CAIXA GERAL DE DEPÓSITOS GROUP CONSOLIDATED OPERATIONS

31 DECEMBER 2012

Unaudited accounts

www.cgd.pt

Caixa Geral de Depósitos

Caixa Geral de Depósitos, S.A. • Head Office: Av. João XXI, 63 – 1000-300 Lisboa
Share Capital EUR 5,900,000,000 • Registered with the Lisbon Companies Registry and Tax Payer no. 500 960 046

1 – Highlights

Results – December 2012

Caixa Geral de Depósitos Group has furthered its financing policy for the Portuguese economy in a framework of greater financial strength and progressive improvement in liquidity, particularly sustained by its continued increase in savings-taking operations.

1. The Group's **gross operating income,** in 2012, was up 6.5% to EUR 1 212.1 million, owing to a slight 0.6% growth of **net operating income from banking and insurance operations**, for the year to EUR 2 930.2 million, in conjunction with a continuing decline of **operating costs**, which were once again down, this time by 3.2%.

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

3. There was a significant growth of 56.1% in **non-interest income** over 2011 to EUR 954.4 million owing to the highly favourable performance of EUR 357.1 million in **income from financial operations**, in December, against losses of EUR 24.8 million in 2011.

4. The **Credit Impairment net of reversals** was up 22.1% to 1,008.6 million euros, reflecting the persistent difficulties of Portuguese economic framework. Additionally CGD recorded an amount of 537.9 million euros of Provisions and Impairment of Other Assets (net).

   The significant increase of Credit Impairments, recorded as cost of the exercise due to a prudent provisioning policy in a context of strong economic slowdown, penalizing CGD Group **Consolidated net income**, which recorded a negative amount of 394.7 million (which represents an improvement of 93.7 million euros compared to the figures recorded in 2011). The **Income before Tax and Non-controlling Interest** was -357.0 million euros, representing an increase of 188.1 million compared with 2011.

5. **Operating costs** for domestic banking operations continue to decline (-9.6%), largely on account of the evolution of employee costs, which were down once again and this time by 12.7%. Caixa has continued to implement a policy of rationalising its operations and increasing its measurable efficiency in a favourable evolution of its respective indicators, notably the Group's **cost-to-income** which, in spite of the reduction of income, was down from 60.8% in December 2011 to 58.6%.

6. The Group increased its **shareholders’ equity** by 37.3% (EUR 1,987.0 million) during the year, in spite of the negative net income, to EUR 7,310.9 million at the end of 2012, based on a EUR 750 million increase in share capital under CGD's Recapitalisation Plan last June and the significant recovery of EUR 1,910.2 million

in fair value reserves.

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

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

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

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

9. **Loans and advances to customers,** at the end of the year, were down 4.5% over the preceding year to EUR 74.7 billion. This reflected the Portuguese economy's recessionary context and subsequent adjustment of several companies' management models. In 2012, 2079 new customers integrated Caixa Empresas service model, with an increase of EUR 64.9 million in this segment turnover.

   CGD corporate market share was 17.2% at the end of November, representing an increase of 0.8 p.p. compared with december 2011. This market share has increased about 2 p.p. in the last 3 years.

   CGD's commitment to promoting good SMEs placed it 2nd in the ***PME Excelência*** ("SME Excellence") ranking in 2012, as the only TOP 4 bank to enjoy positive evolution while, in parallel, retaining 2nd place in the ***PME Líder*** ("Leading SME") ranking.

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

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

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

    Caixa returned to the market in January 2013, this time with a covered bonds issue of EUR 750 million with a maturity of 5 years, with a coupon rate of 3.75%, on the back of order book exceeding five times the offer. The issue attracted around 200 investors, 90% of which from abroad. Caixa paved the way for other Portuguese bonds to tap the covered bond market, which represented a significant medium and long term funding source until 2010.

13. **Borrowings from the ECB** continued to decline from EUR 9 billion to EUR 6.95

billion, respectively at the end of 2011 and 2012. The gradual improvement in the liquidity situation, associated with continued endeavours to encourage savings, together with an active balance sheet management policy and growing use of alternative financing sources should make it possible for access to the ECB to be desirably less important in terms of the Group's resources structure. Notwithstanding, the pool of unused eligible assets closed the year at EUR 9,755 million, almost double the EUR 5,391 million available in December 2011.

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

In a context in which poor credit performance is expected to persist in the near future, CGD has been adopting a new approach to its corporate business and sectors which, in the current environment, find themselves more vulnerable and at risk. CGD's corporate customers now have a structural body specifically dedicated to this segment in the form of its **Corporate Monitoring Division ("DAE").**

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

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

The contribution of the Africa, Asia and Brazil affiliates to the consolidated result in 2012 reached EUR 82.5 million, which represents an increase of 42.7% compared to 2011.

Not considering the Spanish market, which strategically is an integral part of the Group's domestic activity, the result of international activity was positive, EUR 99.4 million, showing a growth of 13.7% compared with the previous year.

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

In this context, the contribution of the international activity to the consolidated net income in 2012, was negative EUR 41.7 million.

2 – Key Indicators

(EUR million)

RESULTS	Dec/11 (*)	Dec/12	Change
Net interest income	1,685.5	1,343.7	-20.3%
Net interest income including income from equity investments	1,832.2	1,462.7	-20.2%
Commissions (net)	505.0	508.6	0.7%
Non-interest Income	611.3	954.4	56.1%
Technical margin on insurance operations	469.8	513.1	9.2%
Net operating income from banking and insurance operations	2,913.4	2,930.2	0.6%
Operating costs	1,775.7	1,718.0	-3.2%
Gross operating income	1,137.7	1,212.1	6.5%
Income before tax and non-controlling interest	-545.1	-357.0	
Net income	-488.4	-394.7	
BALANCE SHEET			
Net assets	120,642	116,926	-3.1%
Cash and loans and advances to credit institutions	8,648	5,426	-37.3%
Securities investments	24,398	28,188	15.5%
Loans and advances to customers (net)	78,248	74,714	-4.5%
Loans and advances to customers (gross)	81,631	78,903	-3.3%
Central banks' and credit institutions' resources	15,860	12,243	-22.8%
Customer resources	70,587	71,404	1.2%
Debt securities	14,923	10,591	-29.0%
Technical provisions for insurance operations	4,611	4,224	-8.4%
Shareholders' equity	5,324	7,311	37.3%
RESOURCES TAKEN FROM CUSTOMERS	86,051	89,317	3.8%
PROFIT AND EFFICIENCY RATIOS			
Gross return on equity - ROE (1) (2)	-8.13%	-5.51%	-
Net return on equity - ROE (1)	-6.40%	-5.35%	-
Gross return on assets - ROA (1) (2)	-0.44%	-0.30%	-
Net return on assets - ROA (1)	-0.35%	-0.29%	-
Cost-to-income (consolidated) (2)	60.8%	58.6%	-
Cost-to-income (banking activity) (2)	60.7%	58.5%	-
Employee costs / Net operating income (2)	32.1%	31.0%	-
Operating costs / Average net assets	1.44%	1.45%	-
Net operating income / Average net assets (2)	2.36%	2.47%	-

(%)

CREDIT QUALITY AND COVER LEVELS	Dec/11 (*)	Dec/12	Change
Overdue credit / Total credit	3.9%	5.7%	-
Credit more than 90 days overdue / Total credit	3.6%	5.3%	-
Non-performing credit / Total credit (2)	4.3%	6.4%	-
Non-performing credit (net) / Total credit (net) (2)	0.2%	1.1%	-
Credit at risk / Total credit (2)	6.9%	9.4%	-
Credit at risk (net) / Total credit (net) (2)	2.9%	4.3%	-
Overdue credit coverage	105.0%	92.9%	-
Credit more than 90 days overdue coverage	116.5%	100.6%	-
Credit impairment (P&L) / Loans and adv. to customers (av. balance)	0.97%	1.24%	-
STRUCTURE RATIOS			
Loans and advances to customers (net) / Net assets	64.9%	63.9%	-
Loans and advances to customers (net) / Customer deposits (2)	122.2%	114.0%	-
SOLVENCY RATIOS			
Solvency (2)	11.6%	13.6%	-
Tier 1 (2)	9.0%	11.2%	-
Core Tier 1 (2)	9.5%	11.6%	-
Core Tier 1 (EBA)	-	9.5%	-

(1) Considering average shareholders' equity and net assets values (13 observations).
(2) Ratios defined by the Bank of Portugal (Instruction no. 23/2012).
(*) Pro forma accounts, considering the figures involving Caixa Seguros e Saúde, SA’s healthcare area as a non-current asset held for sale.

3 – Economic-Financial Background

The world economy continued to expand, in 2012, albeit slowing for a second successive year. As in the preceding year a strong rate of first half growth was followed in the second half by a cooling of activity, both in the case of developed and emerging economies.

Further slowdown in worldwide growth

2012 was marked by the propagation of the sovereign debt crisis in Europe, following the spread of contagion to Italian and Spanish debt, made even worse by the existence of political uncertainties in several countries, the request for assistance for Spain's financial sector and the need to approve a new financial assistance package for Greece. With fears of investors, over the worsening situation of the public finances heightening up to the middle of the year, several governments were once again forced to reinforce austerity measures.

