24	11 895
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	156 890	89 017	67 873	8 078	70 882

(a) Equity includes net income for the year and excludes non-controlling interests.

Business sector / Entity	Registered office	31-12-2011				
		Assets	Liabilities	Equity (a)	Net income	Total income
<u>Banking</u>						
Banco Internacional de São Tomé e Príncipe	São Tomé	83 582	73 018	10 564	1 115	7 298
<u>Property</u>						
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
<u>Other</u>						
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 interests.

### 16. INCOME TAX

Income tax assets and liabilities at 30 June 2012 and 31 December 2011 were as follows:

	30-06-2012	31-12-2011
<u>Current tax assets</u>		
Income tax recoverable	64 746	56 913
Other	27 825	30 915
	<u>92 571</u>	<u>87 828</u>
<u>Current tax liabilities</u>	<u>(160 468)</u>	<u>(52 511)</u>
	<u>(67 896)</u>	<u>35 317</u>
<u>Deferred tax assets</u>		
Temporary differences	1 648 843	1 850 133
Reported tax losses	21 993	78 547
	<u>1 670 836</u>	<u>1 928 680</u>
<u>Deferred tax liabilities</u>	<u>(191 396)</u>	<u>(166 220)</u>
	<u>1 479 440</u>	<u>1 762 460</u>

Changes in deferred tax during the half years ended 30 June 2012 and 2011 were as follows:

	30-06-2012					
	Balance at	Change in		Transfer		Balance at
	31-12-2011	Equity	Profit or loss	to current tax	Other	30.06.2012
Impairment and adjustments to property and tangible and intangible assets	54 218	38	476	-	(1 252)	53 480
Provisions and impairment temporarily not tax deductible	717 712	-	96 984	(1 502)	2 652	815 846
Measurement of derivatives	(11 338)	-	(55)	-	(33)	(11 426)
Measurement of available-for-sale assets	782 069	(364 365)	-	-	36 877	454 581
Measurement of other securities	1 004	-	1 981	-	(14 444)	(11 459)
Tax loss carry forward	78 547	-	(19 942)	-	(36 612)	21 993
Employee benefits	146 940	-	223	(1 324)	(1 187)	144 651
Commissions	17 576	-	(202)	-	-	17 374
Legal revaluation of other tangible assets	(5 133)	-	288	-	-	(4 844)
Other	(19 136)	-	16 757	-	1 621	(758)
	<u>1 762 460</u>	<u>(364 327)</u>	<u>96 510</u>	<u>(2 826)</u>	<u>(12 378)</u>	<u>1 479 440</u>

	30-06-2011					
	Balance at	Change in		Transfer		Balance at
	31-12-2010	Equity	Profit or loss	to current tax	Other	30.06.2011
Impairment and adjustments to property and tangible and intangible assets	51 616	809	(750)	-	(47)	51 628
Provisions and impairment temporarily not tax deductible	460 828	-	18 036	(1 398)	(2 563)	474 903
Measurement of derivatives	603	-	(207)	-	(2)	394
Measurement of available-for-sale assets	172 200	431 488	(17 508)	-	(15 923)	570 257
Measurement of other securities	13 848	-	98	-	16	13 962
Tax loss carry forward	82 263	-	(36 605)	-	(1 544)	44 114
Employee benefits	158 629	-	(176)	-	-	158 453
Commissions	22 401	-	(1 724)	-	656	21 333
Legal revaluation of other tangible assets	(5 796)	-	394	-	-	(5 402)
Pluriannual costs	858	-	(429)	-	-	429
Other	(7 267)	-	(5 371)	-	981	(11 657)
	950 184	432 297	(44 241)	(1 398)	(18 426)	1 318 416

The “Profit or loss” column in the table of changes in deferred tax for the half years ended 30 June 2011 includes charges of EUR 9,362 thousand which were reclassified in “Results in subsidiaries held for sale” of the income statement 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).

As presented in further detail into Note 2.3., during 2011 the Group changed its accounting policy in what respects the recognition of actuarial gains and losses related to pension plans and post-employment benefits. Accordingly, actuarial gains and losses arising from both the update of liabilities with pensions and healthcare and expected income of the pensions fund were fully recognised as a charge to a shareholders’ equity heading. Up to 2010 these gains and losses were accounted for considering the corridor method.

The Group’s financial statements were restated in order to reflect the retrospective application of impacts of the new accounting policy. The comparative periods presented have been changed accordingly.

Under the terms of article 183 of the Budget Law for 2012 (Law 64-A/2011, of 30 December) the alterations from the change in the accounting policy in terms of the recognition of actuarial gains and losses in 2011, considering Caixa and other subsidiaries headquartered in national territory, respecting the contributions made during that year or previous years, will be considered tax deductible, in equal parts, over the ten tax periods starting on or after 1 January 2012.

Income tax for period, as well as the tax burden measured by the ratio of income tax to pre-tax income, is as follows:

	30-06-2012	30-06-2011
Current tax		
For the period	144 466	39 053
Extraordinary contribution on the banking sector	14 912	14 699
Prior year adjustments (net)	(5 582)	(7 235)
	<u>153 797</u>	<u>46 517</u>
Deferred tax	(96 510)	34 879
	<u>57 286</u>	<u>81 397</u>
Consolidated income before tax and non-controlling interests	64 159	211 685
Tax charge	<u>89.29%</u>	<u>38.45%</u>

In the half years ended 30 June 2012 and 2011, the "Prior year adjustments" heading comprises the following:

	30-06-2012	30-06-2011
Insufficiency / excess of estimated tax for 2011 and 2010	(2 281)	(6 234)
Adjustments to previous years taxable income	(3 293)	(906)
Other	(8)	(96)
	<u>(5 582)</u>	<u>(7 235)</u>

Reconciliation between nominal rate and effective tax rate for the half years ended 30 June 2012 and 2011 is as follows:

	30-06-2012		30-06-2011	
	Rate	Tax	Rate	Tax
Income before income tax		64 159		211 685
Tax at the nominal rate	28.83%	18 497	28.79%	60 944
Madeira Offshore Financial Branch (Note 2.14)	0.00%	-	0.11%	231
Investments recorded in accordance with the equity method	(0.94%)	(605)	(0.51%)	(1 073)
Impact of companies with tax rates different from the nominal rate in Portugal	4.06%	2 605	3.13%	6 625
Definitive differences to be deducted:				
Dividends from available-for-sale equity instruments	(0.43%)	(275)	(2.88%)	(6 101)
Tax exempted capital gains	(2.82%)	(1 806)	(2.28%)	(4 832)
Other	(1.94%)	(1 243)	(0.65%)	(1 384)
Impairment on available-for-sale financial assets net of write-offs	11.34%	7 275	1.58%	3 335
Definitive difference to be added:	4.11%	2 636	0.97%	2 059
Tax benefits				
Autonomous taxation	1.83%	1 174	0.75%	1 578
Contribution on the banking sector	23.24%	14 912	6.94%	14 699
Other	19.69%	12 631	1.96%	4 151
	<b>86.97%</b>	<b>55 801</b>	<b>37.90%</b>	<b>80 232</b>
Tax adjustments relative to prior years				
Adjustment to taxable income from previous years	(0.98%)	(628)	(0.43%)	(906)
Insufficiency / (excess) of tax estimate relative to 2010 and 2009, net of deferred tax	3.31%	2 121	1.02%	2 166
Other	(0.01%)	(8)	(0.05%)	(96)
	<b>2.31%</b>	<b>1 485</b>	<b>0.55%</b>	<b>1 165</b>
	<b>89.29%</b>	<b>57 286</b>	<b>38.45%</b>	<b>81 397</b>

In the six month period ended 30 June 2012, CGD's nominal tax rate considering the state surtax (derrama) applicable to its operations was 28.83% (28.79% at 31 Junho 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).

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 30 June 2012 and 31 December 2011.

The Group recognised in the six month period ended 30 June 2012 and 2011, a cost of EUR 14,912 thousand and EUR 14,699 thousand, relative to the introduction of a new tax regime applicable to the banking sector, established by article 141 of the State Budget for 2011 (Law 55-A/2010 of 31 December). The tax base of the new contribution under Administrative Ruling 121/2011 of 30 March, comprise the liabilities of credit institutions based in Portugal, deducted from basis and complementary own funds therein included and deposits covered by the Deposit Guarantee Fund, as well as the notional value of non-hedging derivatives. Credit institutions' subsidiaries based outside Portugal as well as branches in Portugal that are based outside the European Union, are also subject to that contribution

The tax authorities may normally review the tax situation during a defined period, which in Portugal is four years. This review can result in possible corrections to taxable income of prior years (2008 to 2011 in the case of companies based in Portugal), as a result of different interpretations of the law. In the case of Caixa Geral de Depósitos, the years of 2008 and 2009 have already been examined. Given the nature of possible corrections that may be made, they cannot be quantified at present. However, Caixa's Board of Directors believes that any corrections relating to the above years will not have a significant effect on the consolidated financial statements.



### 17. TECHNICAL PROVISIONS FOR OUTWARDS REINSURANCE

At 30 June 2012 and 31 December 2011, this heading is made up as follows:

	<u>30-06-2012</u>	<u>31-12-2011</u>
<b>Caixa Seguros</b>		
<b>Life insurance:</b>		
Mathematical provision	8 828	7 399
Provision for claims:		
Reported claims	12 166	12 755
Unreported claims (IBNR)	2 509	2 646
	<u>14 675</u>	<u>15 401</u>
Total life insurance	<u>23 503</u>	<u>22 800</u>
<b>Non-life insurance:</b>		
Provision for unearned premiums	54 718	42 413
Provision for claims:		
Reported claims	135 709	145 243
Unreported claims (IBNR)	10 194	9 568
	<u>145 903</u>	<u>154 811</u>
Total non-life insurance	<u>200 621</u>	<u>197 224</u>
Subtotal Caixa Seguros	<u>224 124</u>	<u>220 024</u>
<b>Other</b>	4 896	6 178
	<u>229 020</u>	<u>226 202</u>

### 18. OTHER ASSETS

This heading is made up as follows:

	30-06-2012	31-12-2011
Other assets		
Debt certificates of the Territory of Macau	371 745	322 294
Other	17 391	20 872
Debtors and other applications		
Premiums receivable - Insurance	118 208	88 385
Other debtors	1 658 555	1 566 900
Central and local government	4 889	6 147
Shareholders' loans	178 209	159 238
Debtors - futures contracts	28 128	25 087
Amount receivable from the sale of EDP	516 182	516 182
Grants receivable from		
The State	39 075	40 433
Other entities	11 122	12 042
Amount receivable from the sale of assets received as settlement of defaulting loans	31 874	29 506
Other	552 840	482 576
Liability for pensions and other benefits		
Excess/ (insufficiency) coverage of liabilities		
Caixa Geral de Depósitos	115 372	115 372
Caixa Seguros e Saúde	19 735	1 682
Other	(197)	(348)
Income receivable	30 443	45 189
Deferred costs		
Rent	8 346	7 784
Other	55 331	29 376
Deferred income	(20 548)	(4 784)
Operations pending settlement	301 412	336 282
Stock exchange operations	2 919	11 209
	<u>4 041 031</u>	<u>3 811 424</u>
Impairment (Note 37)	<u>(192 351)</u>	<u>(191 424)</u>
	<u><b>3 848 680</b></u>	<u><b>3 620 001</b></u>

The changes in impairment of debtors and other applications in the half years ended 30 June 2012 and 2011 are presented in Note 37.

In the half years ended 30 June 2012 and 2011, the amounts receivable for the sale of EDP result from the sale from CGD to Parpública of an equity participation in this company.

In the half years ended 30 June 2012 and 31 December 2011, the “Debtors and other applications – other debtors” heading includes EUR 1,103,489 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 operation which are collateralised by financial assets and from “Interest rate swaps” agreements signed with these entities.

On 30 June 2012 and 31 December 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 22.

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 25). 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 30 June 2012 and 31 December 2011 amounted to EUR 371,745 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 30 June 2012 and 31 December 2011, shareholders' loans granted were made up as follows:

	30-06-2012	31-12-2011
Locarent - Companhia Portuguesa de Aluguer de Viaturas, S.A.	43 000	43 000
Moretextile, SGPS, S.A.	32 526	31 855
A. Silva & Silva - Imobiliário & Serviços, S.A.	28 059	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.	9 891	9 891
Other	49 903	32 475
	<b>178 209</b>	<b>159 238</b>

At 30 June 2012 and 31 December 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 60,000 thousand. This operation bears interest at a 3 month Euribor rate. Interest is paid quarterly at the end of the period on 1 February, May, August and November each year. In July 2010 a new additional clause was signed, envisaging the reimbursement of the outstanding balance in two instalments. Subsequently, at December 2010 Locarent owed a partial reimbursement of the referred to shareholders' loan of EUR 24,000 thousand, of which only EUR 20,000 thousand were reimbursed. The remaining EUR 4,000 thousand were paid in January 2011. The reimbursement of the remainder EUR 36,000 thousand will occur on 30 July 2014.
- Shareholders' loan of EUR 50,000 thousand. This operation bears interest at a 3 month Euribor rate. Interest is paid quarterly at the end of period on 1 January, 1 April, 1 July and 1 October each year. In the first half 2011 a new additional clause to the shareholders' loan made by Caixa to this entity was signed and the initial maturity date (1 April 2011) was postponed until 30 September 2012.

In the scope of the financial restructuring agreement of the textile groups Coelima, JMA - José Machado de Almeida e AAF – António Almeida & Filhos, signed during the first half 2011, Caixa granted to Moretextile, SGPS, 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.

On 30 June 2012 and 31 December 2011, this heading also includes the ceding to Parcaixa of the credit rights over 19.5% of the shareholders' loans granted to Sage secur by Par pública, in the scope of the carrying out of its share capital, at the date of its incorporation in the amount of EUR 14,830 thousand.

### 19. RESOURCES OF CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

This heading comprises the following:

	30-06-2012	31-12-2011
<u>Resources of central banks</u>		
Resources - European Central Bank		
Loans, deposits and other resources		
Caixa Geral de Depósitos	9 000 000	9 000 000
Other Group entities	1 402 500	1 287 000
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	288	544
Of foreign credit institutions	47 711	4 246
Other resources	6 275	-
Interest payable	35 247	11 195
	<u>10 492 020</u>	<u>10 302 985</u>
<u>Resources of other credit institutions</u>		
Deposits and other resources		
Of domestic credit institutions	1 168 226	1 202 239
Of foreign credit institutions	1 578 105	2 518 886
Interbank Money Market resources	87 800	586 600
Immediate short term resources		
Of domestic credit institutions	161 073	237 403
Of foreign credit institutions	46 780	162 236
Loans		
Of domestic credit institutions	20 554	23 819
Of foreign credit institutions	34 493	29 223
Resources of international financial entities	28 354	53 818
Sale operations with repurchase agreement	368 917	724 333
Adjustments to liabilities under hedging operations	671	219
Interest payable	32 756	22 339
Charges with deferred cost	(2 264)	(3 144)
	<u>3 525 465</u>	<u>5 557 970</u>
	<u>14 017 486</u>	<u>15 860 954</u>

On 30 June 2012 and 31 December 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 22).

### 20. CUSTOMER RESOURCES

This heading comprises the following:

	30-06-2012	31-12-2011
Savings deposits	2 223 565	2 732 795
Other debts		
Repayable on demand	17 712 996	17 806 732
Term		
Deposits	43 529 886	42 621 894
Fixed rate products - insurance	5 714 535	6 269 921
Mandatory deposits	324 042	337 629
Other resources:		
Cheques and orders payable	52 068	53 497
Loans	160 379	159 911
Sale operations with repurchase agreement	19 116	25 903
Other	69 003	72 248
	<u>49 869 029</u>	<u>49 541 004</u>
	<u>67 582 025</u>	<u>67 347 736</u>
Interest payable	576 652	502 129
Deferred costs net of deferred income	(10 734)	(10 906)
Adjustments to liabilities under hedging operations	33 119	25 264
Commissions associated with amortised cost (deferred)	(10 141)	(9 527)
	<u>588 895</u>	<u>506 960</u>
	<u>70 394 485</u>	<u>70 587 491</u>

The "Fixed rate products – insurance" heading corresponds to life insurance products classified as investment contracts (Note 2.17) which, in a similar way to the customer deposits in the banking activity, are recorded in accordance with IAS 39.

### 21. DEBT SECURITIES

This heading comprises the following:

	30-06-2012	31-12-2011
<u>Bonds issued:</u>		
Bonds issued under the EMTN Programme		
. Remuneration indexed to interest rates	1 133 105	2 159 042
. Fixed interest rate	3 544 742	4 254 220
. Remuneration indexed to shares/indexes	308 170	335 950
. Remuneration indexed to exchange rates	704 581	777 416
	<u>5 690 598</u>	<u>7 526 628</u>
Covered bonds	3 055 557	5 696 350
Public sector covered bonds	621 350	930 900
Other cash bonds		
. Remuneration indexed to interest rates	26 129	26 668
. Remuneration indexed to shares/indexes	-	11 890
. Fixed interest rate	6	6
	<u>9 393 640</u>	<u>14 192 442</u>
<u>Other:</u>		
Issues under the Euro Commercial Paper and Certificates of Deposit Programme		
Commercial Paper	1 140 000	-
	<u>1 140 000</u>	<u>-</u>
Issues under the US Commercial Paper Programme and Certificates of Deposit		
. Certificates of Deposit	23 828	23 186
Securities issued under securitisation operations (Note 13):		
. Mortgage loans	375 689	402 830
	<u>1 539 517</u>	<u>426 016</u>
Adjustments to liabilities under hedging operations	50 650	76 276
Deferred costs net of income	(18 821)	(29 769)
Interest payable	185 047	258 343
	<u>11 150 033</u>	<u>14 923 309</u>

At 30 June 2012 and 31 December 2011, the breakdown of debt securities is net of the accumulated balances of repurchased debt whose amounts can be split up as follows:

	30-06-2012	31-12-2011
Bonds issued under the EMTN programme	59 460	200
Covered bonds	3 259 198	2 617 000
Public sector bonds	318 100	37 000
Other cash bonds	4 600 000	4 600 000
	<b>8 236 758</b>	<b>7 254 200</b>

On 19 July 2011 and 23 December 2011, Caixa made two new bond issues of EUR 1,800,000 thousand and EUR 2,800,000 thousand, respectively, under the collateral given by the Portuguese State according to the following terms:

. Issue of a bond loan of EUR 1,800,000 thousand – the bonds bear interest at a 3 month Euribor rate plus a spread of 4.95% and fall due at 19 July 2014;

. Issue of a bond loan of EUR 2,800,000 thousand - the bonds bear interest at a 6 month Euribor rate plus a spread of 5% and fall due at 23 December 2014.

The referred to issues are in compliance with Law 60-A/2008 of 20 October, Law 55-A/2010, of 31 December and Administrative Rulings 1219-A/2008 of 23 October and 946/2010 of 22 September. These issues were fully repurchased by Caixa and serve as collateral of liquidity-providing operations with the European central Bank.

To diversify its funding sources, CGD uses the following specific programmes:

(i) Euro Commercial Paper and Certificates of Deposit (ECP e CCP)

Under the “EUR 10 000 000 000 Euro Commercial Paper and Certificates of Deposit” programme, CGD (directly or through the France and London Branches) is able to issue certificates of deposit (CD) and Notes with maximum maturity of five years and one year, respectively, in Euros, US dollars, Pounds, Japanese yens or any other currency the parties agree to. These issues may bear interest at fixed or variable rates, or be indexed to the performance of indexes or shares.

(ii) US Commercial Paper

Under this programme, CGD North America Finance LLC may issue Notes up to a total of two billion US dollars. The Notes have a maximum maturity of one year and a minimum amount of 250,000 US dollars. The Notes may be issued at a discount or at par. All the issues are guaranteed by CGD.

(iii) Euro Medium Term Notes (EMTN)

Under this programme the CGD Group, through CGD (directly or through the France and London Branches) and CGD Finance, may issue debt securities up to a maximum of EUR 15,000,000 thousand. The France Branch guarantees all the issues of CGD Finance.



Bonds may be issued in any currency with minimum maturities of one month and five years for subordinated and unsubordinated bonds, respectively. Maximum maturities for these operations are not defined.

These securities may be issued at a discount and bear interest at fixed or variable rates or indexed to the performance of indexes or shares.

(iv) Covered bonds

In November 2006, CGD started a programme for the issue of covered bonds up to the maximum amount of EUR 15,000,000 thousand. The bonds are backed by a mortgage loan portfolio that must always comply with the minimum conditions required by the applicable regulation for issuing 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 loans 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, and this relationship has to be 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.

At 30 June 2012 and 31 December 2011, the nominal value of mortgage bonds issued by Caixa was EUR 6,345,000 thousand and EUR 8,345,000 thousand, respectively, with the following characteristics:

Designation	Nominal		Date of issue	Date of redemption	Interest payment	Remuneration	Interest rate at	
	30-06-2012	31-12-2011					30-06-2012	31-12-2011
Hipotecárias Series 1 2006/2016 1st tranche (*)	2 000 000	2 000 000	06/12/2006	06/12/2016	Annually, on 6 December	Fixed rate	3.875%	3.875%
Hipotecárias Series 2 2007/2015 (*)	900 000	900 000	30/03/2007	30/09/2015	Half yearly, on 30 March and 30 September	6 month Euribor rate + 0.04%	1.493%	1.793%
Hipotecárias Series 3 2007/2012	-	2 000 000	28/06/2007	28/06/2012	Annually, on 28 June	Fixed rate	-	4.625%
Hipotecárias Series 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%	1.153%	1.437%
Hipotecárias Series 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%	1.470%	1.905%
Hipotecárias Series 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%	0.674%	1.407%
Hipotecárias Series 1 2006/2016 2nd tranche	150 000	150 000	09/09/2008	06/12/2016	Annually, on 6 December	Fixed rate	3.875%	3.875%
Hipotecárias Series 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%	1.758%	2.309%
Hipotecárias Series 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 Series 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%	1.470%	2.342%
Hipotecárias Series 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%	1.470%	2.342%
	<b>6 345 000</b>	<b>8 345 000</b>						

(\*) Issue fully repurchased by CGD. These securities are collateralising liquidity providing operations with the European Central Bank

The cover pool which backs the issues comprises mortgage loans originated in Portugal. At 30 June 2012 and 31 December 2011 their book value was EUR 11,527,740 and EUR 12,167,353 thousand, respectively (Note 13).

In addition, at 30 June 2012 and 31 December 2011, the cover pool which backed the issues also comprised debt securities, whose book value was EUR 124,346 thousand and EUR 118,065 thousand, respectively (Note 7).

At 30 June 2012, Moody's and Fitch awarded these covered bonds Baa3 and BBB ratings, respectively.

### (v) Public sector covered bonds

In February 2009, CGD started a programme for the issue of public sector covered bonds up to the maximum amount of EUR 5,000,000 thousand. The bonds are backed by a public sector loan portfolio that must always comply with the minimum conditions required by the applicable regulation for this kind of assets, namely Decree Law 59/2006, Notices 6, 7 and 8 and Instruction 13 of the Bank of Portugal.

The issues can be made in any currency with a minimum term of 2 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 have access, in case of insolvency.

Assets eligible for the constitution of a cover pool comprise loans on central governments or regional and local authorities of one of the EU member States, as well as loans with the express and legally binding guarantee of those entities of one of the EU member States and other limited category of assets over which the public sector bond owners have a special legal credit privilege.

In addition and in accordance with the issue conditions defined under the terms of the programme, during the issue course, the following criteria must be complied with:

- The total nominal value of the public sector bonds in circulation cannot exceed 100% of the total value of mortgage loans and other assets related to the referred to bonds;
- The average maturity of the public sector bonds issued cannot exceed, for all issues, the average life of associated mortgage loans;
- The total amount of interest payable 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, and this relationship has to be maintained for parallel shifts of 200 b.p. of the yield curve.

The cover pool may also include assets in substitution, up to a maximum of 20% of its value, namely deposits at the Bank of Portugal or eligible securities under the Eurosystem credit operations, among others defined by law.

On 31 December 2011 and 2010 the nominal value of public sector covered bonds issued by Caixa was EUR 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 1,516,059 thousand and EUR 1,620,035 at 30 June 2012 and 31 December 2011 (Note 13), respectively.

At 30 June 2012, Moody's and Fitch awarded the public sector bonds Baa3 and BBB-, respectively.

At 30 June 2012 and 31 December 2011 the bonds issued, by type of remuneration and residual term to maturity, were as follows:

30-06-2012							
EMTN Programme							
Type of asset or underlying index used to calculate the remuneration							
	Shares / Indexes	Exchange rate	Interest rate	Subtotal	Covered bonds	Other bonds	Total
Up to one year	107 670	109 078	1 432 316	1 649 064	-	6	1 649 070
One to five years	200 500	301 978	2 927 057	3 429 535	1 785 557	647 479	5 862 571
Five to ten years	-	84 064	308 474	392 538	1 000 000	-	1 392 538
Over ten years	-	209 461	10 000	219 461	270 000	-	489 461
	<b>308 170</b>	<b>704 581</b>	<b>4 677 847</b>	<b>5 690 598</b>	<b>3 055 557</b>	<b>647 485</b>	<b>9 393 640</b>

	31-12-2011						
	EMTN Programme						
	Type of asset or underlying index used to calculate the remuneration						
	Shares / Indexes	Exchange rate	Interest rate	Subtotal	Covered bonds	Other bonds	Total
Up to one year	69 000	116 078	456 431	641 509	1 989 200	11 896	2 642 605
One to five years	266 950	278 634	5 589 280	6 134 863	2 437 150	957 568	9 529 581
Five to ten years	-	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.

The following issues and payments of debts securities took place in the half years ended 30 June 2012 and 2011:

30-06-2012						
	Balance at 31-12-2011	Issues	Payments	Exchange differences	Other	Balance at 30-06-2012
Bonds issued under the EMTN programme	7 526 628	-	(1 475 476)	609	(361 163)	5 690 598
Covered bonds	5 696 350	-	(2 000 000)	-	(640 793)	3 055 557
Public sector bonds	930 900	-	-	-	(309 550)	621 350
Other cash bonds	38 564	-	(11 890)	(539)	-	26 135
Commercial paper issued under ECP and CCP programme	-	1 140 000	-	-	-	1 140 000
Certificates of deposit	23 186	-	-	642	-	23 828
Securities issued under securitisation operations (Note 13)	402 830	-	(27 134)	-	-	375 689
	<b>14 618 458</b>	<b>1 140 000</b>	<b>(3 514 500)</b>	<b>712</b>	<b>(1 311 506)</b>	<b>10 933 157</b>

30-06-2011						
	Balance at 31-12-2010	Issues	Payments	Exchange differences	Other	Balance at 30-06-2011
Bonds issued under the EMTN programme	8 588 936	650 199	(1 023 506)	(32 423)	(303 826)	7 879 380
Covered bonds	7 015 350	1 500 000	-	(2 600)	(1 500 000)	7 012 750
Public sector bonds	995 000	-	-	-	5 000	1 000 000
Other cash bonds	1 289 984	-	(93 709)	-	1 115	1 197 390
Commercial paper issued under ECP and CCP programme	676 124	27 000	(678 576)	-	22 458	47 006
Certificates of deposit	22 458	-	-	(1 701)	-	20 757
Securities issued under securitisation operations (Note 13)	475 046	-	(50 724)	-	-	424 322
	<b>19 062 898</b>	<b>2 177 199</b>	<b>(1 846 515)</b>	<b>(36 724)</b>	<b>(1 775 253)</b>	<b>17 581 605</b>

### 22. PROVISIONS AND CONTINGENT LIABILITIES

#### Provisions

The changes in the provisions for employee benefits and provisions for other risks on 30 June 2012 and 2011 were as follows:

	30-06-2012							Balances 30-06-2012
	Balances 31-12-2011	Changes in consolidation perimeter	Additions	Reversals	Write-offs	Exchange differences	Other	
Provision for employee benefits	497 493		6 079	-	(6 128)	10	5 751	503 205
Provision for litigation	17 912	5 464	1 494		(10)	(402)	(47)	24 411
Provision for guarantees and other commitments	125 111	-	31 720	(2 425)		(2)	197	154 601
Provision for other risks and charges	246 968		30 406	(47 881)	(25 875)	31	8 243	211 892
	389 991	5 464	63 620	(50 306)	(25 885)	(373)	8 393	390 904
	<b>887 484</b>	<b>5 464</b>	<b>69 699</b>	<b>(50 306)</b>	<b>(32 013)</b>	<b>(363)</b>	<b>14 144</b>	<b>894 109</b>

	30-06-2011							Balances 30-06-2011
	Balances 31-12-2010	Changes in consolidation perimeter	Additions	Reversals	Write-offs	Exchange differences	Other	
Provision for employee benefits	530 192		3 553	(2 982)	(14 354)	(290)	17 426	533 545
Provision for litigation	18 180		447	(160)	-	(58)	511	18 920
Provision for guarantees and other commitments	142 518		10 352	(3 311)	-	13	(27 297)	122 275
Provision for other risks and charges	112 529		24 867	(19 227)	(1 138)	66	1 717	118 814
	273 227	-	35 666	(22 698)	(1 138)	21	(25 069)	260 009
	<b>803 419</b>	<b>-</b>	<b>39 219</b>	<b>(25 680)</b>	<b>(15 492)</b>	<b>(269)</b>	<b>(7 643)</b>	<b>793 554</b>

Provisions for other risks and charges are to cover contingencies arising from the Group's activity. At 30 June 2012 and 31 December 2011, this heading includes EUR 19,417 thousand relative to an extraordinary contribution to the Investor Compensation System to be made by CGD, which was liquidated in January 2012. At 31 December 2011 this heading included 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 annulled as a result of the Group participation in the sovereign debt exchange programme of the Republic of Greece and the impairment for the referred to securities was reinforced in this period for the amount of EUR 49,559 thousand.

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 1,330 thousand at 30 June 2011, reclassified in 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 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:

	30-06-2012	31-12-2011
<u>Contingent liabilities</u>		
Assets given as collateral	24 298 091	25 400 062
Guarantees and sureties	5 061 458	5 245 619
Stand by letters of credit	72 542	123 534
Open documentary credits	366 002	382 499
Acceptances and endorsements	3 133	2 965
Transactions with recourse	2	2
Other contingent liabilities	47 419	8 382
	<u>29 848 647</u>	<u>31 163 063</u>
<u>Commitments</u>		
Revocable commitments	8 823 085	9 617 769
Irrevocable lines of credit	1 913 874	2 457 880
Other irrevocable commitments	11 525	840 000
Securities subscription	1 759 254	1 541 658
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	155 553	155 553
Investor Compensation System	41 674	38 895
Term operations	100 051	99 095
Forward deposit agreements		
Receivable	16 859	203 658
To be created	1 662	-
Other	98 428	98 425
	<u>12 921 964</u>	<u>15 052 933</u>
<u>Deposit and custody of securities</u>	<u>41 612 865</u>	<u>45 671 855</u>

Assets given as collateral are as follows:

	30-06-2012	31/12/2011
<u>Debt Instruments</u>		
Consigned resources		
EIB - European Investment Bank	787 452	781 052
Bank of Portugal *	22 387 443	23 297 282
Deposit Guarantee Fund	209 940	195 815
Royal Bank of Scotland	16 000	16 000
Investor Compensation System (futures)	34 095	29 945
Euronext	4 000	4 000
<u>Equity instruments</u>		
JP Morgan	-	319 838
<u>Other Assets</u>		
Consigned resources		
European Development Bank	692 500	692 500
European Central Bank	133 086	30 000
Other	33 575	33 629
	<b>24 298 091</b>	<b>25 400 062</b>

(\*) Includes the securities portfolio associated with liquidity-taking with the European Central Bank, as well as the securities given to the Bank of Portugal as collateral, in the scope of the "Daily Market Credit Agreement" in the amount of EUR 500 million.

At 30 June 2012 and 31 December 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 30 June 2012 and 31 December 2011, this heading also includes debt securities acquired in the scope of purchase operations with resale agreement whose nominal value was at those dates 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 23,475,644 thousand and EUR 22,050,565 thousand, respectively.

In addition, at 30 June 2012 and 31 December 2011, the "Assets given as collateral" heading comprises credit granted by the Group as guarantee to the European Development Bank and European Central Bank in the amounts of EUR 692,500 thousand and EUR 133,086 thousand, respectively (EUR 692,500 thousand and EUR 30,000 thousand respectively, at 31 December 2011).