Slightly higher than expected rate of expansion in the US

Government and central banks' officers continued to implement measures designed to stabilise the financial markets and boost economic activity in 2012. Such measures triggered a more favourable evolution of sentiment in the second half of the year.

A certain slowdown in the emerging economies

In Europe, reference should be made to the new commitments designed to reinforce the coordination of economic policies, fiscal control and expansion of the intervention powers of financial stabilisation mechanisms, this time relative to the banking sector, in which the first steps were taken to create a single banking supervision mechanism.

Higher growth rates in the Asian bloc, with a fresh acceleration of GDP in China in the last quarter of the year

In terms of monetary policy, reference should be made to the introduction of fresh stimuli in the form of the European Central Bank's (ECB's) announcement of the implementation of the OMT - Outright Monetary Transactions programme, the central bank's new debt market intervention programme and decision to reduce the key reference rate to a minimum of 0.75% in July and its second liquidity injection operation with a maturity of 3 years.

Moderating inflation rates

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

Further contraction in the euro area, in 2012 (-0.4% according to IMF)

Notwithstanding, over the course of the year, the economic growth estimates produced by international institutions such as, inter alia, the IMF and OECD were successively revised downwards, in conformity with the worsening economic indicators in many regions of the globe. The IMF, in the most recent (September) issue of its World Economic Outlook estimated world growth of 3.3%, in 2012, as opposed to the 3.5% forecast published in its April report. Also at the end of 2012, the IMF issued a warning of the fact that the diverse risks, whether fiscal, or financial, were higher than noted six months previously.

Propagation of sovereign debt crisis in Europe

According to the said institution, growth in the Euro Area (EA) in 2012 once again contracted, this time by -0.4%, with the economy sliding back into recession for the second time in four years. The retraction was mainly based on domestic demand.

On the negative side, reference should be made to contraction in the performance of the peripheral economies. The other EA member states, particularly the major players, albeit enjoying growth, also recorded strong slowdowns. Unemployment in the region continued to rise in 2012, with an unemployment rate of 11.8% close to the end of the year. This was its highest level since Summer 1990.

In the USA and notwithstanding the growth of uncertainty related with the forecast of strong fiscal adjustment measures in 2013, growth made a positive contribution to investor sentiment, with a slightly stronger rate of expansion of activity than initially expected. Particularly noticeable was the substantial improvement in the housing market, both in terms of prices and sales.

Although the emerging economies posted higher growth levels, they also recorded a certain slowdown during the course of 2012, particularly in the second half of the year. This was partly the result of the weakness of its main trading partners and partly due to last year's implementation of macroeconomic containment policies to avoid inflationary pressures. The monetary policies of many such economies were once again subject to adjustment, in 2012, albeit this time with a more expansionary stance.

The highest rates of growth were once again witnessed in the Asian bloc. Investors centred their attention both on China which, following three quarters of strong deceleration, resumed strong growth in the last three months of the year and on Japan, in which activity once again slipped into the red.

Reference should also be made to the performance of the Brazilian economy, whose expansion was lower than expected. The Central Bank of Brazil was particularly in evidence, having announced seven reductions of its key reference rate, with the government, in turn, having announced new measures designed to boost consumption and investment.

In 2012, a moderating inflation trend posed no obstacle to the implementation of economic stimulus measures, whereas expectations regarding the evolution of price levels remained anchored.

Inflation in the EA, measured by the HICP (Harmonised Index of Consumer Prices) posted an average rate of change of 2.5%, in comparison to 2.7% in 2011, with the main contribution having been made by energy prices.

Portugal

Continuation of the Portuguese economy's adjustment process

Reduction of 3% in economic activity in the first three quarters

Exports up 9.3%

Imports down 3.0%

2.8% inflation in first 11 months

Unemployment rate increases to 15.8% in the third quarter

Adjustment of balance sheets and higher solvency levels in the banking sector

The Portuguese economy continued to be affected by the adjustment process, during the course of 2012. This took the form of a reduction of the net borrowing requirements of diverse sectors of the economy, as well as adjustments to banks' balance sheets based on higher solvency ratios and a reduction of loans-to-deposits ratios.

Economic activity in the first three quarters of 2012 was down 3.0%, compared to the same period In 2011. This fall resulted from the negative contribution made by domestic demand, notwithstanding the good performance of net exports.

In spite of the world economic slowdown, exports were up 9.3%. On the other hand, the contraction of domestic demand led to a drop of -3.0% in imports.

The inflation rate, in the first 11 months of 2012, was 2.8%. This was partly the result of the higher prices of energy and the increase in various indirect taxes, notably VAT.

In terms of the labour market, the unemployment rate in the third quarter was 15.8%, with a total number of 870,900 people out of work.

4 – Evolution of CGD Group

CGD Group continued to focus on its banking activity, in 2012, notably outside the European area and to reduce its exposure to other activities/sectors.

CGD sold 33,181,144 ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. shares, comprising 10.735% of Zon's share capital to the Amsterdam headquartered Jadeium B.V. company in June. CGD also sold the full amount of its 9.6% equity investment in Cimpor to Intercement in June. In August, it sold the full amount of its 1.5% equity investment in Brisa to Tagus, pursuant to its launch of a take-over bid.

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

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

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

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

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

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

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

These sales enabled Caixa to make significant progress in essentially concentrating on its

CGD Group continues to focus on its banking activity and reducing its exposure to other activities/sectors

Merger between Companhia de Seguros Fidelidade-Mundial, S.A. and Império Bonança-Companhia de Seguros, S.A. in the insurance area

Caixa Seguros e Saúde formalises the sale of 100% of the shareholders' equity of HPP - Hospitais Privados de Portugal, SGPS, SA to Amil Participações, S.A. for EUR 85.6 million, including debt

banking business while simultaneously rationalising its international presence.

Prizes and Distinctions

Various distinctions were awarded to CGD for its activities in 2012, particularly:

Various distinctions were awarded to CGD in 2012:

- ***Trustworthy Banking Brand***
- ***Most valuable Portuguese Banking Brand***
- ***Excelence Brand***
- ***Most sustainable financial Group in Portugal***

CGD Brand

- **Trustworthy Banking Brand**

  In “Marcas de Confiança” (Trustworthy Brands) survey and study, Caixa Geral de Depósitos Brand was selected for the 12th consecutive year (2000-2012).

- **Most Valuable Portuguese Banking Brand - Brand Finance Banking 500 Ranking**

  CGD was, in 2012 and for the 5th consecutive time, selected as the "Marca Bancária Portuguesa Mais Valiosa de Portugal" (Most Valuable Portuguese Banking Brand), worth EUR 381 million.

- **Superbrands – Excellence Brand**

  Recognised by the Portuguese and Superbrands specialists, CGD has consolidated its national and international position and has been distinguished for the 5th consecutive time (2008 to 2012) as an "Marca de Excelência" (Excellence Brand).

- **"Marcas que Marcam" (Distinctive Brands)**

  CGD was the winner of the “Banks” and "Credit and Debit Cards” categories as defined by QSP Consulting.

Sustainability

- **Oekom Ranking – Prime Companies**

  CGD was awarded “Prime” status, putting it on a par with international companies with less social and environmental risk associated with their activity.

- **The New Economy – Most Sustainable Financial Group in Portugal**

  CGD, in 2012, was the winner of the “Most Sustainable Financial Institution in Portugal” award, for the 2nd consecutive time.

- **Carbon Disclosure Project - CPLI Member and TOP 4 Iberia** (Low Carbon Economy and Climate Change)

  CGD achieved the highest (A) performance ranking and was included in the Carbon Performance Leadership Index (CPLI).

  CGD was listed in this index in 2012 having achieved the best performance of financial sector entities in Iberian Peninsula. This was the first time a Portuguese company was listed in CPLI.

Customer Publishing (in-house communication)

- **"Nós Caixa", best Newsletter, APCE Grand Prix 2012.**

Digital Communication

- **www.cgd.pt – the only site in Portugal to achieve the highest accessibility rating** (W3C) and the financial domain with the largest number of unique visitors.
- **"Plano Automático de Poupança" (Automatic Savings Plan) Campaign**

  Best digital media plan, SAPO 2012 Prizes
- **"Plano Automático de Poupança" Campaign – Savings Calculator**

  Silver Prize awarded by SAPO 2012

Campaigns

- **“Residentes no Estrangeiro” (Residents Abroad)** – Bronze Prize awarded by "Prémios Eficácia"

5 – Financial Analysis - Consolidated Operations

Strategic framework centred on:

- ***Increase in savings-taking operations***
- ***Increased solvency and liquidity***
- ***Financing the economy***
- ***Continuation of efficiency improvements***

6.3% increase in gross operating income deriving from:

- ***A marked increase in income from financial operations***
- ***A slight increase in net operating income from banking and insurance operations***
- ***Significant reduction of operating costs***

Reduction in provisions and impairment although they still remain very high

Consolidated net losses of EUR 394.7 million

Summary

Results

CGD Group continued to operate, in 2012, in a strategic framework which remained geared to promoting savings, improving efficiency levels, solvency and liquidity and no less importantly, meeting the economy's borrowing requirements. In such circumstances and notwithstanding the fact that the economy continues to be affected by persistent difficulties and uncertainties, CGD's banking operations continued to enjoy high performance levels, translating into a slightly positive EUR 16.8 million evolution of net operating income from banking and insurance operations over the preceding year. This was accompanied by a new, visible 3.2% decline of EUR 57.6 million in operating costs enabling gross operating income to achieve a marked 6.5% growth to EUR 1 212.1 million in December.

Reference should be made to the good performance of non-interest income, in which financial operations contributed EUR 357.1 million at the end of December.

GROSS OPERATING INCOME OF CGD GROUP'S MAIN BUSINESS AREAS

(EUR million)

	Dec/11	Dec/12	Change
Domestic commercial banking	585.8	640.7	9.4%
International operations	256.5	260.2	1.4%
Insurance operations	260.8	259.4	-0.5%
Investment banking	34.6	51.9	50.0%
Gross operating income	**1,137.7**	**1,212.1**	**6.5%**

The combined effects of the persistent adversity of economic and financial circumstances and prudent risk management policy, required a marked need to concentrate on provisions which attained EUR 1,008.6 million. Provisions and net impairment of other assets totalled EUR 537.9 million. The recognition of impairment associated with the depreciation of the equity investments still held by CGD, exposure to securities in the Group's insurance area portfolio and a highly significant increase in amounts associated with non-current assets held for sale, particularly property, contributed to this latter amount which was down EUR 289.7 million over 2011.

Notwithstanding the positive behaviour of banking operations, recognition of the referred to costs was reflected, in 2012, in consolidated net losses of EUR 394.7 million, although such losses still represented an improvement of EUR 93.7 million over 2011.

Owing to the fact that the divestiture of Caixa de Seguros e Saúde, SA's healthcare area ("HPP") is still in progress, the consolidated accounts under analysis as well as the respective comparisons have been restated to present HPP's accounts in the form of a non-current asset held for sale under "IFRS 5 – Non-current assets held for sale and discontinued operations".

Recapitalisation Plan and Core Tier 1 Ratio

To comply with the targets defined in the Economic and Financial Assistance Programme and European Banking Authority (EBA) requirements for Core Tier 1, the Portuguese State, as CGD's sole shareholder, approved the bank's Recapitalisation Plan for a total amount of EUR 1 650 million, on 27 June 2012, comprising:

- A EUR 750 million increase in CGD's share capital;
- Issue of EUR 900 million in hybrid financial instruments, eligible as Core Tier 1 own funds, fully subscribed for by the Portuguese State.

The Core Tier I ratio, on a consolidated basis, including retained earnings, rose from 9.5% at the end of 2011 to 11.6% in December 2012, vis-à-vis the 10% defined by the Bank of Portugal for the end of 2012. The Core Tier I ratio, as defined by the EBA, was 9.5%.

Recapitalisation Plan:

- ***EUR 750 million increase in share capital***
- ***EUR 900 million Coco bond issue.***

On-site Inspections Programme (OIP)

Under the On-site Inspections Programme (OIP), the adequacy of impairment levels on the exposures of the eight largest Portuguese banking groups to the construction and property development sectors, in Portugal and Spain, with reference to 30 June 2012, was assessed, using conservative criteria.

Within CGD Group, the increased impairment noted up to 30 September 2012 already covered a large part of the needs identified by the assessment, with the remaining amount having been recorded until the end of 2012.

Results Analysis

Net interest income, including income from equity instruments, was down 20.2% over the preceding year to EUR 1,462.7 million, deriving both from net interest income (down 20.3% by EUR 341.8 million) and income from equity instruments (down 18.9% by EUR 27.8 million). Net interest income continued to be penalised by Euribor rates which particularly affected Caixa owing to the composition of its respective balance sheet in which variable rate mortgage loans with reduced spreads continue to account for a large proportion. Euribor rates continued their downwards path during the course of the year and more markedly so in the 3rd quarter. Another contributory factor to the unfavourable evolution of this margin was 2nd half recognition of the cost of Coco bonds.

Net interest income down due to:

- ***Decrease in Euribor rates***
- ***Reduction of income from equity instruments***
- ***Cost of CoCo bonds***

Commissions earnings (net) were up 0.7% to EUR 508.6 million, similar to 2011. Particularly noticeable in terms of change was the 13.1% increase in commissions from international operations.

NET COMMISSIONS – BY BUSINESS AREAS

(EUR million)

	Dec/11	Dec/12	Change
CGD Portugal	307.5	299.0	-2.8%
International activities	116.3	131.5	13.1%
Investment banking	49.8	47.1	-5.5%
Asset management	31.6	31.5	0.2%
Other	-0.3	-0.5	-
Total	**505.0**	**508.6**	**0.7%**

Income from financial operations up to EUR 357 million, as compared to EUR 24 million losses in 2011.

Income from financial operations was highly expressive at more than EUR 357 million, in 2012, against last year's losses of EUR 24.8 million.

A decisive contribution to such income was made by the continuation of the own debt repurchase strategy in the form of covered bonds, bonds on the public sector and EMTN, which, as a whole generated proceeds of EUR 182.1 million (around EUR 120 million last year). This was accompanied by the better performance of Portuguese public debt in the markets which enabled significant capital gains to be made. Reference should also be made to the good performance of regular trading activities in a context of an across-the-board improvement in the market's financial conditions, expressed in a reduction of volatility and easing of pressures on the liquidity and the debt of the "peripheral" countries.

The technical margin on insurance operations was up 9.2% by EUR 43.3 million to EUR 513.1 million, deriving from income from the 25.2% increase of EUR 36.2 million in investments allocated to insurance contracts.

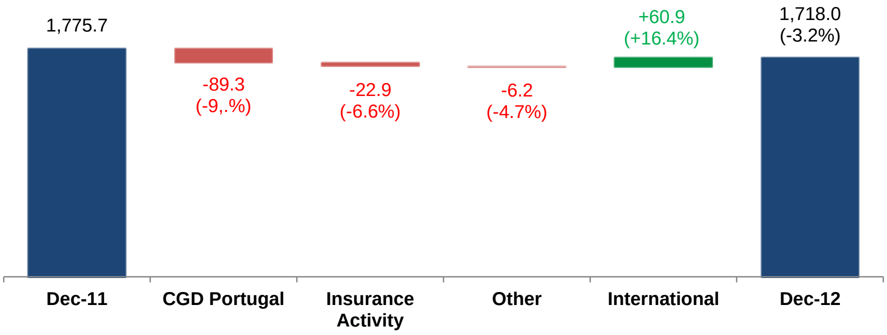
Furthering its cost containment and efficiency gains policy initiated in preceding years operating costs, were down 3.2% over 2011 to EUR 1,718.0 million. Staff and external supplies and services costs were down 3.2% by EUR 30.0 million and 2.4% by EUR 15.3 million, respectively.

The evolution of costs was not, naturally, uniform in different operating segments, with favourable evolution having been recorded in the case of CGD Portugal (staff costs down 12.7% and other administrative expenditure down 3.3%) and in the case of insurance operations whose operating costs were down 6.6%. In turn, the international operations segment witnessed a 16.4% increase. This is explained by the Group's expansion strategy in countries with highly dynamic growth paths and increasingly more competitive banking systems. These geographies, particularly Macau, Mozambique and Angola, are of crucial strategic importance to the Group owing to their growing business potential.

CGD Group staff was down to 22,874 employees, a reduction of 331 individuals during 2012. Such decrease was more pronounced in CGD (Portugal), in the insurance area and in BCG (Spain). In a similar vein, the branch network in Portugal included 811 offices and 36 “Caixa Empresas” (specialized offices for corporates), with a decrease of 10 offices in 2012.

OPERATING COSTS – CONTRIBUTION BY BUSINESS AREAS

(EUR million - year-on-year change)



The significant reduction of operating costs had the effect of improving efficiency ratios, particularly cost-to-income, down from 60.8% in December 2011 within CGD Group to 58.8%.

The ratio, in the case of banking operations, declined from 60.7% to 58.5%.

Improvement in efficiency indicators such as cost-to-income - down from 60.8% to 58.8%

EFFICIENCY RATIOS

(%)

	Dec/11	Dec/12
Cost-to-income (consolidated operations) (1)	60.8%	58.6%
Cost-to-Income (banking) (1)	60.7%	58.5%
Employee costs / net operating income (1)	32.1%	31.0%
External supplies and services / net operating income	21.9%	21.3%
Operating costs / average net assets	1.44%	1.45%

1) Calculated in accordance with Bank of Portugal Instruction 23/2012

Credit impairment for the year, net of cancellations and reversals, totalled EUR 1,008.6 million.

Provisions and net impairment of other assets for the year totalled EUR 537.9 million of which a significant part provided for the depreciation of CGD's equity investments in Portugal Telecom, the Discovery Fund and La Seda Barcelona, its exposure to the securities held by the Group's insurance area and increase in amounts associated with non-current assets held for sale, particularly property.