At 30 June 2012 and 31 December 2011, CGD gave securities in the amount of EUR 222,602 thousand and 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.

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, SA was subject to taxation. Therefore, no provision was recorded for that correction in the financial statements as of 30 June 2012 and 31 December 2011.

As a result of these taxation procedures deriving from previous corrections made by the Tax Administration during 2010, Caixa constituted a surety deposit 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 18).



### 23. TECHNICAL PROVISION FOR INSURANCE CONTRACTS

At 30 June 2012 and 31 December 2011, this heading is made up as follows:

	30-06-2012							
	Life insurance			Non-life insurance				
	Insurance contracts	Investment contracts with profit sharing	Sub-total	Motor	Workman's compensation	Other	Sub-total	Total
Direct insurance and inwards reinsurance:								
Life insurance:								
Mathematical provision	235 139	1 794 691	2 029 830	-	-	-	-	2 029 830
Provision for profit sharing	26 671	20 184	46 855	-	-	-	-	46 855
Provision for claims:								
Reported claims	87 807	23 434	111 241	-	-	-	-	111 241
Unreported claims (IBNR)	15 050	2	15 052	-	-	-	-	15 052
Provision for unearned premiums	3 147	70	3 217	-	-	-	-	3 217
Other technical provisions								
Provision for commitments to rate	-	8 860	8 860	-	-	-	-	8 860
Portfolio stabilisation provision	21 563	-	21 563	-	-	-	-	21 563
Other provisions	7 180	-	7 180	-	-	-	-	7 180
Total life insurance	396 557	1 847 241	2 243 798	-	-	-	-	2 243 798
Non-life insurance:								
Provision for unearned premiums	-	-	-	127 265	13 440	168 216	308 921	308 921
Provision for claims:								
Reported claims	-	-	-	583 441	756 226	329 588	1 669 255	1 669 255
Unreported claims (IBNR)	-	-	-	43 713	23 258	28 352	95 323	95 323
Provision for risks in progress	-	-	-	627 154	779 484	357 940	1 764 578	1 764 578
Other technical provisions	-	-	-	10 047	3 487	9 736	23 270	23 270
Provision for profit sharing	-	-	-	-	-	20	20	20
Other provisions	-	-	-	764 466	796 411	535 912	2 096 789	2 096 789
Other provisions	-	-	-	4 207	3 048	6 048	13 303	13 303
Total non-life insurance	-	-	-	768 673	799 459	541 960	2 110 092	2 110 092
	396 557	1 847 241	2 243 798	768 673	799 459	541 960	2 110 092	4 353 890
Garantia								9 478
Total								4 363 367

	31-12-2011							
	Life insurance			Non-life insurance				
	Insurance contracts	Investment contracts with profit sharing	Sub-total	Motor	Workman's compensation	Other	Sub-total	Total
Direct insurance and inwards reinsurance:								
Life insurance:								
Mathematical provision	242 714	2 025 187	2 267 901	-	-	-	-	2 267 901
Provision for profit sharing	26 478	5 097	31 575	-	-	-	-	31 574
Provision for claims:								
Reported claims	93 059	32 709	125 768	-	-	-	-	125 768
Unreported claims (IBNR)	15 483	759	16 242	-	-	-	-	16 242
Provision for unearned premiums	1 576	79	1 655	-	-	-	-	1 655
Other technical provisions								
Provision for commitments to rate	-	8 860	8 860	-	-	-	-	8 860
Portfolio stabilisation provision	20 687	-	20 687	-	-	-	-	20 687
Other provisions	5 654	-	5 654	-	-	-	-	5 654
Total life insurance	405 651	2 072 691	2 478 342	-	-	-	-	2 478 341
Non-life insurance:								
Provision for unearned premiums	-	-	-	132 763	12 165	143 960	288 888	288 890
Provision for claims:								
Reported claims	-	-	-	610 429	737 161	331 789	1 679 379	1 679 379
Unreported claims (IBNR)	-	-	-	49 641	23 945	37 423	111 009	111 009
Provision for risks in progress	-	-	-	660 070	761 106	369 212	1 790 388	1 790 388
Other technical provisions	-	-	-	13 606	3 473	14 471	31 550	31 549
Provision for profit sharing	-	-	-	-	-	71	71	71
Other provisions	-	-	-	806 439	776 744	527 714	2 110 897	2 110 898
Total non-life insurance	-	-	-	808 525	778 332	531 341	2 118 198	2 118 199
	405 651	2 072 691	2 478 342	808 525	778 332	531 341	2 118 198	4 596 540
Garantia								11 075
Total								4 607 615

### 24. OTHER SUBORDINATED LIABILITIES

This heading comprises the following:

	30-06-2012	31-12-2011
Bonds	2 873 080	2 080 970
Loans	23 683	23 708
	<u>2 896 763</u>	<u>2 104 678</u>
Interest payable	24 812	16 689
Deferred income net of charges	(46 393)	(45 227)
Adjustment to liabilities under hedging operations	(1 278)	(723)
	<u><u>2 873 904</u></u>	<u><u>2 075 416</u></u>

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 3 July 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 relevant non-compliance with the recapitalisation plan;
- That CGD does not repurchase the total hybrid financial instruments up to the end of the investment period (five years);
- Exercise of the exchange rights set out by the State in the terms of the issue;
- In the case that hybrid financial instruments cease to be convertible for Core Tier 1 own funds purposes.

The conditions of the Group's principal issues are as follows:

Issuer	Bonds	Currency	Value of Issue	Book value 30-06-2012	Book value 31-12-2011	Date of Issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Capital Core Tier 1 capital instruments subscribed by the State	EUR	900 000	900 000	900 000	-	Perpetual	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	537 630	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	380 385	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
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 + 1.8%, 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 (Paris Branch)	Floating Rate Unrated Subordinated Notes	EUR	110 000	109	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 30-06-2012	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	81 445	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 if there is no early redemption. 3 month Euribor rate + 0.7% Annual interest payment.	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 (Paris 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 30-06-2012	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 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 Gaigest Açúes 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 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 Gaigest Açúes 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	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 30-06-2012	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 to Floating Rate Notes December 2017	EUR	6 000	6 000	6 000	03/12/2007	04/12/2017	1st coupon indexed to Fundo Caixa gest Açores 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 to Floating Rate Notes December 2017	EUR	6 000	6 000	6 000	03/12/2007	04/12/2017	1st coupon indexed to Fundo Caixa gest Açores 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	1 159	1 157	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.
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	17 831	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 30-06-2012	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	5 701	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. Bilhetes do Tesouro with maturities equal or over 90 days, plus 1%. Quarterly interest payment on 10 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 BCACrescente 2017	CVE	500 000	4 534	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	3 658	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 par 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	6 818	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	2 971	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.

### 25. OTHER LIABILITIES

This heading comprises the following:

	30-06-2012	31-12-2011
Creditors		
Consigned resources	1 115 304	1 164 620
Suppliers of finance leasing assets	13 845	14 562
Other suppliers	46 980	96 887
Resources - collateral account	153 976	164 602
Resources - subscription account	4 002	3 863
Resources - secured account	10 368	11 919
Other creditors:		
Creditors for direct insurance and reinsurance	192 410	204 200
Creditors for factoring ceded	25 305	28 641
Caixa Geral de Aposentações	141 819	19 694
CGD's Pension Fund	72 431	47 837
Creditors for futures contracts	12 044	16 335
Creditors for operations on securities	190	185
Other	735 446	464 867
Other liabilities:		
Notes in circulation - Macau (Note 18)	371 957	334 588
Withholding taxes	79 245	70 997
Social Security contributions	14 743	11 841
Other taxes payable	28 717	34 937
Collections on behalf of third parties	2 013	1 591
Other	35 500	22 331
Accrued costs	239 777	271 381
Deferred income	58 573	120 531
Liabilities pending settlement	400 472	361 776
Stock exchange operations	98 548	2 405
	<b>3 853 666</b>	<b>3 470 590</b>

At 30 June 2012 and 31 December 2011 the “Other resources” heading includes EUR 152,557 thousand and EUR 162,885 thousand relating to deposits in CGD from several financial institutions referring to interest rates swap contracts.

At 30 June 2012 and 31 December 2011, the amount relative to CGD's Pension Fund includes EUR 71,480 thousand and EUR 46,886 thousand, respectively, referring to contributions of CGD to be delivered to the Fund.



### 26. CAPITAL

At 30 June 2012 and 31 December 2011, CGD's share capital is totally held by the Portuguese State and comprises the following:

	30-06-2012	31-12-2011
No. of shares	1 180 000 000	1 030 000 000
Unit price (Euros)	5	5
Share capital	<u>5 900 000 000</u>	<u>5 150 000 000</u>

#### 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 24).

The share capital increase and the issuance of hybrid instruments serve to make sure that the core tier 1 ratio of 9% 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 make 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.

### 27. RESERVES, RETAINED EARNINGS AND NET INCOME FOR PERIOD

At 30 June 2012 and 31 December 2011, the reserves and retained earnings headings comprise the following:

	<u>30-06-2012</u>	<u>31-12-2011</u>
Fair value reserve, net of deferred tax		
Available-for-sale financial assets (Note 8)	(997 768)	(1 858 729)
Assets with repurchase agreement	(13 067)	(11 314)
Held-to-maturity investments	<u>(186 098)</u>	<u>(208 179)</u>
	<u>(1 196 934)</u>	<u>(2 078 222)</u>
Other reserves and retained earnings		
- Legal reserve - CGD	862 906	862 906
- Other reserves	727 880	971 055
- Retained earnings	<u>(444 312)</u>	<u>(125 264)</u>
	1 146 474	1 708 697
Net income attributable to the shareholder of CGD	<u>(12 713)</u>	<u>(488 425)</u>
	<u><b>(63 172)</b></u>	<u><b>(857 950)</b></u>

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 30 June 2012 and 31 December 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 219/82, of 2 June	1,752
Decree Law 399 – G/84, of 28 December	1,219
Decree Law 118 – B/86, of 27 May	2,304
Decree Law 111/88, of 2 April	8,74
Decree Law 49/91, of 25 January	22,880
Decree Law 264/92, of 24 November	24,228
Decree Law 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 26) 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”.

In 2011, the Group made changes to its accounting policy as to the recognition of actuarial gains and losses associated with liabilities with pots-employment benefits. As a result, the financial statements were restated taking into account the effects of the retrospective application of the new accounting criteria (Note 2.3).

### **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.

At 30 June 2012 and 2011, the net contribution of subsidiaries and branches to CGD’s net income was determined as follows:

	30-06-2012	30-06-2011
<u>Caixa Geral de Depósitos, S.A.</u>		
Caixa Geral de Depósitos	(25 357)	(10 816)
Spain Branch	(52 265)	(40 700)
France Branch	11 823	29 873
London Branch	5 209	(1 762)
Luxembourg Branch	(2 564)	63
Cayman Branch	2 423	4 002
East Timor Branch	1 757	1 397
New York Branch	831	(6 353)
Madeira Offshore Financial Branch	156	(10 333)
Zhuhai Branch	23	11
	<u>(57 964)</u>	<u>(34 619)</u>
<u>Contribution of subsidiaries to net income:</u>		
Caixa Seguros e Saúde, SGPS, S.A. (a)	27 574	35 535
Banco Nacional Ultramarino, S.A. (Macau)	14 164	16 536
Caixa Leasing e Factoring – IFIC, S.A.	(14 047)	329
Inmobiliaria Caixa Geral, SL	(9 231)	(3 768)
Partang, SGPS, S.A. (b)	7 958	2 958
Banco Comercial e de Investimentos, S.A.R.L.	6 752	5 850
Mercantile Bank Holdings, Ltd.	5 982	5 062
Banco Caixa Geral, S.A.	(5 745)	7 477
Parcaixa, SGPS, S.A.	4 976	5 392
BPD - Banco para a Promoção e Desenvolvimento - Angola	(4 960)	-
Fundo de Capital de Risco – Grupo CGD	(3 611)	1 690
Banco Caixa Geral - Brasil, S.A.	3 344	3 764
Caixa – Banco de Investimento, S.A. (a)	3 169	13 366
Fundimo - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	2 747	1 846
Caixagest Oportunidades FEI	1 727	(169)
CGD Investimentos CVC	(1 393)	-
CGD Macau	1 220	3 597
Caixagest Infra-Estruturas FEI	1 138	1 620
Banco Comercial do Atlântico, S.A.	1 076	3 141
Caixagest Imobiliário Internacional FEI	(1 029)	4 702
Mesquita Etvia	897	74
FCR Empreender +	(817)	(192)
Caixa Imobiliária	(807)	276
Imocaixa	(725)	400
Caixagest - Técnicas de Gestão de Fundos, S.A.	684	705
Wolfpart, SGPS, S.A.	(643)	138
Caixagest Private Equity FEI	539	5 758
Other	2 778	6 841
	<u>43 718</u>	<u>122 929</u>
<u>Contribution of associates to net income:</u>		
SIBS – Sociedade Interbancária de Serviços, S.A.	1 745	1 499
Torre Ocidente	(617)	736
Other	405	885
	<u>1 533</u>	<u>3 119</u>
<u>Consolidated net income attributable to the shareholder of CGD</u>		
	<u>(12 713)</u>	<u>91 429</u>

(a) Data taken from the consolidated financial statements.

(b) Includes the activity of Banco Caixa Geral Totta Angola

### 28. NON-CONTROLLING INTERESTS

Third party investments in subsidiary companies, by entity, are made up as follows:

	30-06-2012	31-12-2011
Parcaixa, SGPS, S.A.	472 632	496 123
Partang, SGPS, S.A. (a)	158 770	160 235
Caixa Geral Finance	96 350	96 465
Caixagest Imobiliário Internacional FEI	72 113	73 837
Banco Comercial e de Investimentos, S.A.R.L.	58 519	56 090
Banco Nacional de Investimentos (Mozambique)	30 423	30 233
Caixagest Private Equity FEI	26 443	26 224
Caixagest Infra-Estruturas FEI	25 884	25 315
Caixagest Estratégia Dinâmica	21 128	22 554
Caixagest Oportunidades FEI	13 985	12 766
Caixa Seguros e Saúde, SGPS, S.A.	5 591	4 046
Fundo Especial Investimento Aberto Caixagest Estratégias Alternativas	5 450	5 853
Banco Comercial do Atlântico, S.A.R.L.	4 467	11 813
Banco Interatlântico, S.A.R.L.	3 858	4 024
Credip - IFIC, S.A.	2 362	2 379
A Promotora - Sociedade de Capital de Risco, S.A.R.L.	1 216	1 157
Garantia - Companhia de Seguros de Cabo Verde, S.A.R.L.	1 074	1 635
Mercantile Bank Holdings, Ltd.	748	12 973
Other	1 174	1 480
	<b>1 002 186</b>	<b>1 045 203</b>

(a) Data taken from the consolidated financial statements

(b) Includes the activity of Banco Caixa Geral Totta Angola

Caixa Geral Finance is a company based on the Cayman Islands, with share capital of EUR 1,000. On 28 June 2004 the company issued non-voting preference shares totalling EUR 250,000 thousand. If it is decided to pay dividends, a quarterly dividend calculated on the basis of annual interest corresponding to the 3 month Euribor rate plus 0.8% up to 28 June 2014 and 1.8% as from that date, will be paid to the preference shareholders. Caixa Geral Finance may redeem the preference shares, in part or in full, as from 28 June 2014, at EUR 1,000 per share (nominal value), plus the dividend accrued since the last payment.

On 30 September 2005 Caixa Geral Finance issued non-voting preference shares totalling EUR 350,000 thousand. If it is decided to pay dividends, a quarterly dividend calculated on the basis of annual interest corresponding to the 3 month Euribor rate plus 0.77% up to 30 September 2015 and 1.77% as from that date, will be paid to the preference shareholders. Caixa Geral Finance may redeem the preference shares, in part or in full, as from 30 September 2015, at EUR 50 per share (nominal value), plus the dividend accrued since the last payment.

In the course of its business activity, the Group has been re-acquiring preference shares issued by Caixa Geral Finance which accumulated amount was EUR 505,166 thousand at 30 June 2012 (EUR 503,766 thousand at 31 December 2011).