Current and deferred tax plus the Extraordinary Banking Sector Contribution of EUR 29.8 million, totalled EUR -10.6 million.

Return on equity (ROE) was -5.51% and return on assets (ROA) -0.30%.

PROFIT RATIOS

(%)

	Dec/11	Dec/12
Gross return on equity – ROE (1)(2)	-8.13%	-5.51%
Net return on equity – ROE (2)	-6.40%	-5.35%
Gross return on assets – ROA (1)(2)	-0.44%	-0.30%
Net return on assets – ROA (2)	-0.35%	-0.29%
Net operating income (3) / average net assets (1)(2)	2.36%	2.47%

(1) Calculated in accordance with Bank of Portugal Instruction 23/2012

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

(3) Includes income from associated companies.

Balance Sheet Analysis

Consolidated net assets down 3.1% to EUR 116.9 billion at the end of 2012

CGD Group's consolidated net assets were down 3.1% by EUR 3.7 billion to EUR 116.9 billion at the end of 2012, compared to the preceding year, owing to the effect of the current deleveraging policy on the balance sheet.

There were reductions in the balances of claims on and investments in credit institutions (down 37.3% by EUR 3.2 billion) and loans and advances to customers (down 4.5% by EUR 3.5 billion) and a 14.0% increase of EUR 3.5 billion in the securities portfolio (including assets with repo agreements).

On the liabilities side, reference should be made to the 29.0% decrease of EUR 4.3 billion and 22.8% decrease of EUR 3.6 billion in debt securities and central banks' and credit institutions' resources, respectively, over December 2011. The latter change reflects the reduction of CGD's borrowings from the ECB from EUR 9 billion at the end of 2011 to EUR 6.95 billion at the end of 2012, in line with the objectives established in this domain.

Loans and advances to customers (gross), excluding repo operations were down 4.6% over the preceding year, to EUR 78.8 million in December 2012.

Around 78% of loans and advances to customers refer to CGD's activity in Portugal. Loans to companies were down 4.0% by EUR 957 million, with lending to general government and public authorities, and individual customers down 19.7% and 4.0%, respectively.

LOANS AND ADVANCES TO CUSTOMERS [a]

(EUR million)

	Dec/11	Dec/12	Change Total	Change (%)
CGD's operations in Portugal	**64,382**	**61,453**	**-2,929**	**-4.5%**
Corporate	23,727	22,770	-957	-4.0%
General government [b]	4,333	3,481	-852	-19.7%
Institutionals and other	1,691	1,953	262	15.5%
Individual customers	34,631	33,249	-1,382	-4.0%
Mortgage loans	*33,183*	*31,957*	*-1,227*	*-3.7%*
Other	*1,448*	*1,292*	*-156*	*-10.8%*
Other CGD Group companies	**18,151**	**17,316**	**-834**	**-4.6%**
Total	**82,533**	**78,769**	**-3,764**	**-4.6%**

(a) Before impairment and excluding repos operations.

(b) For comparison purposes, in Dec 2011 this includes an amount of EUR 1 billion relative to BPN's commercial paper which was transferred to Parvalorem.

Loans and advances to customers totalled EUR 78.8 million

New operations totalling EUR 434 million comprising 5 772 operations

Mortgage loans in Portugal were down 3.7%, to around 40.6% of the total portfolio at the end of December 2012.

The rate of and conditions attached to CGD's new mortgage loan operations in Portugal, in 2012, reflect a new approach to this business segment (see chapter 6 − Retail Banking - Branch Office Network in Portugal) notably expressed as a smaller number and lower volume of new contracts (5,772 operations totalling EUR 434 million) and an increase in the respective spread compared to the portfolio average.

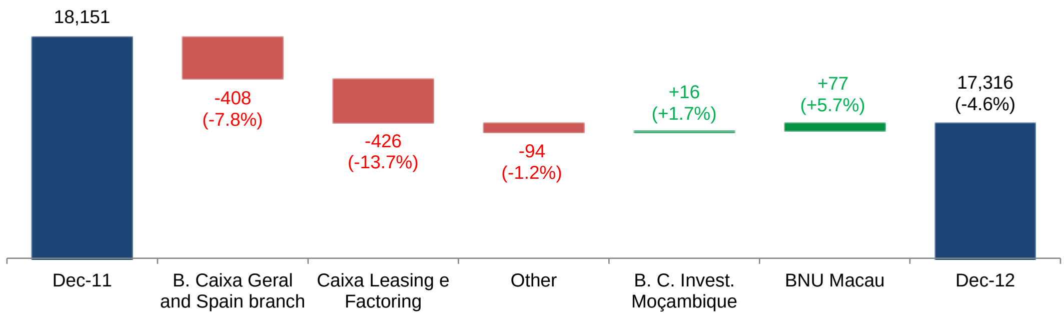
Portugal

Loans to Individual Customers were down 4.0%,with a decrease of 3.7% in mortgage credit

Corporate credit was down 4.0%

LOANS AND ADVANCES TO CUSTOMERS – OTHER GROUP COMPANIES

(EUR million)



Loans made by other Group companies comprised 22% of total credit.

The Group's banks in Africa, as a region in which economic expansion has tended to slow, continued to implement an active but more prudent lending policy, with 11.1% growth in this account heading to EUR 2.4 billion in December 2012.

Reference should be made to the dynamism of the Angolan economy in which credit grew by EUR 194.8 million over December 2011, translating CGD's commitment to energising Angola's economic growth.

CGD's companies in Europe continue to post reductions in their lending, with Spain posting a negative change of EUR 427.1 million (down 7.7% over December 2011). This was also the case of the France Branch with a negative change of 189.7 million (down

The Group's banks' in Africa credit portfolios were up 11.1% over 2011 to EUR 2.4 billon

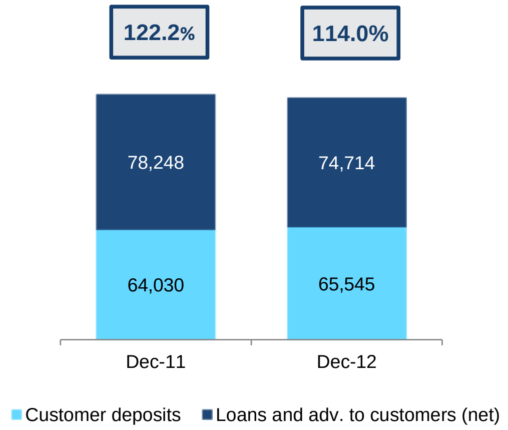
Entities in Europe continue to post reductions in lending

4.6%).

Caixa Leasing e Factoring posted a 13.7% drop of EUR 426.2 million.

LOANS-TO-DEPOSIT RATIO

(EUR million)



Loans and deposits ratio down to 114.0%

The decrease in loans and advances to customers, in conjunction with an increase in resource-taking translated into a further reduction of the loans-to-deposits rate to 114.0% at the end of 2012. Caixa, in September last, had already achieved the ratio of 120% recommended for Portuguese banks by 2014.

Overdue credit ratio (more than 90 days): 5.3%

The deterioration in the economic and financial situation has not, as yet, enabled credit quality to be stabilised and has been reflected in a worsening of the respective indicators, with a total overdue credit ratio of 5.7% at the end of 2012, compared to 3.9% in December 2011. The credit more than 90 days overdue ratio was 5.3% in December 2012, against 3.6% at the end of 2011.

ASSET QUALITY

(%)

	Dec/11	Dec/12
Non-performing credit / total credit (1)	4.3%	6.4%
Credit at risk/total credit (1)	6.9%	9.4%
Overdue credit /total credit	3.9%	5.7%
Credit> 90 days overdue / total credit	3.6%	5.3%
Non-performing credit (net) / total credit (net) (1)	0.2%	1.1%
Credit at risk (net) / total credit (net) (1)	2.9%	4.3%
Impaired credit / overdue credit	105.0%	92.9%
Impaired credit / credit > 90 days overdue	116.5%	100.6%
Impaired credit (P&L) / total credit (average)	0.97%	1.24%

1) Calculated in accordance with Bank of Portugal Instruction 23/2012

The credit at risk and non-performing credit ratios, calculated in accordance with Bank of Portugal "Instruction" 23/2012, were 9.4% and 6.4% respectively at the end of 2012, against 6.9% and 4.3% respectively at the end of 2011.

Credit impairment, net of cancellations and reversals, during the period under analysis at 1.24% of the average credit portfolio, was up 0.27 p.p. over the end of 2011.

The amount of accumulated impairment on loans and advances to customers (regular and overdue) was up 23.8% by EUR 806.7 million to EUR 4,189.3 million at the end of 2012 compared to the same date in 2011, resulting in a coverage level of credit more than 90 days overdue of 100.6% against 116.5% at the end of 2011.

New approach to more vulnerable business sectors

Caixa has, in this context, been adopting a new approach to the business sector in the form of the creation of its Corporate Monitoring Division ("DAE"). The object of this unit is to identify management solutions and monitor and recover loans to companies and their respective corporate groups whose involvement with CGD exceeds EUR 5 million, with impairment of 10% or more and companies belonging to sectors of activity at risk (construction, property development, inter alia).