The proportion of consolidated net income attributable to minority shareholders at 30 June 2012 and 2011 is as follows:

	30-06-2012	30-06-2011
Caixa Leasing e Factoring – IFIC, S.A.	(13 496)	316
Parcaixa, SGPS, S.A.	8 416	8 536
Banco Comercial e de Investimentos, S.A.R.L.	6 488	5 620
Caixa Seguros e Saúde, SGPS, S.A. (a)	4 311	853
Partang, SGPS, S.A. (b)	9 091	10 871
Caixagest Oportunidades FEI	1 215	(44)
Caixa Geral Finance	959	4 840
Banco Comercial do Atlântico, S.A.	738	2 153
Caixagest Infra-Estruturas FEI	569	764
Caixagest Private Equity FEI	218	2 446
Other	1 077	2 503
	<b>19 586</b>	<b>38 859</b>

(a) Data taken from the consolidated financial statements

(b) Includes the activity of Banco Caixa Geral Totta Angola

### 29. INTEREST AND SIMILAR INCOME AND COSTS

These headings are made up as follows:

	30-06-2012	30-06-2011
<u>Interest and similar income</u>		
Interest on loans and advances to domestic credit institutions	30 153	24 224
Interest on loans and advances to foreign credit institutions	13 671	10 911
Interest on domestic credit	1 002 512	937 134
Interest on foreign credit	333 991	239 450
Interest on overdue credit	18 461	19 469
Interest on financial assets held for trade		
- Derivatives	661 958	644 702
- Securities	11 133	24 944
Interest on financial assets at fair value through profit or loss	1 959	2 989
Interest on available-for-sale financial assets	352 715	331 099
Interest on hedging derivatives	20 110	24 300
Interest on debtors and other applications	4 969	3 268
Interest on cash equivalents	7 204	11 356
Interest on other loans and other amounts receivable	94 561	81 944
Other interest and similar income	3 684	2 657
Commissions received relating to amortised cost	63 890	58 631
Other	135 974	80 044
	<b>2 756 945</b>	<b>2 497 121</b>
<u>Interest and similar costs</u>		
Interest on deposits of		
- Central and local government	35 014	43 542
- Other residents	485 685	298 038
- Emigrants	28 100	19 714
- Other non-residents	151 223	56 375
- Fixed rate products - insurance	80 694	82 887
- Other	293	363
Interest on resources of foreign credit institutions	51 937	98 378
Interest on resources of domestic credit institutions	55 677	14 949
Interest on swaps	644 344	556 351
Interest on other trading liabilities	1 421	3 102
Interest on unsubordinated debt securities	289 816	321 516
Interest on subordinated liabilities	9 896	11 566
Interest on hedging derivatives	40 736	34 067
Other interest and similar costs	24 071	78 174
Commissions paid relating to amortised cost	5 619	5 062
Other	132 754	71 002
	<b>2 037 281</b>	<b>1 695 087</b>

### 30. INCOME FROM EQUITY INSTRUMENTS

This heading is made up as follows:

	30-06-2012	30-06-2011
Portugal Telecom, SGPS, S.A.	34 756	73 507
EDP - Energias de Portugal, S.A.	6 204	4 202
ZON Multimédia - Serviços de Telecomunicações e Multimédia, SGPS, S.A.	5 310	5 317
ADP - Águas de Portugal, S.A.	2 850	5 130
Galp Energia, SGPS, S.A.	2 787	1 951
Ascendi Beiras Litoral e Alta, Auto-Estradas das Beiras Litoral e Alta, S.A.	2 524	1 437
LUSOS CUT - AE Grande Porto, S.A.	1 416	-
Sumol Compal, S.A.	1 165	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	994	986
Brisa - Auto Estradas de Portugal, S.A.	-	2 803
BCP - Valores Mobiliários Perpétuos	-	1 400
Banco Espírito Santo, S.A.	-	631
Income received from investment funds	20 571	11 099
Other	1 957	7 577
	<b>80 533</b>	<b>116 040</b>



### 31. INCOME AND COSTS FROM SERVICES AND COMMISSIONS

These headings comprise the following:

	30-06-2012	30-06-2011
<u>Income from services rendered and commissions:</u>		
Means of payment	122 661	108 679
Operations carried out on behalf of third parties	61 303	52 847
Credit operations	72 108	73 507
Asset management	23 765	24 046
Guarantees given	38 901	30 256
Operations on financial instruments	11 046	8 590
Other	17 527	17 367
	<b>347 311</b>	<b>315 292</b>
<u>Cost of services and commissions:</u>		
Means of payment	52 666	47 757
Operations carried out on behalf of third parties	16 695	6 714
Credit operations	436	604
Asset management	3 234	3 975
Guarantees received	472	263
Operations on financial instruments	10 974	5 616
Other	5 112	2 416
	<b>89 590</b>	<b>67 346</b>

### 32. RESULTS FROM FINANCIAL OPERATIONS

These headings comprise the following:

	30-06-2012	30-06-2011
<u>Result from foreign exchange operations:</u>		
Revaluation of foreign exchange position	61 198	81 920
Results from currency derivatives	(12 684)	(26 758)
	<u>48 514</u>	<u>55 162</u>
<u>Result from financial assets and liabilities held for trading:</u>		
Securities:		
Debt instruments	34 845	(35 019)
Equity instruments	(25 830)	352
Other instruments	287	35
	<u>9 302</u>	<u>(34 632)</u>
Derivatives:		
Interest rate	(54 152)	(37 154)
Shares and indexes	16 499	6 345
Credit default	2 175	6 037
Other	3 122	507
	<u>(32 357)</u>	<u>(24 265)</u>
	<u>(23 055)</u>	<u>(58 897)</u>
<u>Result from other financial assets at fair value through profit or loss</u>		
Debt instruments	3 204	2 701
Equity instruments	10 231	30 193
Other securities	(149)	17 302
Loans and other amounts receivable	(640)	(483)
	<u>12 646</u>	<u>49 714</u>
<u>Result from the sale of loans and advances to customers</u>	<u>(1 159)</u>	<u>(25 798)</u>
<u>Result from available-for-sale financial assets:</u>		
Debt instruments	38 209	(3 382)
Equity instruments		
BCP (Note 8)	165	-
BCP Perpétuas (Note 8)	(11)	(8 132)
EDP Renováveis	-	2 197
Other	(78)	379
	<u>76</u>	<u>(5 556)</u>
Other securities	6 142	5 576
	<u>44 426</u>	<u>(3 362)</u>
<u>Result of hedging operations:</u>		
Hedging derivatives	41 287	27 182
Value adjustments of hedged assets and liabilities	(36 596)	(7 547)
	<u>4 691</u>	<u>19 635</u>
<u>Other</u>		
Results in the repurchase of liabilities issued	171 923	14 402
Other	(2 116)	324
	<u>169 807</u>	<u>14 726</u>
	<u>255 870</u>	<u>51 180</u>

During the six month period ended 30 June 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 540,500 thousand, respectively. Losses of some EUR 1,159 thousand and EUR 25,798 thousand were recorded as a result of these operations.

### 33. OTHER NET OPERATING INCOME

These headings comprise the following:

	30-06-2012	30-06-2011
<u>Other operating income:</u>		
Rendering of services	55 329	57 836
Expense reimbursement	3 267	3 440
Gains on subsidiaries and associates	2 680	2 512
Gains on non-financial assets:		
- Non-current assets held for sale (Note 14)	4 257	4 332
- Other tangible assets	424	414
- Investment property	16 594	7 644
- Other	168	210
Secondment of employees to Caixa Geral de Aposentações	1 764	1 717
Sale of cheques	9 809	8 977
Other	40 914	35 136
	<u>135 203</u>	<u>122 218</u>
<u>Other operating costs:</u>		
Donations and subscriptions	4 847	5 145
Losses on non-financial assets:		
- Non-current assets held for sale (Note 14)	2 167	1 845
- Other tangible assets	764	395
- Other	8 237	629
Other taxes	16 599	17 013
Contribution to the Deposit Guarantee Fund	12 242	5 627
Fines and penalties	1 788	492
Other	31 247	25 901
	<u>77 891</u>	<u>57 046</u>
	<u><b>57 313</b></u>	<u><b>65 172</b></u>

### 34. TECHNICAL MARGIN ON INSURANCE OPERATIONS

#### 34.1 Premiums net of reinsurance

In the half years ended 30 June 2012 and 2011, this heading is made up as follows:

	30-06-2012			30-06-2011		
	Gross premiums	Provision for unearned premiums	Net premiums	Gross premiums	Provision for unearned premiums	Net premiums
Direct insurance						
· Life insurance						
· Insurance contracts	104 523	(1 571)	102 952	108 808	(2 302)	106 506
· Investment contracts with discretionary profit sharing	36 383	9	36 392	29 955	5	29 960
· Non-life insurance						
· Motor	198 993	5 489	204 482	212 101	1 865	213 966
· Workman's compensation	73 211	(1 607)	71 604	81 890	(1 035)	80 855
· Other	304 386	(25 969)	278 417	309 012	(27 964)	281 048
Outwards reinsurance						
· Gross premiums issued						
· Life insurance						
· Insurance contracts	(12 492)	-	(12 492)	(11 537)	-	(11 537)
· Non-life insurance						
· Motor	(990)	265	(725)	(813)	27	(786)
· Workman's compensation	(454)	(13)	(467)	(415)	-	(415)
· Other	(82 324)	11 956	(70 368)	(79 725)	12 149	(67 576)
Inwards reinsurance and retrocession premiums	2 312	(298)	2 014	28	1 193	1 221
	<b>623 548</b>	<b>(11 739)</b>	<b>611 809</b>	<b>649 303</b>	<b>(16 062)</b>	<b>633 241</b>
Other			2 480			2 404
			<b>614 289</b>			<b>635 646</b>

### 34.2 Result of investments relating to insurance contracts

In the half years ended 30 June 2012 and 2011, this heading is made up as follows:

	30-06-2012			30-06-2011		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
Interest	34 164	20 848	55 012	43 578	21 038	64 616
Dividends	8 431	4 220	12 651	10 116	4 502	14 618
Net realised capital gains and losses	75	(548)	(473)	(498)	866	368
Other	-	8 863	8 863	-	8 778	8 778
	<b>42 670</b>	<b>33 383</b>	<b>76 053</b>	<b>53 196</b>	<b>35 184</b>	<b>88 380</b>

### 34.3 Cost of claims, net of reinsurance

In the half years ended 30 June 2012 and 2011, this heading is made up as follows:

	30-06-2012							
	Life insurance			Non-life insurance				Total
	Insurance contracts	Investment contracts with profit sharing	Sub-total	Motor	Workman's compensation	Other	Sub-total	
Direct insurance and inwards reinsurance								
Claims paid	51 324	300 521	351 845	145 212	63 153	144 499	352 864	704 709
Change in provision for claims	(5 676)	(10 032)	(15 708)	(31 398)	13 941	(7 831)	(25 288)	(40 996)
	45 648	290 489	336 137	113 814	77 094	136 668	327 576	663 713
Provision for profit sharing	2 577	(6 990)	(4 413)	-	-	(11)	(11)	(4 424)
Change in other technical provisions	(6 700)	(229 481)	(236 181)	(3 557)	14	(4 736)	(8 279)	(244 460)
	41 525	54 018	95 543	110 257	77 108	131 921	319 286	414 829
Balance of outwards reinsurance	(6 687)	-	(6 687)	(636)	(1 445)	(10 084)	(12 165)	(18 852)
	34 838	54 018	88 856	109 621	75 663	121 837	307 121	395 977
Other								782
								<b>396 759</b>

	30-06-2011							
	Life insurance			Non-life insurance				Total
	Insurance contracts	Investment contracts with profit sharing	Sub-total	Motor	Workman's compensation	Other	Sub-total	
Direct insurance and inwards reinsurance								
Claims paid	47 802	341 709	389 511	159 955	68 117	165 785	393 857	783 368
Change in provision for claims	2 865	(14 254)	(11 389)	(19 679)	(1 152)	(19 675)	(40 506)	(51 895)
	50 667	327 455	378 122	140 276	66 965	146 110	353 351	731 473
Provision for profit sharing	3 907	9 336	13 243	(3)	(20)	(238)	(261)	12 982
Change in other technical provisions	(4 391)	(256 664)	(261 055)	(6 696)	(1 930)	1 188	(7 438)	(268 493)
	50 183	80 127	130 310	133 577	65 015	147 060	345 652	475 962
Balance of outwards reinsurance	(5 610)	-	(5 610)	472	-	(9 777)	(9 305)	(14 915)
	44 573	80 127	124 700	134 049	65 015	137 283	336 347	461 047
Other								248
								<b>461 295</b>

### 34.4 Commissions and other income and costs relating to insurance

In the half years ended 30 June 2012 and 2011, this heading is made up as follows:

	30-06-2012			30-06-2011		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
Technical income:						
Commissions:						
Outwards reinsurance	5 215	11 335	16 550	2 621	10 715	13 336
Co-insurance management charges	5	466	471	10	441	451
Pensions Funds management charges	159	-	159	91	-	91
Other technical income						
Other technical income	3	1	4	3	68	71
	<u>5 382</u>	<u>11 802</u>	<u>17 184</u>	<u>2 725</u>	<u>11 224</u>	<u>13 949</u>
Technical costs:						
Commissions:						
Direct insurance operations:						
- Mediation and brokerage charge	(6 963)	(41 502)	(48 465)	(6 326)	(43 221)	(49 547)
- Collection charges	(66)	(3 665)	(3 731)	(63)	(3 920)	(3 983)
- Other	-	(5 383)	(5 383)	-	(5 545)	(5 545)
Inwards reinsurance operations	-	441	441	-	2 626	2 626
Co-insurance management charges	(20)	(200)	(220)	(2)	(187)	(189)
Other technical income						
Provision for premiums receivable	(1 526)	(2 166)	(3 692)	(1 222)	(6 230)	(7 452)
Taxes specific to the insurance business	(399)	(1 679)	(2 078)	(536)	(1 422)	(1 958)
Other	(1)	(65)	(66)	(2)	(1)	(3)
	<u>(8 975)</u>	<u>(54 219)</u>	<u>(63 194)</u>	<u>(8 151)</u>	<u>(57 900)</u>	<u>(66 051)</u>
Other	-	371	371	-	349	349
	<u>(3 593)</u>	<u>(42 046)</u>	<u>(45 638)</u>	<u>(5 426)</u>	<u>(46 327)</u>	<u>(51 753)</u>

### 35. STAFF COSTS

This heading is made up as follows:

	30-06-2012	30-06-2011
Remuneration of management and supervisory bodies	9 413	6 905
Remuneration of staff	320 839	346 096
	<b>330 252</b>	<b>353 001</b>
Other charges relating to remuneration	34 743	35 213
Healthcare - CGD		
- Normal cost	14 653	15 656
- Contributions relating to current staff	12 548	15 418
Pension liability - CGD		
- Normal cost	24 229	23 233
Other pension costs		
Caixa Seguros e Saúde	1 268	1 557
Other	2 641	4 226
Other mandatory social charges	12 903	12 109
	<b>102 984</b>	<b>107 413</b>
Other staff costs	10 182	9 568
	<b>443 418</b>	<b>469 982</b>

The average number of employees of Caixa and its subsidiaries in the half years ended 30 June 2012 and 2011, by function, was as follows:

	30-06-2012			30-06-2011		
	Banking	Insurance	Group	Banking	Insurance	Group
Senior management	471	131	602	421	236	657
Management	2 934	656	3 590	2 821	571	3 391
Technical staff	5 139	2 093	7 232	4 974	2 246	7 220
Administrative staff	7 549	2 043	9 592	7 646	2 187	9 833
Auxiliary	1 374	666	2 040	1 440	661	2 101
	<b>17 467</b>	<b>5 589</b>	<b>23 056</b>	<b>17 301</b>	<b>5 900</b>	<b>23 200</b>
Number of employees at the end of the year	<b>17 481</b>	<b>5 626</b>	<b>23 107</b>	<b>17 482</b>	<b>5 883</b>	<b>23 365</b>

These numbers at 30 June 2012 and 2011 do not include staff employed by the Support Department of Caixa Geral de Aposentações (258 and 269, respectively), those assigned to CGD's Social Services (71 and 70, respectively) and to other situations (94 and 93 respectively), namely those on secondment abroad.