Securities investments (including assets with repo agreements) were up 14.0% at the end of the year, compared to December 2011, partly as a reflection of the market recovery of the value of Portuguese public debt. The balance achieved, however, is still lower than at the end of 2010, as a sign of the deleveraging operations in 2011.

SECURITIES INVESTMENTS [(a)]

(EUR million)

			Change	
	Dec/11	Dec/12	Total	(%)
Banking	**16,226**	**19,602**	**3,376**	**20.8%**
Fin. assets at fair value through profit or loss	4,044	3,941	-103	-2.5%
Available for sale financial assets	12,182	15,661	3,479	28.6%
Insurance	**8,950**	**9,091**	**141**	**1.6%**
Fin. assets at fair value through profit or loss	87	56	-31	-35.7%
Available for sale financial assets	5,440	5,417	-23	-0.4%
Investm. assoc. with unit-linked products	585	1,148	563	96.3%
Investments to be held to maturity	2,837	2,469	-368	-13.0%
Total	**25,176**	**28,693**	**3,517**	**14.0%**

(a) After impairment and including assets with repos agreements

Funding and Liquidity Management

CGD's liquidity situation improved progressively, in 2012, owing to the highly favourable evolution of the commercial gap as well as an easing of tensions in the financial markets.

A more interventionist approach by the ECB with its 1st quarter LTRO and reduction of the minimum reserves requirement ratio was reinforced by the adoption of expansionary measures for assets eligible as collateral and, more recently, the eventual possibility of unlimited intervention in public debt markets. This helped to create a sentiment of confidence, easing tensions in interbank markets.

Simultaneously, the State's implementation of CGD's EUR 1,650 million Recapitalisation Plan, in subscribing for a EUR 750 million increase in capital and the issue of EUR 900 million in debt eligible as shareholders' equity, ensured conformity with the European Banking Authority's (EBA's) recommendations on capital increases and the solvency of banking institutions.

This inflow of funds, along with growth in deposit-taking and an active balance sheet management policy made it possible to accommodate the maturity of EUR 4,177 million in debt issues and early repurchases of own debt, both in the form of private and public issues, via the launch of public offer in the international markets, which resulted in relevant capital gains.

Progressive improvement of liquidity situation

On the other hand, the significant narrowing of spreads on Portuguese sovereign debt over the course of the year, as a sign of growing confidence in compliance with the Adjustment Programme, enabled CGD to return to the international capital markets after an absence of almost three years.

Growth in deposit-taking and active balance sheet management makes it possible to provide for the maturity and early repurchase of own debt

CGD accordingly launched an unsecured senior debt issue under the EMTN programme for the amount of EUR 500 million with a maturity of 3 years at a coupon rate of 5.625%, in November. The fact that the operation was heavily oversubscribed by international investors, confirms their willingness to accept the quality of CGD's credit and confidence in its solvency and sustainability.

CGD returns to the international capital markets via an unsecured senior debt issue of EUR 500 million with a maturity of 3 years and a coupon rate of 5.625%

Caixa returned successfully to the market in January 2013 with an issue of EUR 750 million of covered bonds with a maturity of 5 year and a coupon rate of 3.75%, on the back of order book exceeding five times the offer. The issue attracted around 200 investors, 90% of which from abroad. Caixa paved the way for other Portuguese bonds to tap the covered bond market.

In January 2013, a new issuance of EUR 750 million of Covered Bonds with a maturity of 5 years and a coupon rate of 3.75%, paving the way for other Portuguese issuers

As a corollary to such factors, CGD reduced its borrowings from the ECB from EUR 9 billion at the end of 2011 to EUR 6.95 billion in December 2012, accompanied by a structural improvement in the profile of maturities, substituting a part of its short term financing requirements by resources with a maturity of 3 years.

The asset pool eligible for ECB financing operations increased to EUR 16 754 million at the end of 2012 compared to EUR 14 399 million in December of the preceding year, in which a contributory factor was the July issue of EUR 1.5 billion of covered bonds with a maturity of 10 years for the bond portfolio. The amount of unused eligible assets at year close, at EUR 9,755 million, was almost twice the December 2011 amount of EUR 5,391 million.

The balance of total resources taken by the Group (excluding the interbank money market) was down 0.1% over the end of 2011 to EUR 100.2 billion. However, not considering funding from institutional investors and the Portuguese State, there would have been an increase of around 3.8% in the balance of resources compared to December last year to EUR 89.3 billion.

Reduction of borrowings from ECB from EUR 9 billion to EUR 6.95 billion

The customer deposits balance was up 2.4% by EUR 1 515 million to 65.5 billion since the start of the year.

Individual customers' deposits in the branch office network, in Portugal, were up year-on-year. by 2.2%, to EUR 44 294 million at the end of 2012.

Eligible asset pool almost doubles over 2011

71.3% of the global customer deposits balance for the amount of EUR 46.8 billion comprised term and savings deposits, which were up 3.3% by EUR 1.5 billion (3.3%) since the start of the year, reflecting the active promotion of deposit-taking from customers and contributing towards a decline of CGD Group's borrowing requirements in the wholesale market.

RESOURCE-TAKING BY THE GROUP - BALANCES

(EUR million)

	Dec/11	Dec/12	Change	
			Total	(%)
Balance sheet	**90,209**	**87,767**	**-2,442**	**-2.7%**
Retail	**75,910**	**76,872**	**962**	**1.3%**
Customer deposits	64,030	65,545	1,515	2.4%
Other customer resources	11,880	11,328	-553	-4.7%
Institutional investors	**14,299**	**9,995**	**-4,305**	**-30.1%**
EMTN	7,128	5,357	-1,771	-24.8%
Covered bonds	5,806	3,042	-2,764	-47.6%
Other	1,365	1,596	231	16.9%
Portuguese State - Contingent convertible (CoCo) bonds	**0**	**900**	**900**	**-**
Off-balance sheet	**10,141**	**12,444**	**2,303**	**22.7%**
Investm. units in unit trust investm. funds	4,055	4,588	533	13.1%
Pension Funds	2,095	2,267	172	8.2%
Wealth management [a]	3,991	5,589	1,598	40.0%
Total	**100,351**	**100,212**	**-139**	**-0.1%**
Total (excl. instit. inv. and Portuguese state)	**86,051**	**89,317**	**3,266**	**3.8%**

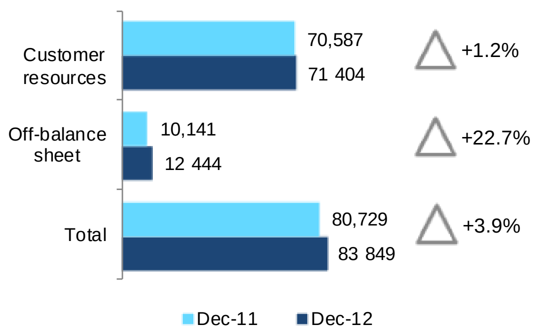
(a) Does not include CGD companies' insurance portfolios

Notwithstanding a more receptive market towards the end of the year, the balance of resources taken from institutional investors in the form of own issues was down 30.1% by EUR 4.3 billion to EUR 10.0 billion.

Off-balance sheet resources at the end of December 2012 were, at EUR 12.4 billion, up by an annual 22.7% and translated the strong progression of the wealth management balance.

TOTAL RESOURCES TAKEN

(EUR million)



Shareholders' Equity and Solvency Ratio

The Group's shareholders' equity at the end of 2012 totalled EUR 7,310.9 million, owing to a substantial 37.3% increase of EUR 1,987.0 million over 2011.

The increase in shareholders' equity over December 2011 comprised a EUR 750 million increase in CGD's share capital to EUR 5.9 billion, pursuant to CGD's Recapitalisation Plan last June, in addition to the marked EUR 1,910.2 million improvement of fair value reserves.

SHAREHOLDERS' EQUITY

(EUR million)

			Change	
	Dec/11	Dec/12	Total	(%)
Share capital	5,150	5,900	750	14.6%
Fair value reserves	-2,085	-175	1,910	-
Other reserves and retained earnings	1,703	997	-705	-41.4%
Non-controlling interests	1,045	984	-61	-5.8%
Net income	-488	-395	94	-
Total	**5,324**	**7,311**	**1,987**	**37.3%**

Significant increase in shareholder´s equity: 37.3% to EUR 7,310.9 million

The increase in share capital, together with the issue of hybrid financial instruments eligible as Core Tier 1 own funds, totalling EUR 900 million, which also took place under CGD's referred to Recapitalisation Plan and which was fully subscribed for by the Portuguese State, increased the Core Tier 1 ratio on a consolidated basis, including retained earnings from 9.5% in December 2011 to 11.6% at the end of 2012, already higher than the 10% defined by the Bank of Portugal for 31 December 2012.

Under the terms defined by the European Banking Authority (EBA), the Core Tier 1 ratio of 9.5%, in December 2012, was higher than the 9% minimum required by the EBA for 30 June 2012.

In turn, the Tier 1 Ratio was up from 9.0% in December 2011 to 11.2%.

The solvency ratio on a consolidated basis, including retained earnings, increased from 11.6% at the end of 2011 to 13.6% in December 2012.

Pension Fund

Improvement in Core Tier 1: 11.6 % (Bank of Portugal) and in the solvency ratio: 13.6%

The accrued responsibilities in terms of pensions totaled EUR 1, 541.8 million as compared to EUR 1,307.9 million in 2011, which translates into an increase of EUR 233.9 million. The coverage ratio of such responsibilities amounted to 101,2% by the end of 2012.

The accrued responsibilities for healthcare totaled EUR 452.2 million from 415.9 million in the previous year, with a 100% coverage ratio.

Actuarial imbalances amounted to *circa* EUR 109 million. CGD considered a wage update of 0.5% for 2013/2014 and 2.0% for the upcoming years. The pension update rate 2013/2014 is 0%, whilst for the upcoming years a value of 1.0% is considered. These values accord with the 2013 Government Budget. The discount rate decreased 1 p.p. to 4.5%.

Ratings

The Standard & Poor's and DBRS international rating agencies downgraded their ratings on Portuguese banks, including CGD, in 1st half 2012, following their rating downgrades on Portuguese public debt.

	Short Term		Long Term		
	CGD	Portugal	CGD	Portugal	
Standard & Poor's	B	B	BB-	BB	Jul/2012
FitchRatings	B	B	BB+	BB+	Jul/2012
Moody's	N/P	N/P	Ba3	Ba3	Dec/2012
DBRS	R-2 (mid)		BBB (low)	BBB (low)	Dec/2012

Improvement in CGD's Stand-Alone Credit Profile (SACP) and Viability Rating in July attributed by S&P and Fitch Ratings, respectively

However, as a result of CGD's end of June recapitalisation operation, Standard & Poor's upgraded CGD's Stand-Alone Credit Profile (SACP) from b+ to bb- in June. Fitch Ratings also upgraded CGD's Viability Rating from b to bb-.

6 – Main Business Area Achievments

Retail Banking – Branch Office Network in Portugal

Consolidation of service models and customer value offers, both in-branch and distance operations

Comprehensive branch office network:

- ***811 branches and 36 Caixa Corporate Offices***
- ***"Caixazul" service available at 572 branches***
- ***Caixa Empresas service available at 765 branches***
- ***Caixa Mais service available at 801 branches***

CGD has market shares of 16.8% and 16.9% respectively in terms of "PME Invest" and "PME Crescimento" lines of credit, placing CGD 2nd in the ranking, by amount of financing

The strategic pillars upon which Caixa's retail banking activity, in Portugal, is based. continued to comprise the support for the recovery of the economy and companies, along with households.

Work continued on consolidating service models and value offers for customers, with the main aim of achieving excellence in terms of customer service, both in-branch and on distance channels.

The main initiatives, in 2012, particularly included the development of new lines of credit in support of internationalisation and increased Portuguese exports. They especially included the launch of the Linha Caixa Empresas Exportações ("Line of Credit for Exporting Companies"), aimed at adding flexibility to the treasury function of exporting companies or producers of import substitution goods.

Reference should also be made to the enhanced range of products and services for companies, notably under the ***Nova Oferta Empresarial*** ("New Entrepreneurial Offer"), which, *inter alia*, includes the launch of the ***Linha Caixa Capitalização*** ("Caixa Capitalisation Line of Credit").

In the context of support for SMEs, the total companies as "PME Líder" in CGD totalled 2,306 at the end of 2012 (of which 314 with "PME Excelência" status), as compared to 1,089 companies (of which 275 "PME Excelência") in the previous year. CGD came from the 3rd to the 2nd position in the national ranking.

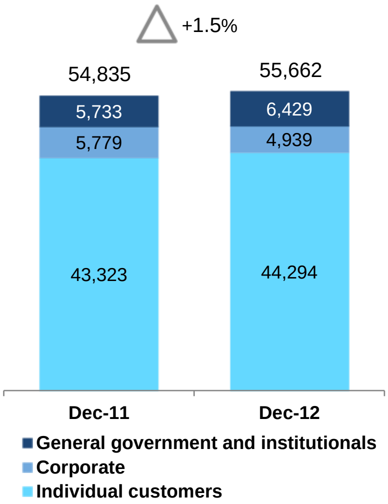
Caixa's market share under the "SME Invest" line of credit accordingly increased to 16.8% in terms of financing and 12.8% by number of operations and the PME Crescimento ("SME Growth") line of credit by 16.9% in terms of financing and 14.6% by number of operations, putting CGD and in the referred to Lines of Credit ranking.

Caixa, in turn, strengthened its lead in terms of deposit-taking, with a market share of 28.2% at the end of November, translating into a 0.6 pp increase. The increase in market share in the individual customers' segment, up 0.8 pp to 32.8%,was even more visible.

DEPOSITS

BRANCH OFFICE NETWORK (PORTUGAL)

(EUR million)



This favourable evolution of market share resulted from a EUR 827 million increase in total deposits taken by the branch office network to a balance of EUR 55 662 million at the end of 2012. By segment, reference should be made to the positive change in the case of individual customers, general government and institutionals.

Individual Customers

In a macroeconomic and social environment in which the promotion of savings is likely to contribute towards Portugal's recovery and sustained growth, Caixa Geral de Depósitos has maintained a clear lead in resource-taking from Portuguese households fuelled by the perception of the safety, trust and strength of the Group in the eyes of the population.

Caixa has therefore been developing a policy of offering savings products and solutions, tailored to current economic conditions and designed to meet the different needs of the various segments of its extensive, stable individual customers' base. Special reference should be made to the successful launch of the ASP – Automatic Savings Plan offer.

It should also be noted that Caixa promotes a culture of loyalty from the start of its relationship with customers, in providing a collection of solutions targeted at the younger segments, such as the university student market in which CGD, in 2012, once again affirmed its leadership as the business partner of the vast majority of higher educational establishments in Portugal.

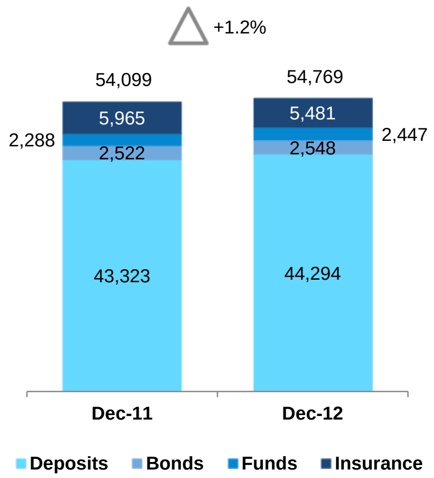
The good results of this policy have permitted strong customer ties and were once again confirmed, in 2012, the year in which Portugal, notwithstanding the sharp drop of disposable income, succeeded in expanding its total savings products by 1.2% over the preceding year. Reference should be made to the growth of almost EUR 1 billion in individual customers' deposits, accompanied by an equally positive change in unit trust investment funds which were up 6.9% by EUR 159 million. Financial insurance, in turn, was down 8.1% by EUR 484 million.

Resources taken from individuals increased 1.2% as compared to 2011, remarkedly for deposits (+2.2%) and investment funds (+6.9%)

RESOURCE TAKING (INDIVIDUAL CUSTOMERS)

BRANCH OFFICE NETWORK (PORTUGAL)

(EUR million)



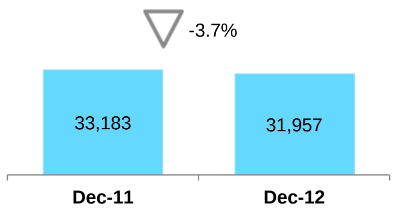
Notwithstanding the favourable behaviour of individual customers' deposits, this segment's total turnover, influenced by the reduction of mortgage lending was down 0.8% to EUR 86 722 million.

The current economic-social context and maturity of the market have led to new loan levels which are less than the amounts of repayments and normal settlements of existing loan agreements, resulting in a 3.7% reduction in the size of the mortgage lending portfolio.

MORTGAGE CREDIT PORTFOLIO

BRANCH OFFICE NETWORK (PORTUGAL)

(EUR million)



Based on the deterioration of households financial conditions, Caixa has proactively launched a series of initiatives in the property business area to assist customers in greater financial difficulties, based on the effective reduction of the housing costs while also boosting the urban rental market in Portugal. Reference should be made to the following:

- solutions which allow customers to sell their homes to a property investment fund for house rentals - "Caixa Arrendamento" and renting the same home, at a lower rent, resulting in commitments compatible with their household budgets
- solutions which allow customers to exchange their homes for another CGD owned property, with an associated (smaller) loan, resulting in commitments compatible with their household budgets.
- special finance for property built with Caixa Group finance, property owned by Caixa Group or by Property Investment Funds managed by Fundger.