### 36. OTHER ADMINISTRATIVE COSTS

This heading comprises the following:

	30-06-2012	30-06-2011
Specialised services		
- IT services	46 051	46 243
- Cleaning	4 771	4 894
- Studies and consultancy	5 573	3 747
- Contracts and service fees	2 942	3 585
- Safety and security	5 246	4 132
- Information services	3 357	3 616
- Other	76 071	86 347
Leases	46 969	46 783
Advertising and publications	15 803	16 199
Communications and postage	27 214	24 679
Maintenance and repairs	18 213	17 961
Water, energy and fuel	15 075	11 981
Transport of cash and other values	4 243	5 357
Travel, lodging and representation expenses	10 139	9 448
Standard forms and office supplies	5 029	4 619
Other	8 655	9 737
	<b>295 348</b>	<b>299 327</b>

### 37. ASSET IMPAIRMENT

The changes in impairment in the half years ended 30 June 2012 and 2011 were as follows:

	30-06-2012								
	Balance at 31-12-2011	Acquisitions/ sale of subsidiaries	Additions	Reversals	Write-offs	Exchange differences	Transfers and other	Balance at 30/06/2012	Credit recovery, interest and expenses
Impairment of loans and adv. to customers (Note 13)	3 383 246	-	1 813 596	(1 314 611)	(84 904)	2 892	47 372	3 847 591	(15 683)
Impairment of loans and adv. to credit institutions (Note 6)	12 312	-	4 906	(3 303)	-	(1)	(187)	13 727	
Impairment of available-for-sale financial assets (Note 8)									
Equity instruments	724 211	(660)	119 718	-	(22 266)	54	-	821 056	
Debt instruments	52 629	-	1 606	(135)	(29 367)	265	2 084	27 083	
Other	103 641	-	7 470	-	(13 044)	(246)	638	98 459	
Impairment of held-to-maturity investments (Note 12)	120 035	-	49 556	-	(169 591)	-	-	-	
Impairment of other tangible assets	11 068	-	58	(156)	(82)	-	-	10 888	
Impairment of intangible assets	12 027	-	-	-	(11 069)	-	-	958	
Impairment of non-current assets held for sale Property and equipment (Note 14)	103 374	-	36 697	(12 672)	(1 014)	-	-	126 385	
Impairment of other assets (Note 18)	191 424	-	31 702	(9 275)	(21 464)	(140)	105	192 351	
	1 330 719	(660)	251 713	(25 541)	(267 897)	(68)	2 641	1 290 907	-
	4 713 965	(660)	2 065 309	(1 340 152)	(352 801)	2 824	50 012	5 138 498	(15 683)

	30-06-2011								
	Balance at 31-12-2010	Acquisitions/ sale of subsidiaries	Additions	Reversals	Write-offs	Exchange differences	Transfers and other	Balance at 30-06-2011	Credit recovery, interest and expenses
Impairment of loans and adv. to customers	2 609 824	-	850 251	(486 080)	(81 173)	(7 264)	15 311	2 900 870	(14 917)
Impairment of loans and adv. to credit institutions	88 933	-	11 995	(11 488)	(58 931)	(214)	(662)	29 632	
Impairment of available-for-sale financial assets									
Equity instruments	332 398	-	27 501	-	(12 716)	(141)	(607)	346 435	
Debt instruments	59 982	-	106	(122)	(14 749)	(695)	607	45 129	
Other	100 867	-	760	-	(6 706)	(575)	-	94 346	
Impairment of other tangible assets	15 741	-	84	(1 039)	-	-	-	14 786	
Impairment of intangible assets	958	-	12 502	(717)	-	-	-	12 744	
Impairment of non-current assets held for sale									
Property and equipment	72 128	-	23 678	(14 049)	(278)	-	31	81 510	
Impairment of other assets	155 804	-	4 539	(1 182)	(9 162)	(102)	(1 222)	148 675	
Impairment in associates	-	-	-	(344)	-	-	344	-	
	826 811	-	81 165	(28 941)	(102 543)	(1 727)	(1 508)	773 257	-
	3 436 635	-	931 417	(515 021)	(183 716)	(8 991)	13 803	3 674 127	(14 917)

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 impairment table for the half year ended 30 June 2011, includes net charges of EUR 14,676 thousand which were reclassified in the income statement heading “Results in subsidiaries held for sale” in the said period, as a result of the HPP Saúde’s assets and liabilities transfer to the non-current assets and liabilities held for sale category (Note 14).

#### 38. SEGMENT REPORTING

In compliance with IFRS 8 and with a view to determine the requirements of own funds to cover for operating risk, using the standard method under the terms of Notice 9/2007, of 18/04/2007 of the Bank of Portugal, the Group adopted the following business segments:

- Insurance business: includes the operations of the Caixa Seguros Group insurance companies and Garantia – Companhia de Seguros de Cabo Verde, 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 at 30 June 2012 and in 2011, distributed by business segment and geographic market, are as follows:

### Business segment

	30-06-2012							
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Life insurance	Non-life insurance	Other
Net interest income	(152 279)	650 890	(19 569)	210	221 186	14 621	2 491	2 114
Income from equity instruments	16 523	42	42 774	10 499	(38)	770	405	9 557
Income from services rendered and commissions	10 926	123 670	49 850	17 481	48 974	1 527	-	94 883
Cost of services and commissions	(10 702)	(15 871)	(14 412)	(2 727)	(376)	(79)	(38)	(45 386)
Results from financial operations	219 540	33 645	(709)	6 570	(1 355)	(302)	(715)	(803)
Other net operating income	886	(2 674)	(729)	(425)	(163)	-	(162)	60 580
Premiums net of reinsurance	-	-	-	-	-	126 933	487 357	-
Results of investments relating to insurance contracts	-	-	-	-	-	42 671	33 383	-
Claims costs net of reinsurance	-	-	-	-	-	(88 859)	(307 900)	1
Commissions and other income and costs relating to insurance contracts	-	-	-	-	-	(3 579)	(42 020)	(39)
Net operating income from banking and insurance operations	84 894	789 700	57 205	31 609	268 229	93 703	172 801	120 907
Other costs and income								(1 631 760)
Net income attributable to the shareholder of CGD								(12 713)
Cash balances and loans and advances to credit institutions (net)	4 874 518	838 219	19 341	2 154	-	21 536	25 246	20 259
Investments in securities and derivatives (net)	15 693 929	533 222	346 534	621 341	-	6 948 915	1 496 930	274 218
Loans and advances to customers (net)	2 150 915	37 186 646	37 680 237	91 547	394 107	1 581	2 566	11 747
Technical provision for outwards reinsurance	-	-	-	-	-	23 640	205 380	-
Total net assets	23 423 459	40 682 636	37 912 166	893 459	416 818	6 329 110	2 572 248	5 464 210
Resources of central banks and credit institutions	13 337 587	264 873	353 481	26 970	-	-	-	34 575
Customer resources	1 445 815	51 881 095	11 122 051	59 079	-	5 714 535	-	171 910
Debt securities	10 750 274	399 759	-	-	-	-	-	-
Technical provision for insurance contracts	-	-	-	-	-	2 243 973	2 119 394	-
Liability to subscribers of unit-linked products	-	-	-	-	-	623 810	-	-

	31-12-2011							
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Life insurance	Non-life insurance	Outros
Net interest income	79 650	1 377 672	(56 462)	8 651	193 267	45 252	3 667	33 796
Income from equity instruments	12 417	4	109 747	20 513	109	1 087	256	2 592
Income from services rendered and commissions	24 317	164 711	103 343	35 237	75 469	4 481	-	248 431
Cost of services and commissions	(15 626)	(25 050)	(7 016)	(6 695)	(3 474)	(115)	(84)	(92 949)
Results from financial operations	(78 972)	42 791	(10 743)	13 332	1 270	(9 876)	1 279	16 157
Other net operating income	769	(5 893)	141	(2 658)	(3 870)	(111)	8 955	95 829
Premiums net of reinsurance	-	-	-	-	-	244 945	998 721	-
Results of investments relating to insurance contracts	-	-	-	-	-	85 578	57 821	(11)
Claims costs net of reinsurance	-	-	-	-	-	(184 466)	(604 265)	(35 194)
Commissions and other income and costs relating to insurance contracts	-	-	-	-	-	(6 391)	(86 893)	(42)
Net operating income from banking and insurance operations	22 554	1 554 235	139 010	68 380	262 771	180 383	379 457	268 609
Other costs and income								(3 363 824)
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
Investments in securities and derivatives (net)	14 461 461	500 937	490 260	565 987	-	7 478 388	1 474 133	312 528
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
Technical provision for outwards reinsurance	-	-	-	-	-	23 001	203 201	-
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
Resources of central banks and credit institutions	14 760 944	314 321	738 116	11 657	-	-	-	35 916
Customer resources	830 972	52 199 966	10 897 726	25 129	-	6 269 921	-	363 776
Debt securities	14 496 754	403 195	23 359	-	-	-	-	-
Technical provision for insurance contracts	-	-	-	-	-	2 478 538	2 129 076	-
Liability to subscribers of unit-linked products	-	-	-	-	-	584 879	-	-

The amounts presented reflect the restatement of amounts relative to HPP - Saúde, owing to its classification as held for sale subsidiary

### Geographic markets

	30-06-2012							
	Portugal	Rest of European Union	Rest of Europe	North America	Latin America	Asia	Africa	Other
Net interest income	464 171	116 503	361	3 383	5 925	23 310	78 655	27 356
Income from equity instruments	126 858	16 536	-	-	-	37	12 327	(75 225)
Income from services rendered and commissions	288 934	29 921	59	662	8 592	15 429	42 360	(38 646)
Cost of services and commissions	(84 478)	(9 768)	-	(32)	(364)	(8 510)	(9 571)	23 133
Results from financial operations	252 575	(11 219)	(35)	(1 504)	11 914	4 531	39 602	(39 994)
Other net operating income	109 665	(5 379)	(25)	1 725	(2 615)	1 581	5 831	(53 470)
Premiums net of reinsurance	611 809	-	-	-	-	-	2 480	-
Results of investments relating to insurance contracts	84 883	-	-	-	-	-	-	(8 830)
Claims costs net of reinsurance	(395 977)	-	-	-	-	-	(782)	-
Commissions and other income and costs relating to insurance contracts	(61 774)	-	-	-	-	-	371	15 765
Net operating income from banking and insurance operations	1 396 666	136 594	360	4 234	23 452	36 378	171 273	(149 911)
Other costs and income								
Net income attributable to the shareholder of CGD								
Cash balances and loans and advances to credit institutions (net)	15 209 580	5 233 819	198 049	1 460 030	137 777	2 800 157	1 172 759	(20 410 898)
Investments in securities and derivatives (net)	32 860 757	2 715 141	19 721	50 319	196 909	52 713	630 169	(11 023 614)
Assets with repurchase agreement	420 911	-	-	-	-	-	-	(7 937)
Loans and advances to customers (net)	64 862 512	13 989 299	-	711 105	74 713	1 381 261	2 283 952	(5 783 495)
Technical provision for outwards reinsurance	224 124	-	-	-	-	-	4 896	-
Total net assets	126 574 926	22 368 332	218 270	2 222 619	569 849	4 636 615	4 771 146	(43 667 650)
Resources of central banks and credit institutions	22 785 707	8 090 094	144	1 558 494	27 483	151 855	239 509	(18 835 800)
Customer resources	59 725 562	5 401 074	70 263	694 587	160 640	3 796 473	3 152 315	(2 606 429)
Liability to subscribers of unit-linked products	623 810	-	-	-	-	-	-	-
Debt securities	12 137 748	7 341 900	-	23 882	-	-	27 288	(8 380 785)
Technical provision for insurance contracts	4 353 890	-	-	-	-	-	9 478	(1)
	31-12-2011							
	Portugal	Rest of European Union	Rest of Europe	North America	Latin America	Asia	Africa	Other
Net interest income	1 167 678	231 673	26 716	6 681	26 941	42 747	143 169	39 888
Income from equity instruments	275 489	4 002	-	-	-	65	10 745	(143 577)
Income from services rendered and commissions	554 508	52 830	267	1 587	8 627	32 542	74 412	(68 785)
Cost of services and commissions	(144 038)	(14 749)	(1 475)	(52)	(316)	(16 884)	(18 633)	45 139
Results from financial operations	(38 494)	73 555	(554)	(4 061)	(622)	5 816	65 730	(126 136)
Other net operating income	516 837	(92 631)	(49)	(564)	(1 627)	3 298	4 331	(336 434)
Premiums net of reinsurance	1 238 995	-	-	-	-	-	4 671	-
Results of investments relating to insurance contracts	161 648	-	-	-	-	-	-	(18 260)
Claims costs net of reinsurance	(787 887)	11	-	-	-	-	(843)	(35 205)
Commissions and other income and costs relating to insurance contracts	(119 085)	-	-	-	-	-	949	24 810
Net operating income from banking and insurance operations	2 825 651	254 691	24 905	3 591	33 003	67 584	284 531	(618 560)
Other costs and income								
Net income attributable to the shareholder of CGD								
Cash balances and loans and advances to credit institutions (net)	18 387 012	3 063 722	318 620	1 977 309	437	2 564 047	982 358	(18 646 708)
Investments in securities and derivatives (net)	31 683 530	2 728 761	19 312	59 885	222 898	58 959	553 919	(10 821 525)
Assets with repurchase agreement	777 954	-	-	-	-	-	-	-
Loans and advances to customers (net)	65 610 445	9 483 607	-	697 915	84 646	1 353 106	2 115 659	(1 097 753)
Technical provision for outwards reinsurance	220 024	-	-	-	-	-	6 178	-
Total net assets	130 082 323	15 598 752	339 036	2 739 429	326 837	4 329 432	4 361 623	(37 212 151)
Resources of central banks and credit institutions	22 454 093	8 130 631	64 638	2 097 836	54 065	142 427	154 162	(17 236 898)
Customer resources	61 372 026	4 660 424	126 721	671 596	77 298	3 554 905	2 897 658	(2 773 137)
Liability to subscribers of unit-linked products	584 879	-	-	-	-	-	-	-
Debt securities	16 778 497	1 139 486	-	23 359	-	-	26 668	(3 044 701)
Technical provision for insurance contracts	4 596 540	-	-	-	-	-	11 075	-

The column "Other" includes the balances between Group companies reversed in consolidation.