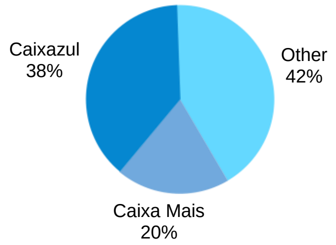
New solutions in the property business to boost the rental market and reduce the cost for households

This new environment has led CGD to restructure its Management Model, which aims to ensure the integrated management of Caixa Group's property business in consolidated terms.

In the individual customers segment reference should be made to the Caixazul Service, geared to the personalised management of Premium Customers and the Caixa Mais Service, with around 318,000 and 473,000 customers, respectively at the end of 2012. These service models accounted for 58% of the turnover in the individual customers segment at the end of 2012.

TURNOVER (INDIVIDUAL CUSTOMERS)
BRANCH OFFICE NETWORK (PORTUGAL)

(%)



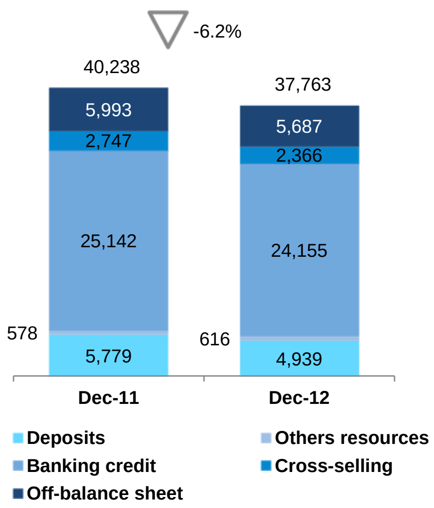
Companies

Caixa strengthened its focus on the companies sector, in 2012, as one of the Group's strategic thrusts, particularly SMEs producing tradable goods. The Group's approach to such companies is enabled by CGD's extensive international network which, in geographical terms, covers around 70% of Portuguese export markets.

Turnover in the corporate segment was down 6.2%, in all components to EUR 37,763 million at 31 December 2012, (deposit-taking -12.6%, credit -4.9% and off-balance sheet -5.1%).

TURNOVER (CORPORATE CUSTOMERS)
BRANCH OFFICE NETWORK (PORTUGAL)

(EUR million)



The current economic crisis in the Euro Zone and consequent contraction of the economy have conditioned the evolution of loans and advances to companies which were down 3.9% over the preceding year.

Caixa strengthened its market share of loans and advances to companies by 0.8 p.p. over December 2011, to 17,2% (there has been a change of +2 p.p. in CGD's market share of loans and advance to companies over the last 3 years).

CGD's strategy for the corporate segment is based on its support for exporting companies, incentives for SMEs, risk and management

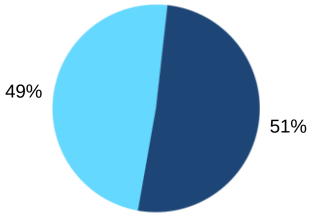
The main initiatives particularly include new lines of credit in support of the internationalisation and capitalization of Portuguese companies namely:

- EUR 500 million for "Caixa Empresas Exportações" (Exports)

- EUR 400 million for "Caixa Capitalização" (Capitalizations")

CREDIT PORTFOLIO (CORPORATE CUSTOMERS)
BRANCH OFFICE NETWORK (PORTUGAL)

(%)



CGD continues to back the internationalisation of Portuguese companies, particularly SMEs,with a vast range of export support solutions

Market share for corporate credit increased 0.8 p.p. to 17.2% (nov.) as compared to 2011

Continuing to implement CGD's strategic guidelines to achieve growth of market share and business in the corporate segment, work continued to be carried out on the consolidation of the Caixa Empresas service model, in the branch office network, underpinned by a concept of CGD's provision of a personalised management service to the self-employed, small and micro company customers whose credit manager represents the relational aspect on the basis of an integrated approach to the corporate and individual needs of its customers. This service model at 31 December 2012 had 25 392 customers and a turnover of EUR 3 717 million, representing an increase of EUR 64,9 million over the previous year.

International Area Operations

In its awareness of the pivotal role of external trade and international business for the continued recovery of Portuguese economic activity, Caixa Geral de Depósitos Group remains deeply committed to backing and accompanying the actions and internationalisation strategies of Portuguese companies, particularly SMEs by exploiting its extensive and diversified international platform, for the said purpose, as a fundamental, unique lever, in the Portuguese financial sector.

CGD currently operates in 23 countries on 4 continents and gears its operations to markets with the highest business potential for Portuguese companies and the Group itself, working with its customers as a unique, integrated network and reinforcing the links between its domestic network and companies abroad.

Caixa reorganises and strengthens its international business area with the objective of maximising growth potential and links between the domestic and international networks

Complementing the above is a profound internal restructuring programme in which Caixa has reorganised and strengthened its international business area, with the objective of maximising growth potential, exploiting synergies and developing links between domestic and international networks.

In 2012, International operations in developing economies such as Asian and African offices, contributed positively to the net income which stresses the relevance of this segment.The consolidated net income of Asian, African and Brazilian Branches was up 42.7% to EUR 82.8 million, as compared to the previous year. BNU Macau contributed with EUR 31.0 million. BCI Mozambique, Mercantile Bank and BCG Totta Angola yielded EUR 17.9 million, EUR 14.0 million and EUR 11.3 million, respectively. The net income of the London branch, more focused on institutional financial operations exceeded EUR 9 million.

On the opposite, the international operations in Europe suffered from the economic turmoil, since the onset of the financial crises namely in Spain where restructuring process is in progress.

Notwithstanding the positive contribution of developing economies, true net income of international operations yielded a loss of EUR 41.7 million.

Excluding Spanish operations, considered an extension of the Portuguese (domestic) market, the net income of international operations totaled EUR 99.4 million, as compare to EUR 87.4 million in 2011 (an increase of 13.7%).

Excluding Spanish operations, the net income of international operations totaled EUR 99.4 million (+13.7%)

Caixa has continued to meet all of its commitments under medium and long term, concessionary and commercial lines of credit to energise the Portuguese export sector, namely toward Angola and Mozambique market. With this strategy Caixa continued to provide support to its customers and to global economic growth.

Actions designed to promote and empower Portuguese companies involved in internationalisation process in Caixa Group's strategic markets were also strengthened this year.

CGD, via its overseas branches and subsidiaries, promoted partnerships and diverse initiatives, in 2012, in a framework of the development and consolidation of the Group's international network:

- In **Mozambique**, Banco Comercial de Investimento (BCI) opened its second Integrated Business Centre in Quelimane, in March 2012. This represented an entirely new concept in the country, by housing a universal BCI branch, BCI Corporate Centre and BCI Exclusive Centre, in the same location. This new concept extends the capacity to provide high quality banking services to all of the main market segments, in a manner perfectly adjusted to the needs and specific expectations of each, providing greater comfort and security while simultaneously ensuring a high level of operational efficiency.

  BCI's innovative performance was widely recognised and confirmed by the award of three important prizes, in 2012: PMR.africa awarded its Best Bank in Mozambique prize and the chairman of its executive committee, Ibraimo Ibraimo, received the Diamond Arrow Award 2012 in the "Most Influential Businessman" category for his contribution to the growth and economic development of Mozambique. The African Banker Awards 2012, awarded BCI the prize for the Best Regional Bank in Southern Africa. This is the most prestigious distinction in the banking sector in Africa.

Positive performance in African and Asian operations

- In **Angola**, Banco Caixa Totta Angola continued to further its branch office network expansion policy by opening an additional 2 business units. Banco Caixa Totta Angola became a member of the "Angola Invest" programme and is well placed to offer competitive, differentiated products in support of small and medium sized Angolan enterprises.

European operations penalised by impairments; in the Spanish Branch further non-recurrent costs occurred, related to a restructuring process

- In **Cape Verde**, the Financial Times Group's "The Banker" magazine, selected Banco Comercial do Atlântico - BCA – as "The Best Commercial Bank 2011 - Cape Verde" distinguishing it as the best commercial bank operating in Cape Verde.
- In **Macau**, Banco Nacional Ultramarino (BNU) was awarded the "Industrial and Commercial Merit" medal for 2011, from the Special Administrative Region of Macau, by Chief Executive, Chui Sai On, in a ceremony held in early 2012.
- In **East Timor** the branch has maintained its policy backing the reconstruction and economic modernisation of this young country. In this context, the specific line of credit for fuel imports for the Hera Power Plant, a new emblematic project

inaugurated by the government at the end of 2011 continues to be successfully developed.

The Protocol with the Secretariat of State for Employment and Vocational Training (SEFOPE) also continues to be implemented and provides a line of credit for young Timorese people who travel to South Korea, where they attend training courses in diverse structuring sectors for the future of the Timorese economy (fisheries, agriculture, engineering).

CGD Group considers individual customers abroad a strategic segment:

- ***Turnover in excess of EUR 5.8 billion***
- ***Resources taken represents ca. 9% of total resources taken from individual customers***

- CGD's branch in **France**, with the aim of strengthening its position in the construction sector, joined forces with the Franco-Portuguese Chamber of Commerce and Industry to organise the 1st Portuguese Property Exhibition in Paris, in which it presented its property and real estate services offer, while also comprising services related to Caixa Group property.
- Mercantile Bank in **South Africa**, in coordination with AICEP, promoted actions in different portuguese regions, which were targeted at exporting companies interested in South Africa.