In the half years ended 30 June 2012 and 2011, the Group's contribution for results by business sector, according to the internal management criteria is broken-down as follows:

30-06-2012						
	Banking business in Portugal	International business	Investment banking	Insurance and healthcare business	Other	Total
Interest and similar income	2 745 855	647 789	159 324	212 563	(1 008 585)	2 756 945
Interest and similar costs	(2 384 610)	(420 558)	(143 956)	(164 848)	1 076 690	(2 037 281)
Income from equity instruments	42 288	17 055	5 793	929	14 468	80 533
<b>Net interest income including income from equity investments</b>	<b>403 533</b>	<b>244 285</b>	<b>21 162</b>	<b>48 644</b>	<b>82 574</b>	<b>800 197</b>
Income from services rendered and commissions	226 330	96 964	41 813	1 530	(19 326)	347 311
Cost of services and commissions	(53 938)	(27 701)	(15 500)	(1 972)	9 522	(89 590)
Results from financial operations	251 716	43 323	(12 560)	(4 489)	(22 120)	255 870
Other net operating income	38 569	1 142	570	3 520	13 511	57 313
<b>Non-interest income</b>	<b>462 677</b>	<b>113 729</b>	<b>14 323</b>	<b>(1 412)</b>	<b>(18 412)</b>	<b>570 904</b>
Premiums net of reinsurance	-	2 480	-	611 809	-	614 289
Results of investments relating to insurance contracts	-	-	-	84 883	(8 830)	76 053
Claims costs net of reinsurance	-	(782)	-	(395 977)	-	(396 759)
Commissions and other income and costs relating to insurance contracts	-	371	-	(61 774)	15 765	(45 638)
<b>Technical margin on insurance operations</b>	<b>-</b>	<b>2 070</b>	<b>-</b>	<b>238 941</b>	<b>6 935</b>	<b>247 945</b>
<b>NET INCOME FROM BANKING AND INSURANCE OPERATIONS</b>	<b>866 210</b>	<b>360 084</b>	<b>35 485</b>	<b>286 173</b>	<b>71 096</b>	<b>1 619 047</b>
Other costs and income	(891 411)	(371 688)	(36 367)	(258 599)	(73 695)	(1 631 760)
<b>Net income attributable to the shareholder of CGD</b>	<b>(25 201)</b>	<b>(11 605)</b>	<b>(883)</b>	<b>27 574</b>	<b>(2 599)</b>	<b>(12 713)</b>

30-06-2011						
	Banking business in Portugal	International business	Investment banking	Insurance and healthcare business	Other	Total
Interest and similar income	2 551 473	614 443	162 161	159 201	(990 157)	2 497 121
Interest and similar costs	(2 099 383)	(391 797)	(146 190)	(106 886)	1 049 169	(1 695 087)
Income from equity instruments	89 490	4 282	2 648	987	18 633	116 040
<b>Net interest income including income from equity investments</b>	<b>541 581</b>	<b>226 928</b>	<b>18 619</b>	<b>53 302</b>	<b>77 645</b>	<b>918 074</b>
Income from services rendered and commissions	214 208	80 916	30 620	2 329	(12 781)	315 292
Cost of services and commissions	(43 161)	(26 238)	(4 637)	(3 747)	10 437	(67 346)
Results from financial operations	30 105	20 935	4 697	(11 074)	6 518	51 180
Other net operating income	32 387	(1 796)	390	24 068	10 123	65 172
<b>Non-interest income</b>	<b>233 539</b>	<b>73 817</b>	<b>31 070</b>	<b>11 575</b>	<b>14 297</b>	<b>364 298</b>
Premiums net of reinsurance	-	2 404	-	633 242	-	635 646
Results of investments relating to insurance contracts	-	-	-	96 252	(7 872)	88 380
Claims costs net of reinsurance	-	(248)	-	(461 047)	-	(461 295)
Commissions and other income and costs relating to insurance contracts	-	349	-	(64 260)	12 157	(51 753)
<b>Technical margin on insurance operations</b>	<b>-</b>	<b>2 505</b>	<b>-</b>	<b>204 187</b>	<b>4 286</b>	<b>210 978</b>
<b>NET INCOME FROM BANKING AND INSURANCE OPERATIONS</b>	<b>775 119</b>	<b>303 251</b>	<b>49 689</b>	<b>269 064</b>	<b>96 227</b>	<b>1 493 350</b>
Other costs and income	(796 268)	(270 766)	(34 391)	(233 529)	(66 965)	(1 401 921)
<b>Net income attributable to the shareholder of CGD</b>	<b>(21 149)</b>	<b>32 484</b>	<b>15 297</b>	<b>35 535</b>	<b>29 262</b>	<b>91 429</b>

The column "Other" includes the balances between Group companies reversed in consolidation.

### 39. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

#### *Credit risk*

#### *Maximum exposure to credit risk*

At 30 June 2012 and 31 December 2011, the Group's maximum exposure to credit risk is broken down as follows:

	30-06-2012	31-12-2011
Trading securities		
Public debt	448 118	483 747
Private debt	153 236	114 197
	<u>601 353</u>	<u>597 944</u>
Financial assets at fair value through profit or loss		
Public debt	26 191	27 122
Private debt	144 699	146 100
	<u>170 890</u>	<u>173 222</u>
Available-for-sale financial assets		
Public debt	7 305 295	5 857 476
Private debt	8 740 930	8 783 027
	<u>16 046 225</u>	<u>14 640 502</u>
Investments held to maturity		
Public debt	1 894 912	2 160 346
Private debt	607 530	677 033
	<u>2 502 442</u>	<u>2 837 379</u>
Investments held to maturity		
Public debt	98 114	330 764
Private debt	314 860	447 190
	<u>412 974</u>	<u>777 954</u>
	<u>19 733 885</u>	<u>19 027 001</u>
Derivatives	2 236 018	2 084 059
Loans and advances to credit institutions	3 278 826	4 956 118
Loans and advances to customers	77 586 212	78 256 740
Other debtors	3 470 700	3 229 887
Other operations pending settlement	301 412	336 282
	<u>86 873 168</u>	<u>88 863 087</u>
Other commitments		
Personal/Institutional guarantees given		
Guarantees and sureties	4 906 857	5 120 509
Stand-by letters of credit	72 542	123 534
Open documentary credits	366 002	382 499
Other personal guarantees and other contingent liabilities	50 554	11 349
Forward deposit agreements	1 662	-
Irrevocable lines of credit	1 913 874	2 457 880
Other irrevocable commitments	11 525	840 000
Credit Default Swaps	116 342	400 943
	<u>7 439 359</u>	<u>9 336 714</u>
<i>Maximum exposure to credit risk</i>	<u><b>114 046 412</b></u>	<u><b>117 226 802</b></u>

### Exposure of the sovereign debt of Eurozone peripheral countries

The credit markets of the Eurozone sovereign debt, particularly peripheral countries characterised by significant budget imbalances, have been affected by a growing volatility. This situation, portrayed in the continuous broadening of risk spreads associated with these issues, culminated in the need for intervention of the European Central Bank, the International Monetary Fund and the European Union into the governments of Greece and Ireland (still in 2010) and, in 2011, Portugal.

The principal characteristics of these issues in the scope of CGD Group at 30 June 2012 and 31 December 2011, are as follows:

Book value net of impairment at 30-06-2012							Fair value	Accumulated impairment	Fair value reserve	Rating
Residual maturities										
2012	2013	2014	after 2014	no maturity	Total					
Financial assets at fair value trough profit or loss										
Portugal	57 605	40 338	44 097	14 489	-	156 530	156 530	-	-	
Greece	-	-	-	235	-	235	235	-	-	
Ireland	-	-	-	-	-	-	-	-	-	
Spain	-	-	-	92	-	92	92	-	-	
Italy	-	-	-	95	-	95	95	-	-	
	57 605	40 338	44 097	14 911	-	156 952	156 952	-	-	
Financial assets at fair value through revaluation reserves										
Portugal	1 116 874	2 999 233	1 159 310	1 103 340	1 827	6 380 584	6 380 584	-	(188 865)	
Greece	-	-	-	11 600	-	11 600	11 600	-	(12 829)	
Ireland	-	101	24 712	-	-	24 813	24 813	-	(1 095)	
Spain	24 505	75 529	19 521	22 279	-	141 834	141 834	-	(7 067)	
Italy	3 020	14 012	16 470	110 225	-	143 727	143 727	-	(8 963)	
	1 144 399	3 088 875	1 220 012	1 247 444	1 827	6 702 558	6 702 558	-	(218 818)	
Investments held to maturity										
Portugal	-	242 725	186 813	1 404 133	-	1 833 672	1 816 035	-	(240 173)	
Greece	-	-	-	-	-	-	-	-	-	
Ireland	-	487	-	-	-	487	507	-	(21)	
Spain	-	-	-	-	-	-	-	-	-	
Italy	16 367	-	22 420	21 966	-	60 754	60 325	-	747	
	16 367	243 212	209 233	1 426 100	-	1 894 912	1 876 868	-	(239 447)	
Total										
Portugal	1 174 479	3 282 297	1 390 220	2 521 963	1 827	8 370 786	8 353 149	-	(429 038)	BB
Greece	-	-	-	11 835	-	11 835	11 835	-	(12 829)	C
Ireland	-	589	24 712	-	-	25 300	25 320	-	(1 116)	BBB+
Spain	24 505	75 529	19 521	22 371	-	141 926	141 926	-	(7 067)	BBB
Italy	19 387	14 012	38 890	132 286	-	204 575	204 547	-	(8 216)	BBB+
	1 218 371	3 372 426	1 473 343	2 688 455	1 827	8 754 422	8 736 377	-	(458 265)	

Book value net of impairment at 31-12-2011							Fair value	Accumulated impairment	Fair value reserve	Rating
Residual maturities										
2012	2013	2014	after 2014	no maturity	Total					
Financial assets at fair value trough 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 still during 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 the 2nd half 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) and amounted to EUR 60,195 thousand and EUR 411,125 thousand at 30 June 2012 and 31 December 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 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 30 June 2012 and 31 December 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:

				30-06-2012			31-12-2011		
Type	Rating	Seniority level of the tranche held	Geographical area of the issuer	Book value (net of impairment)	Accumulated impairment	Fair value reserve	Book value (net of impairment)	Accumulated impairment	Fair value reserve
<u>Available-for-sale financial assets</u>									
Commercial mortgage-backed securities	A- to A+ C	Senior	European Union	10 350	-	(868)	17 372	-	(2 091)
		Senior	European Union	2 321	(779)	-	2 697	-	(448)
				12 671	(779)	(868)	20 069	-	(2 538)
Residential mortgage-backed securities	AAA	Senior	European Union	14 599	-	1 571	21 099	-	1 538
	AA- to AA+	Senior	European Union	11 247	-	349	11 561	-	255
		Mezzanine	European Union	-	-	-	200	-	(1)
	A- to A+	Senior	European Union	18 560	-	(7 400)	20 421	-	(6 829)
		Mezzanine	European Union	75	-	(127)	60	-	(142)
	Lower than A-	Senior	European Union	18 555	-	(10 685)	19 135	-	(11 815)
		Mezzanine	European Union	3 322	-	(8 468)	3 172	-	(8 856)
	CCC	Mezzanine	North America	178	(9 790)	-	199	(9 503)	41
				66 535	(9 790)	(24 761)	75 849	(9 503)	(25 810)
	Collateralised loan obligations	AAA	Senior	European Union	6 931	-	(329)	6 642	-
			Other	38 062	-	(793)	36 702	-	(1 017)
AA- to AA+		Senior	European Union	89	-	(8)	87	-	(10)
A- to A+		Mezzanine	European Union	209	-	(93)	202	-	(101)
Lower than A-		Mezzanine	European Union	8 449	-	(6 334)	7 064	-	(7 682)
		Mezzanine	European Union	-	-	-	434	-	(385)
				53 741	-	(7 557)	51 131	-	(9 872)
Other financial instruments	No rating	Senior	European Union	703	(13 138)	-	6 703	(26 886)	-
				133 650	(23 708)	(33 186)	153 752	(36 389)	(38 221)
<u>Financial assets at fair value through profit or loss</u>									
Other financial instruments	A- to A+	Senior	European Union	34 510	-	-	39 258	-	-
				168 160	(23 708)	(33 186)	193 010	(36 389)	(38 221)

The change in the half years ended 30 June 2012 and 2011 was as follows:

				30-06-2012							
Type	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Book value (net) at 31.12.2011	Amortisations	Acquisitions	Impact in results for the year		Change in the fair value reserve	Acquisition (sale) of subsidiaries	Book value (net) at 30.06.2012
							Capital gains / (losses) recognised against results	Impairment			
<u>Available-for-sale financial assets</u>											
Commercial mortgage-backed securities	A- to A+	Senior	European Union	17 372	(7 127)	-	(1 118)	-	1 222	-	10 350
	C	Senior	European Union	2 697	(3 128)	-	2 305	-	448	-	2 321
Residential mortgage-backed securities	AAA	Senior	European Union	21 099	(6 718)	-	185	-	33	-	14 599
	AA- to AA+	Senior	European Union	11 561	(399)	-	(9)	-	94	-	11 247
		Mezzanine	European Union	200	(200)	-	(2)	-	1	-	-
	A- to A+	Senior	European Union	20 421	(1 260)	-	(31)	-	(571)	-	18 560
		Mezzanine	European Union	60	-	-	-	-	15	-	75
	Lower than A-	Senior	European Union	19 135	(1 664)	-	(46)	-	1 130	-	18 555
		Mezzanine	European Union	3 172	(223)	-	(16)	-	388	-	3 322
	CCC	Mezzanine	North America	199	-	-	20	-	(41)	-	178
Collateralised loan obligations	AAA	Senior	European Union	6 642	-	-	(60)	-	349	-	6 931
	AA- to AA+	Other	European Union	36 702	-	-	1 136	-	224	-	38 062
		Senior	European Union	87	-	-	-	-	2	-	89
	A- to A+	Mezzanine	European Union	202	-	-	(1)	-	8	-	209
		Mezzanine	European Union	7 064	-	-	38	-	1 347	-	8 449
	CCC	Mezzanine	European Union	434	(303)	-	(517)	-	385	-	-
Other financial instruments	No rating	Senior	European Union	6 703	-	-	(6 000)	-	-	-	702
				153 752	(21 021)	-	(4 115)	-	5 035	-	133 650
<u>Financial assets at fair value through profit or loss</u>											
Other financial instruments	A- to A+	Senior	European Union	39 258	(6 411)	3	1 659	-	-	-	34 510
				193 010	(27 432)	3	(2 456)	-	5 035	-	168 160

(a) Securities presented in accordance with information on ratings available at 30-06-2012

30-06-2011											
Type	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Book value (net) at 31.12.2010	Amortisations	Acquisitions	Impact in results for the year		Change in the fair value reserve	Acquisition (sale) of subsidiaries	Book value (net) at 30.06.2011
							Capital gains / (losses) recognised against results	Impairment			
<b>Available-for-sale financial assets</b>											
<b>Commercial mortgage-backed securities</b>											
	AAA	Senior	European Union	2 726	(647)	-	10	-	186	(2 276)	-
	AA- to AA+	Senior	European Union	827	-	-	-	-	89	(916)	-
	A- to A+	Senior	European Union	27 996	(11 382)	-	17	-	2 215	-	18 846
	Lower than A-	Mezzanine	European Union	3 256	(3 803)	-	(784)	-	1 331	-	-
	CCC	Senior	European Union	3 045	(344)	-	(17)	-	322	-	3 005
<b>Residential mortgage-backed securities</b>											
	AAA	Senior	European Union	26 379	(2 095)	-	(142)	-	122	(283)	23 982
	AA- to AA+	Senior	European Union	22 942	(1 375)	-	(96)	-	649	-	22 119
		Mezzanine	European Union	196	-	-	-	-	2	-	198
	A- to A+	Senior	European Union	26 354	(1 860)	-	29	-	(1 627)	-	22 897
		Mezzanine	European Union	6 896	(5 785)	-	(1 836)	-	3 803	(3 001)	77
		Senior	European Union	19 140	(1 118)	-	37	-	(681)	-	17 378
	Lower than A-	Mezzanine	European Union	18 014	(5 914)	-	(2 657)	-	10 185	(14 944)	4 683
	CCC	Mezzanine	North America	415	-	-	42	-	(128)	-	329
<b>Asset-backed securities</b>											
	AAA	Senior	European Union	41	-	-	-	-	-	(41)	-
	AA- to AA+	Mezzanine	European Union	1 413	-	-	-	-	162	(1 576)	-
<b>Collateralized Loan obligations</b>											
	AAA	Senior	European Union	6 565	-	-	12	-	212	-	6 789
			Other	34 555	-	-	(2 700)	-	692	-	32 547
	AA- to AA+	Senior	European Union	86	-	-	-	-	2	-	88
	A- to A+	Mezzanine	European Union	5 175	(5 780)	-	(106)	-	957	-	246
	Menor que A-	Mezzanine	European Union	53 937	(34 986)	-	(1 805)	-	(8 598)	-	8 547
	CCC	Mezzanine	European Union	847	-	-	9	-	(160)	-	696
<b>Collateralized Debt obligations</b>											
	Lower than A-	Other	European Union	680	-	-	-	-	6 109	(6 790)	-
<b>Other financial instruments</b>											
		Senior	European Union	8 970	(750)	-	4	-	(85)	(120)	8 019
	No rating	Other	European Union	12 815	(19 456)	-	(475)	-	7 115	-	-
		Funds	European Union	90 681	(17 377)	-	2 379	-	3 679	-	79 361
				373 951	(112 672)	-	(8 081)	-	26 554	(29 945)	249 807
<b>Financial assets at fair value through profit or loss</b>											
<b>Residential mortgage-backed securities</b>											
	AA- to AA+	Senior	European Union	1 167	-	-	-	-	-	(1 167)	-
	Lower than A-	Mezzanine	European Union	1 560	-	-	-	-	-	(1 560)	-
<b>Asset-backed securities</b>											
	AA- to AA+	Senior	European Union	412	-	-	-	-	-	(412)	-
		Mezzanine	European Union	925	-	-	-	-	-	(925)	-
<b>Other financial instruments</b>											
	AA- to AA+	Senior	European Union	47 067	(3 738)	-	3 853	-	-	(9)	47 172
				51 131	(3 738)	-	3 853	-	-	(4 074)	47 172
				425 083	(116 410)	-	(4 228)	-	26 554	(34 019)	296 979

(a) Securities presented in accordance with information on ratings available at 30-06-2011

The “Capital gains/ (losses) recognised against results” heading includes accrued interest and the result of foreign exchange revaluation.

### Liquidity risk

Liquidity risk corresponds to the risk of CGD Group 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.

The residual contractual maturities of financial instruments at 30 June 2012 and 31 December 2011 are as follows:

30-06-2012										
	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
<b>Assets</b>										
Cash and cash equivalents at central banks	1 264 946	-	-	-	-	-	-	-	-	1 264 946
Cash balances at other credit institutions	1 092 384	-	-	-	-	-	-	-	162 737	1 255 120
Loans and advances to credit institutions	1 699 754	1 336 934	153 452	35 922	34 223	1 192	1 865	10 262	26 444	3 300 050
Securities										
Trading	40 231	19 869	62 162	46 863	230 746	44 070	243 505	9 296	2 148 554	2 845 295
Other (net of impairment)	1 151 031	783 846	1 868 633	4 825 683	6 219 139	2 237 627	1 150 815	1 576 152	1 341 496	21 154 421
Investments associated to unit-linked products	-	-	-	-	-	-	-	-	672 176	672 176
Loans and advances to customers (gross)	5 167 107	5 552 759	6 444 088	4 754 675	16 056 120	11 470 048	17 743 423	25 333 335	(631 424)	91 890 131
Assets with repurchase agreement	47 182	44 029	32 308	192 375	970 352	1 190 319	402 496	3 506	-	2 882 567
Investments to be held up to maturity	108	703	1 838	77 354	50 605	248 587	54 676	32 605	(24 973)	441 505
Hedging derivatives	-	-	-	-	-	-	-	-	122 352	122 352
	<b>10 462 744</b>	<b>7 738 140</b>	<b>8 562 481</b>	<b>9 932 872</b>	<b>23 561 185</b>	<b>15 191 843</b>	<b>19 596 780</b>	<b>26 965 156</b>	<b>3 817 362</b>	<b>125 828 563</b>
<b>Liabilities</b>										
Resources of central banks and credit institutions	(3 149 334)	(1 627 300)	(1 830 178)	(82 678)	(6 785 364)	(93 873)	(771 861)	(8)	(77 411)	(14 418 007)
Customer resources	(24 520 605)	(9 345 127)	(10 991 965)	(7 010 266)	(15 728 617)	(3 906 612)	(959 729)	(2 506 901)	886 505	(74 083 316)
Liabilities associated with unit-linked products	-	-	-	-	-	-	-	-	(672 176)	(672 176)
Debt securities	(46 305)	(1 394 436)	(218 557)	(1 458 537)	(3 740 226)	(2 868 696)	(1 932 385)	(743 556)	(136 252)	(12 538 948)
Financial liabilities at fair value through profit or loss	(2 848)	(19 705)	(2 947)	-	(1 295)	-	(8 317)	-	(2 116 418)	(2 151 531)
Hedging derivatives	-	-	-	-	-	-	-	-	(73 551)	(73 551)
Subordinated liabilities	(108 672)	(7 773)	(869 288)	(58 097)	(1 096 774)	(1 091 983)	(84 812)	(136 395)	9 037	(3 444 756)
Consigned resources	(1)	(153 392)	(52 603)	(3 684)	(114 151)	(13 348)	(97 095)	(764 189)	(258)	(1 198 720)
	<b>(27 827 765)</b>	<b>(12 547 732)</b>	<b>(13 965 537)</b>	<b>(8 613 261)</b>	<b>(27 466 427)</b>	<b>(7 974 512)</b>	<b>(3 854 198)</b>	<b>(4 151 049)</b>	<b>(2 180 523)</b>	<b>(108 581 006)</b>
Derivatives	9 608	27 690	39 719	(25 688)	41 146	19 907	56 870	624 017	-	793 269
Difference	<b>(17 355 413)</b>	<b>(4 781 901)</b>	<b>(5 363 337)</b>	<b>1 293 922</b>	<b>(3 864 096)</b>	<b>7 237 238</b>	<b>15 799 451</b>	<b>23 438 124</b>	<b>1 636 839</b>	<b>18 040 826</b>

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
<b>Assets</b>										
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 (net of impairment)	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
Assets with repurchase agreement	155 143	101 548	103 269	123 701	1 104 950	1 535 206	478 934	70 460	(176 370)	3 496 842
Investments to be held up to maturity	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
	<b>11 939 930</b>	<b>9 502 607</b>	<b>10 671 710</b>	<b>8 389 724</b>	<b>22 238 268</b>	<b>17 082 041</b>	<b>22 171 541</b>	<b>25 516 615</b>	<b>3 768 063</b>	<b>131 280 500</b>
<b>Liabilities</b>										
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)
	<b>(34 473 375)</b>	<b>(13 685 767)</b>	<b>(14 374 662)</b>	<b>(9 510 076)</b>	<b>(19 478 942)</b>	<b>(11 437 544)</b>	<b>(4 115 700)</b>	<b>(4 377 895)</b>	<b>(2 847 155)</b>	<b>(114 301 117)</b>
Derivatives	1 024	(11 886)	8 278	49 566	21 232	(11 015)	(23 826)	(52 406)	-	(19 034)
Difference	<b>(22 532 422)</b>	<b>(4 195 046)</b>	<b>(3 694 675)</b>	<b>(1 070 786)</b>	<b>2 780 557</b>	<b>5 633 482</b>	<b>18 032 014</b>	<b>21 086 315</b>	<b>920 909</b>	<b>16 960 349</b>

The tables above comprise the estimated cash flows relative to principal and interest. Therefore, they cannot be compared with the accounting balances at 30 June 2012 and 31 December 2011.

Mortgage loans in what concerns the distribution of capital flows took into account the expectations relative to early repayment of contracts, based on the analysis of the historical information.

The following tables show the information relative to structural liquidity risk of CGD at 30 June 2012 and 31 December 2011. These tables differ from the previous ones in using the following assumptions:

- Term and savings deposits (CGD head office) – estimated terms other than residual periods to maturity were determined based on which the respective reclassification of balances by bucket, took place;
- Customer sight deposits – reclassification of core deposits (stable amount of sight deposits considering a broad historical horizon) from “up to 1 month” to “over 10 years”;
- Securities portfolio - reclassification of debt securities and shares considered to have high liquidity for the “up to 1 month” maturity period, except securities given as collateral, which were reclassified as “Unspecified”.

In addition, the amounts presented correspond to the capital balances not due and do not include estimated interest or accrued interest.

30-06-2012										
	Remaining maturity								Unspecified	Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years		
<b>Assets</b>										
Cash and cash equivalents at central banks	1 264 721	-	-	-	-	-	-	-	-	1 264 721
Cash balances at other credit institutions	1 092 367	-	-	-	-	-	-	-	162 737	1 255 104
Loans and advances to credit institutions	1 699 081	1 328 602	149 303	34 829	33 327	648	566	8 228	26 444	3 281 029
<b>Securities</b>										
Trading	639 279	2 937	7 919	6 470	30 862	1 738	3 737	33 464	2 034 761	2 761 168
Other (net of impairment)	4 486 975	135 079	289 041	825 390	915 124	337 067	195 292	212 839	12 092 514	19 489 320
Investments associated to unit-linked products	-	-	-	-	-	-	-	-	623 810	623 810
Loans and advances to customers (gross)	4 850 090	5 163 802	5 630 107	3 814 572	13 264 365	9 333 540	14 358 234	20 913 985	(631 424)	76 697 272
Assets with repurchase agreement	-	-	-	-	-	-	-	-	412 974	412 974
Investments to be held up to maturity	44 349	31 450	-	139 666	797 735	1 105 821	380 230	3 191	-	2 502 442
	<b>14 076 862</b>	<b>6 661 869</b>	<b>6 076 371</b>	<b>4 820 927</b>	<b>15 041 412</b>	<b>10 778 814</b>	<b>14 938 061</b>	<b>21 171 707</b>	<b>14 721 817</b>	<b>108 287 841</b>
<b>Liabilities</b>										
Resources of central banks and credit institutions	(3 147 607)	(1 593 859)	(1 803 473)	(60 498)	(6 503 965)	(12 534)	(751 720)	(8)	(77 411)	(13 951 076)
Customer resources	(7 234 596)	(8 298 270)	(7 875 016)	(7 207 017)	(19 497 342)	(5 781 632)	(3 299 468)	(11 594 177)	981 929	(69 805 590)
Liabilities associated with unit-linked products	-	-	-	-	-	-	-	-	(623 810)	(623 810)
Debt securities	(3 050)	(1 343 575)	(143 501)	(1 274 256)	(3 253 683)	(2 575 633)	(1 678 582)	(524 245)	(136 252)	(10 932 777)
Financial liabilities at fair value through profit or loss	(2 848)	(19 705)	(2 947)	-	(1 295)	-	(8 317)	-	(2 116 418)	(2 151 531)
Subordinated liabilities	(108 672)	(6 818)	(804 891)	-	(906 428)	(925 081)	(53 910)	(100 000)	9 037	(2 896 763)
Consigned resources	-	(151 139)	(50 676)	-	(100 000)	-	(65 000)	(748 232)	(258)	(1 115 304)
	<b>(10 496 773)</b>	<b>(11 413 366)</b>	<b>(10 680 504)</b>	<b>(8 541 771)</b>	<b>(30 262 713)</b>	<b>(9 294 881)</b>	<b>(5 856 998)</b>	<b>(12 966 664)</b>	<b>(1 963 183)</b>	<b>(101 476 852)</b>
Difference	<b>3 580 089</b>	<b>(4 751 497)</b>	<b>(4 604 133)</b>	<b>(3 720 843)</b>	<b>(15 221 300)</b>	<b>1 483 933</b>	<b>9 081 063</b>	<b>8 205 043</b>	<b>12 758 634</b>	<b>6 810 988</b>

31-12-2011										
	Remaining maturity								Unspecified	Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years		
<b>Assets</b>										
Cash and cash equivalents at central banks	2 703 874	-	-	-	-	-	-	-	-	2 703 874
Cash balances at other credit institutions	815 579	-	-	-	-	-	-	-	166 696	982 276
Loans and advances to credit institutions	2 505 088	774 336	1 472 124	73 559	24 474	7 730	469	2 841	86 564	4 947 186
<b>Securities</b>										
Trading	586 521	1 164	10 780	272	25 916	10 343	31 053	274	1 986 085	2 652 407
Other (net of impairment)	4 080 011	495 700	425 268	332 347	689 136	342 581	190 163	133 051	11 628 238	18 316 495
Investments associated to unit-linked products	-	-	-	-	-	-	-	-	584 879	584 879
Loans and advances to customers (gross)	4 310 840	4 717 217	5 274 772	4 843 259	12 630 456	10 486 904	15 743 971	19 966 180	18 564	77 992 162
Assets with repurchase agreement	-	-	-	-	-	-	-	-	777 954	777 954
Investments to be held up to maturity	148 544	68 054	76 604	66 325	896 130	1 408 744	426 786	42 598	(176 370)	2 957 414
	<b>15 150 458</b>	<b>6 056 471</b>	<b>7 259 548</b>	<b>5 315 762</b>	<b>14 266 111</b>	<b>12 256 301</b>	<b>16 392 442</b>	<b>20 144 943</b>	<b>15 072 610</b>	<b>111 914 646</b>
<b>Liabilities</b>										
Resources of central banks and credit institutions	(6 853 127)	(3 243 532)	(349 380)	(1 205 764)	(445 664)	(2 996 140)	(751 455)	-	14 718	(15 830 346)
Customer resources	(7 542 373)	(7 008 772)	(8 193 791)	(8 120 857)	(16 605 026)	(6 818 922)	(3 609 536)	(12 317 787)	136 534	(70 080 531)
Liabilities associated with unit-linked products	-	-	-	-	-	-	-	-	(584 879)	(584 879)
Debt securities	(1 026 668)	(767 381)	(2 451 250)	(178 848)	(4 836 562)	(3 154 200)	(1 503 382)	(486 271)	(213 895)	(14 618 458)
Financial liabilities at fair value through profit or loss	(2 056)	(1 630)	(85)	(2 534)	(549)	(1 879)	-	(1 677)	(1 908 078)	(1 918 488)
Subordinated liabilities	(110 710)	(9 697)	-	(952 245)	(906 308)	(25 535)	(3 910)	(100 000)	3 726	(2 104 678)
Consigned resources	-	-	-	(202 953)	(100 000)	-	(65 000)	(793 563)	(3 103)	(1 164 620)
	<b>(15 534 935)</b>	<b>(11 031 012)</b>	<b>(10 994 507)</b>	<b>(10 663 201)</b>	<b>(22 894 110)</b>	<b>(12 996 675)</b>	<b>(5 933 283)</b>	<b>(13 699 298)</b>	<b>(2 554 979)</b>	<b>(106 302 000)</b>
Difference	<b>(384 477)</b>	<b>(4 974 541)</b>	<b>(3 734 959)</b>	<b>(5 347 439)</b>	<b>(8 627 999)</b>	<b>(740 374)</b>	<b>10 459 159</b>	<b>6 445 645</b>	<b>12 517 631</b>	<b>5 612 647</b>

### 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 30 June 2012 and 31 December 2011:

	30-06-2012				
	Balances analysed			Balances not analysed	Total book value
	Book value	Fair value	Difference	Book value	
<u>Assets</u>					
Cash and cash equivalents at central banks	1 264 928	1 264 928	-	-	1 264 928
Cash balances at other credit institutions	1 257 410	1 257 410	-	109	1 257 519
Loans and advances to credit institutions	2 913 524	2 904 289	(9 235)	365 302	3 278 826
Held to maturity investments	2 502 442	2 442 248	(60 195)	-	2 502 442
Loans and advances to customers	76 000 582	72 212 692	(3 787 890)	1 518 765	77 519 347
	<b>83 938 886</b>	<b>80 081 566</b>	<b>(3 857 320)</b>	<b>1 884 176</b>	<b>85 823 062</b>

### Liabilities

Resources of central banks and other credit institutions	13 720 674	13 918 963	(198 289)	296 812	14 017 486
Customer resources	69 838 423	69 319 538	518 885	556 062	70 394 485
Debt securities	11 211 693	10 512 592	699 101	(61 660)	11 150 033
Subordinated liabilities	2 851 082	2 483 197	367 885	22 821	2 873 903
Consigned resources	1 115 282	1 132 923	(17 641)	23	1 115 304
	<b>98 737 154</b>	<b>97 367 212</b>	<b>1 369 941</b>	<b>814 057</b>	<b>99 551 211</b>

	31-12-2011				
	Balances analysed			Balances not analysed	Total book value
	Book value	Fair value	Difference	Book value	
<u>Assets</u>					
Cash and cash equivalents at central banks	2 704 482	2 704 352	(130)	-	2 704 482
Cash balances at other credit institutions	818 805	818 805	-	167 391	986 197
Loans and advances to credit institutions	4 700 508	4 724 150	23 642	255 611	4 956 118
Held to maturity investments	2 837 379	2 426 254	(411 125)	-	2 837 379
Loans and advances to customers	75 539 082	71 696 202	(3 842 879)	2 708 544	78 247 625
	<b>86 600 255</b>	<b>82 369 763</b>	<b>(4 230 491)</b>	<b>3 131 546</b>	<b>89 731 801</b>

### 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
	<b>102 487 683</b>	<b>99 908 372</b>	<b>2 579 311</b>	<b>2 124 107</b>	<b>104 611 790</b>

Fair value was determined using the following assumptions:

- The book value of balances payable/receivable on demand corresponds to their fair value;
- For listed Caixa's issues whose prices were considered to have a liquid amount, the fair value corresponds to the respective market price;
- Caixa determined the fair value of the remaining instruments using discounted cash flow models, for both fixed and variable interest rate instruments. For this purpose, the discounted cash flow models take into account the contractual terms of the operations and the appropriate interest rates given the type of instrument, including:
  - Market interest rates for applications and resources of other credit;
  - Market interest rates incorporating average spreads on Caixa's loan operations occurred in June 2012 and December 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 30 June 2012 and 31 December 2011 can be summarised as follows

	30-06-2012			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held for trading	526 413	121 089	-	647 502
Securities at fair value through profit or loss (*)	988 906	186 001	175 045	1 349 951
Available-for-sale financial assets	8 730 637	8 909 879	318 905	17 959 421
Assets with repurchase agreement	100 150	312 824	-	412 974
Trading derivatives	8 727	(45 505)	-	(36 778)
Hedging derivatives	-	48 801	-	48 801
	<b>10 354 832</b>	<b>9 533 090</b>	<b>493 950</b>	<b>20 381 872</b>

(\*) 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	
Securities held for trading	542 755	133 721	-	676 477
Securities 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
	<b>10 004 043</b>	<b>9 149 271</b>	<b>508 997</b>	<b>19 662 312</b>

(\*) The amounts presented exclude loans and other receivables



In producing the table above, the following assumptions were used:

- **Level 1 – Market quotations** – this column comprises financial instruments measured on the basis of active market quotation;
- **Level 2 – Measurement techniques** – market inputs – this column comprises financial instruments measured on the basis of internally developed models using market inputs (interest rates, foreign exchange rates, risk ratings awarded by external entities, other) and reference bid prices obtained from external counterparties;
- **Level 3 – Other measurement techniques** – this column comprises financial instruments measured on the basis of internally developed models on non-observable market parameters.

In the first half 2012, the changes in the financial instruments classified in column “Other measurement techniques” are as follows:

30-06-2012							
	Securities 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	7 338	-	7 338	4 248	467	4 716	12 054
Sales	-	-	-	(16 442)	(8 345)	(24 787)	(24 787)
Gains / (losses) recognised as a charge to results - portfolio instruments	(1 685)	28	(1 656)	205	(114)	91	(1 566)
Impairment for the period	-	-	-	1 567	-	1 567	1 567
Gains / (losses) recognised as a charge to fair value reserves	-	-	-	(4 634)	374	(4 259)	(4 259)
Other	2 298	-	2 298	22	(377)	(355)	1 943
Book value (net) at 30-06-2012	164 996	10 049	175 045	269 596	49 307	318 905	493 950

At 30 June 2012 and 31 December 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 171 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 (external counterparties market).

#### Debt instruments of financial and non-financial entities

Whenever possible, securities are valued at market prices, in accordance with an algorithm developed internally. This algorithm searches for the most appropriate price for each security in accordance with a hierarchy of contributors defined internally by CGD. Price changes are analysed on a daily basis in order to monitor the quality of the prices used.

There are some securities for which market prices cannot be obtained: assets classified in levels 2 and 3 of the fair value hierarchy. The price of these securities can be obtained by resorting to internal/external theoretical measurements. In general, the valuations include the discount of estimated future cash flows. This estimate can be the result of a more or less complex model ranging from the simple discount of cash flows resulting from forward rates (based on the most appropriate interest rate curve, which in turn is constructed by resorting to money market rates and swaps rates, the money market part being adjusted to interest rate future prices) to a CLO (collateralised loan obligations) cascade payment (an estimate made based information disclosed by Investor Reports).

For discount purposes, internal valuations use a listed credit curve referring to the currency/sector/rating trinomial of the issue in order to consider the risk for each issue. The separation between levels 2 and 3 basically refers to the origin of the rating considered: level 2 for ratings from agencies, level 3 for internal rating.

Internal ratings are only used where there is no risk classification for the issue, issuer or guarantor. Level 2 also includes the valuations granted by the stucturers, issuers or counterparties (external measurements).

In general, inputs used in internal measurements are obtained through Bloomberg and Reuters systems.

Interest rate curves are calculated based on money market interest rates and swaps curves. In the case of EUR, GBP and USD interest rates curves, an adjustment is made using the market price of interest rate futures.

#### Equity instruments held in venture capital business

Unlisted own equity instruments held in the venture capital business are valued based on the following criteria:

- i) Prices of significant transactions made by independent entities in the last six months;
- ii) Multiples of companies deemed comparable in terms of business sector, size and profitability;
- iii) Discounted cash flows;
- iv) Settlement value corresponding to the net value of the investee's assets;
- v) Acquisition cost (only in the case of participations acquired in the twelve month period prior to the valuation date).

At 30 June 2012, the values of the credit curves of the currencies with greater exposure, were as follows:

	EUR	USD	GBP
Overnight	0.3250	0.3500	0.6250
1 month	0.3200	0.5800	0.7350
2 months	0.3944	0.7400	0.8850
3 months	0.4640	0.7937	0.9735
6 months	0.6752	0.6273	0.8762
9 months	0.6612	0.5873	0.8332
1 year	0.7136	0.5733	0.8031
2 years	0.8547	0.5420	0.9730
3 years	0.9509	0.6240	0.9913
5 years	1.3013	0.9595	1.2555
7 years	1.6368	1.3390	1.6097
10 years	1.9836	1.7615	2.0978
15 years	2.2844	2.1750	2.5457
20 years	2.3050	2.3420	2.7841
25 years	2.2969	2.4260	2.9088
30 years	2.2886	2.4760	2.9652

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 30 June 2012 the values of the credit curve of the Portuguese and German governments were as follows:

	Portuguese Government	German Government
3 months	1.6491	0.0332
6 months	2.2366	0.0350
9 months	3.1231	0.0319
1 year	4.0409	0.0288
2 years	7.3655	0.1118
3 years	8.0965	0.2256
5 years	9.6975	0.6712
7 years	10.3342	1.1083
10 years	10.0061	1.5964
15 years	9.9598	2.3226
20 years	9.7212	2.3615
25 years	9.5091	2.3694
30 years	9.4802	2.3600

The values of the European Central Bank fixing are used in foreign exchange rates. The following table presents the foreign exchange rates of some of the relevant currencies at 31 December 2011 and June 2012:

EUR/USD	1.259
EUR/GBP	0.8068
EUR/CHF	1.203
EUR/AUD	1.2339
EUR/JPY	100.13
EUR/BRL	2.5788

### 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.
- . Sensitivity analysis to all financial instruments sensitive to interest rate risk recorded in the separate financial statements of CGD;
- . Sensitivity analysis to all financial instruments with optionality;
- . Stress Tests.

### VaR analysis – Market Risk

The VaR corresponds to an estimate of maximum potential loss for a certain portfolio of assets in a given period of time and considering a given confidence level assuming normal market patterns.

The methodology used is the historical simulation, i.e. future events are totally explained by past events based on the following assumptions:

- period of time: 10 days (investment portfolio) and 1 day (trading portfolio and treasury management);
- confidence level: 99% (investment portfolio) and 95% (trading portfolio and treasury management);
- price sample period: 720 calendar days
- decay factor =1, which means that past observations all have the same weight.

Regarding options, the theoretical price is calculated through the use of adequate models and applying the implicit volatility. Given the methodology used, calculation for correlations is not made; i.e. correlations are empirical.

At 30 June 2012, VaR can be broken down as follows (amounts in thousand of Euro):

### Trading portfolio (VaR 95%, 1 day)

	30-06-2012			Dec-11
	Jun-12	Maximum	Minimum	
VaR by type of risk				
Interest rate	14 980	16 737	4 354	4 576
Foreign exchange rate	143	4 755	20	28
Price	417	1 968	116	186
Volatility	-	1	-	-
Diversification effect	(554)	-	-	(232)
	<b>14 986</b>	<b>17 305</b>	<b>4 391</b>	<b>4 559</b>

### Treasury management (VaR 95%, 1 day)

	30-06-2012			Dec-11
	Jun-12	Maximum	Minimum	
VaR by type of risk				
Interest rate	9 988	10 068	3 992	5 779
Foreign exchange rate	2 176	6 255	1 185	6 230
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	(3 233)	-	-	(4 932)
	<b>8 931</b>	<b>8 931</b>	<b>4 206</b>	<b>7 076</b>

### Investment portfolio (VaR 99%, 10 days)

	30-06-2012			Dec-11
	Jun-12	Maximum	Minimum	
VaR by type of risk				
Interest rate	101 774	101 774	14 265	22 517
Foreign exchange rate	732	1 231	304	798
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	(922)	-	-	(527)
	<b>101 584</b>	<b>101 584</b>	<b>13 922</b>	<b>22 788</b>

### Own portfolio (VaR 99%, 10 days)

	30-06-2012			Dec-11
	Jun-12	Maximum	Minimum	
VaR by type of risk				
Interest rate	438	452	313	326
Foreign exchange rate	604	9 479	72	502
Price	4 317	4 390	3 582	3 606
Volatility	-	-	-	-
Diversification effect	(1 141)	-	-	(917)
	<b>4 219</b>	<b>11 331</b>	<b>3 546</b>	<b>3 517</b>

Total VaR refers to the joint effect of interest rate, price, foreign exchange rate and volatility.

#### 40. 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.

### 16. EBA REPORTS

#### ADOPTION OF FINANCIAL STABILITY FORUM (FSF) AND COMMITTEE OF EUROPEAN BANKING AUTHORITY (EBA) RECOMMENDATIONS ON TRANSPARENCY OF INFORMATION AND ASSETS MEASUREMENT

Bank of Portugal Circular Letter 97/2008/DSB of 03 December

I.	Business Model
1.	<p>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);</p> <p>See Board of Directors' Report 2011 - Chapters:</p> <ul style="list-style-type: none"> <li>- Introductory Note</li> <li>- Strategy and Business Model</li> </ul> <p>See Corporate Governance Report</p>
2.	<p>Description of strategies and objectives (including strategies and objectives specifically related with securitisation operations and structured products);</p> <p>See I.1 above.</p> <p>See Board of Directors' Report 1<sup>st</sup> half 2012 – Chapters:</p> <p>Financial Analysis – Balance Sheet Evolution (on securitisation operations)</p> <p>See Annex to the Consolidated Financial Statements: Notes 13,21 and 24.</p>
3.	<p>Description of the importance of the activities performed and their respective contribution to the business (including a quantitative approach);</p> <p><b>Board of Director's Report 2011:</b> See Board of Directors' Report – Chapter: Strategy and Business Model</p> <p><b>Board of Director's Report – 1st half 2012:</b> See Board of Directors' Report – Chapter: Main Business Area Developments Financial Analysis – Results and Profitability See Notes to the Consolidated Financial Statements: Note 27 Note 38</p>
4.	<p>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;</p> <p>See items I.1 to I.3 above.</p> <p>See Board of Directors' Report 2011 – Chapter on Risk Management.</p> <p><b>Board of Director's Report – 1st half 2012</b> See Note 2.8. of the Annex to the Consolidated Financial Statements.</p>



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.
<b>II. Risks and Risk Management</b>		
6.	Description of the nature and amplitude of the risks incurred on activities performed and instruments used;	<p><b>See Board of Directors' Report 2011:</b></p> <ul style="list-style-type: none"> <li>– Chapter on Risk Management.</li> </ul> <p>See Annex to the Consolidated Financial Statements:</p> <ul style="list-style-type: none"> <li>– Note 44: containing a detailed description of the financial risk management policies inherent to the group's activity, the monitoring thereof, maximum exposure to credit risk, credit quality, liquidity risk, interest rate risk, foreign exchange risk, market risk and VaR analyses and sensitivity to interest rate</li> <li>– Note 45: describing risk management for Insurance and Reinsurance</li> </ul>
7.	Description of risk management practices relevant to the activities (particularly including liquidity risk in the present context), description of any fragilities/weaknesses identified and the corrective measures taken;	See II.6 above.
<b>III. Impact of period of financial turmoil on results</b>		
8.	A qualitative and quantitative description of the results, particularly losses (when applicable) and impact of write-downs on results;	<p><b>Board of Director's Report – 1st half 2012:</b></p> <ul style="list-style-type: none"> <li>– Financial Analysis – Results and Profitability</li> </ul> <p>See Notes 6, 8 and 18 of Annex to the Consolidated Financial Statements.</p>
9.	Breakdown of write-downs/losses by types of products and instruments affected by the period of turmoil, namely: commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised debt obligations (CDO), asset-backed securities (ABS);	<p><b>Board of Director's Report – 1st half 2012:</b></p> <p>See Note 39 of Annex to the Consolidated Financial Statements.</p>

10.	Description of the reasons and factors responsible for the impact;	<b>Board of Director's Report – 1st half 2012:</b> – 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: – Macroeconomic background – Financial Analysis Results and Profitability 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.

III. Impact of period of financial turmoil on results		
12.	Breakdown of “write-downs” between realised and unrealised amounts;	<b>Board of Director's Report – 1st half 2012:</b> See items III.8 to III.10 above, particularly Note 39 of the Annex to the Consolidated Financial Statements Annex to the Consolidated Financial Statements: Note 32
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;	<b>Board of Director's Report – 1st half 2012,</b> particularly the Chapter on Financial Analysis– Principal Risks and Uncertainties in 2 <sup>nd</sup> half 2012 See item III.10 above.
15.	Disclosure of impact of the evolution of the spreads associated with the institution's own liabilities on results in addition to the methods used to determine this impact;	<b>Board of Director's Report – 1st half 2012:</b> – 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;	<b>See Board of Directors' Report 2011:</b> – Risk Management. <b>Board of Director's Report – 1st half 2012:</b> See Annex to the Consolidated Financial Statements: – Note 2.8 – Note 39, setting out a comparison between the fair and book value of assets and liabilities recognised at amortised cost.

IV. Levels and types of exposures affected by the period of turmoil		
17.	Information on credit risk mitigating factors (e.g. credit default swaps) and respective effect on present exposures;	<p><b>See Board of Directors' Report 2011:</b></p> <p>See Notes to the Consolidated Financial Statements: Notes 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.).</p> <p><b>Board of Director's Report – 1st half 2012:</b></p> <p>See Notes to the Consolidated Financial Statements: Note 2.8, describes the accounting policies for derivatives and hedge accounting.</p> <p>Note 11</p> <p>Note 39</p>
18.	<p>Detailed disclosure of exposures, broken down by:</p> <ul style="list-style-type: none"> <li>- Level of seniority of exposures/tranches held;</li> <li>- Level of credit quality (e.g. ratings, vintages);</li> <li>- Geographic areas of origin;</li> <li>- Sector of activity;</li> <li>- Origin of exposures (issued, retained or acquired);</li> <li>- Product characteristics: e.g. ratings, weight/proportion of associated sub-prime assets, discount rates, spreads, finance;</li> <li>- 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.</li> </ul>	<p><b>Board of Director's Report – 1st half 2012:</b></p> <p>See Board of Directors' Report:</p> <p>Annex to the Consolidated Financial Statements (Note 39).</p>
19.	Movements occurring in exposures between relevant reporting periods and reasons underlying such changes (sales, write-downs, purchases, etc.)	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.	<p>Exposure to monoline type insurance companies and quality of insured assets:</p> <p>Nominal amount (or amortised cost ) of insured exposures in addition to the amount of credit protection acquired;</p> <p>Fair value of "live" exposures and respective credit protection;</p> <p>Value of write-downs and losses, split up between realised and unrealised amounts;□</p> <p>Breakdown of exposures by rating or counterparty</p>	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;	<b>Board of Director's Report – 1st half 2012:</b> 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);	<b>Board of Director's Report – 1st half 2012:</b>  See Notes 7 and 39 of the Annex to the Consolidated Financial Statements.  See item IV.16 above, particularly the presentation of the determination of the fair value of the financial instruments.
25.	Description of modelling techniques used to value financial instruments, including information on:  - Modelling techniques and instruments on which they are applied;  - Valuation processes (particularly including the assumptions and inputs upon which the models are based);  - Types of adjustment applied to reflect the modelling risk and other valuation uncertainties;  - Sensitivity of fair value (namely changes to assumptions and key inputs);  - Stress Scenarios.	<b>Annual Report 2011:</b>  See Notes to the Consolidated Financial Statements: Notes 44 and 45  <b>Board of Director's Report – 1st half 2012:</b> See Notes to the Consolidated Financial Statements: Note 2.8, , setting out information and processes applied by CGD in the valuation of financial instruments

VI.	Other relevant disclosure aspects
26.	<div> <p>Description of disclosure policies and principles used for reporting disclosures and financial reporting.</p> </div> <div> <p><b>Board of Director's Report – 1st half 2012:</b></p> <p>See Note 2 of the Annex to the Consolidated Financial Statements.</p> </div>