As regards individual customers and as a result of the current domestic environment, the Portuguese new generations witnessed greater mobility. The young generations with better qualifications and university degrees privilege the best use for their capacities and therefore search more beneficial living standards.

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

Management of this segment therefore continues to be a strategic thrust for CGD Group. This strategy is particularly geared to accompanying the new waves of emigration, continuing to strengthen customer relationships and positioning CGD as the main financial partner of persons living outside Portugal.

Investment Banking

Commissions in Investment Banking exceeded EUR 64 million

In 2012, Caixa BI achieved positively level of performance, yielding a net result of EUR 27.3 million, which represents an increase as compared to the previous year (EUR 8.6 millions).

The participation of Caixa BI in several large deals contributed to a level of commissions (net) of EUR 64.7 million, 5% up as compared to the previous year. Income from financial operations attained EUR 28.4 million, as adjusted for impairments in derivatives portfolio.

Prizes and Rankings

- Best Investment Bank in Portugal in 2012 - Award for Excellence 2012: distinction awarded to CaixaBI by Euromoney, Gobal Finance & World Finance
- "Best Investment Bank in Portugal in 2011" distinction awarded to CaixaBI EMEA Finance magazine.
- Highly Commended Deal of the Year 2012: a distinction awarded by the prestigious "The Banker" magazine, in its "Deals of the Year" category, to the operation for Portugal Telecom's acquisition of an equity investment in the Oi

Group.

- Best Cross-border M&A Deal 2011: distinction awarded by the prestigious EMEA Finance magazine on the operation for Portugal Telecom's equity investment in the Oi Group.
- 1st Bookrunner for euro-denominated bonds issued by Portuguese entities (Bloomberg League Tables): 1st place in the Bond Issues Bookrunners ranking for the sixth consecutive year.
- M&A league table (Bloomberg[1]): 1st position in Portugal and 12th in Brazil (leading Portuguese bank in this geography) in terms of announced/completed transaction values.
- Project Finance League Table (Dealogic Project Finance Review): CGD Group came 1st in the Project Finance Advisor ranking for Portugal at the end of the third quarter 2012 and 6th in the Iberian ranking.

Project Finance

As to the funding activity on a project finance basis, reference should be made to the successful conclusion of refunding process of windmill farms of Eurowatt (France) and the conclusion of the refunding process of Tagusgás following the amendment of the referred to concession contract, as well as the financial close of the Luanda Shopping (Angola) funding.

Structured Finance

As regards CaixaBI's activity in structured corporate operations, reference should be made to the financial advisory services to Tagus, for the structure and corporate funding for the takeover bid on Brisa shares, along with the negotiation and consulting services concerning the acquisition of Supremo Cimentos (Brazil) by Semapa.

CaixaBI was also actively involved as a financial advisor for the reorganisation of the liabilities of several companies.

Corporate Debt Finance

As regards activity in the primary debt market and following the reopening of the Eurobonds market for Portuguese issuers in the last few months of the year, CaixaBI operated as the Bookrunner for 3 of the 5 issues:

Entity	Outstanding	Maturity
Brisa	EUR 300 million	2018
Portugal Telecom	EUR 750 million	2018
CGD	EUR 500 million	2015

[1] Extracted at 3 January 2013.

Reference should also be made to the following in the primary debt market:

Entity		Outstanding	Maturity
CGD	Joint dealer manager for CGD's tender offer on two covered bond issues	EUR 305 million EUR 627 million	2 years 4 years
Brisa	Joint leader in the tender Offer for bonds	EUR 225 million	2 years
Portugal Telecom	Joint leader in the tender Offer for bonds	EUR 400 million	4 years
REN	Sole Lead Manager for issuances	EUR 100 million	3 years
REN	Joint leader in the tender Offer for bond	EUR 300 million	4 years
Futebol Clube Porto	Joint leader in the tender Offer for bonds	EUR 30 million	3 years
SONAE Investimentos	Leader manager in bond issuance	EUR 170 million	5 years
Efanor Investimentos	Leader manager in bond issuance	EUR 65 million	5 years
Mota Engil	Leader manager in bond issuance	EUR 90 million	5 years
Galp Energia	Leader manager in bond issuance	EUR 100 million	4 years
Commercial Paper	Leader of 16 new programmes	EUR 935 million	-
of which:	Galp Energia	EUR 550 million	
	Zon Multimédia	EUR 100 million	

Equity Capital Market

As regards the capital market, reference should be made to the already referred to advisory services for the organisation and structuring of Tagus's public take-over bid on Brisa shares and the advisory services for the sale of Caixa Geral de Depósitos's 1% equity investment in Galp Energia.

Reference should also be made to joint organization with New York Stock Exchange (NYSE) Euronext Lisbon, of the 2012 Portuguese Day. This venue was organized in the emblematic NYSE, Wall Street.

Corporate Finance – Advisory

Caixa BI was involved in 15 M&A deals totaling EUR 15.6 billion. Caixa BI was 1st in the Portuguese ranking and 12th in Brazil (1st bank in this geography in terms of announced/concluded deals).

Reference should also be made to the following concluded deals in 2012:

Entity	Financial Advisory Services
Parpública	2nd stage of the REN reprivatisation, translating into the disposal of a 40% equity stake in REN to the State Grid China Corporation (25%) and the Oman Oil Company (15%)
CGD	Divestment of a 10.96% equity stake in Zon Multimédia and a 9.62% equity stake in Cimpor
Caixa Seguros e Saúde	Sale of the full amount of the share capital of HPP Saúde to Amil
Grupo SGC	Divestment of Pargim Empreendimentos to the Brazilian company Aliansce

Syndication and Sales

CaixaBI was Dealer Manager and Financial Intermediate of the Tender Offer launched by CGD as Joint Lead Manager in the issuances of Brisa, Portugal Telecom and CGD. In terms of the commercial paper issues, CaixaBI placed 342 issues, for the total amount of EUR 7,946 million.

Financial Intermediation

According to CMVM data published at the end of September, CGD Group came 3rd in the Portuguese financial intermediaries ranking with a market share of 11.1% in 2012. Reference should be made to the financial close of CGD Investimentos - an important dealer operating in Brazilian capital markets - which will reinforce CGD presence in Brazil, particularly in investment banking.

CaixaBI:

- ***3rd in the ranking of financial intermediaries, according to CMVM***
- ***2nd in the OEVT ranking of general performance***

Trading – Liquidity Providing and Public Debt

During the course of 2012 CaixaBI continued to operate as a liquidity provider for various Euronext Lisbon listed securities including Cofina, Orey Antunes, Altri, Inapa, Ibersol and SAG Gest. Euronext has acknowledged this performance by awarding its maximum “A” ratings on all securities and categories.

According to IGCP, CaixaBI came second in the general performance ranking in 2012 and 4th out of 18 primary dealers in the global Specialised Treasury Securities Trader ranking.

Venture Capital

133 investment opportunities were analysed during the course of 2012 with 23 operations totaling EUR 91 million having been approved. 34 investments proceeded (7 new and 27 additional investments) for an amount of EUR 13 million. There were also 9 divestment operations with a realisation price of EUR 31 million

Insurance and Healthcare Activity

Highlights in 2012

Consolidated net results (CGD GAAP) were EUR 89.7 million against a year 2011 figure of EUR 3.0 million.

Consolidated net income reached EUR 89.7 million with a significant improvement in the insurance

This result is based both on the improved contributions made by insurance operations and hospital activities.

Consolidated income from insurance activity taking into account the international accounting standards (IAS/IFRS GAAP), at EUR 100.8 million, was up 377.0% over last year’s corresponding amount of EUR 21.1 million.

Notwithstanding the fact that Caixa Seguros e Saúde’s insurance companies’ level of a provisioning was much higher than the sector’s current average, technical provisions for workman’s compensation insurance for the payment of long term liabilities were increased by EUR 44 million strenghtening the positioning of Caixa Seguros in the market.

Hospital activities made net losses of EUR 5.7 million, reducing last year's losses of EUR 29.9 million to less than a fifth and confirming the current recovery path.

This business line was involved in a divestment operation negotiated during the course of the year whose respective sales agreement was completed during the course of 2012.

Strengthening of the high levels of solvency with a solvency margin coverage ratio of 215%

Caixa Seguros e Saúde continues to maintain high solvency levels, posting, in December 2012 a solvency margin coverage ratio of 215% on a consolidated basis (145% in 2011). This is a comfortable level which conveys a high level of security to all customers and economic agents associated with Group entities.

Caixa Seguros e Saúde, SGPS, S.A.

In accordance with the accounting rules applicable by CGD, Caixa Seguros e Saúde achieved net results of EUR 89.7 million, up EUR 86.7 million over the preceding year. This performance particularly reflects an improvement of financial activity in the insurance area as 2011 was negatively affected by adverse, non-recurring factors – namely impairment on the insurance area's exposure to Greek sovereign debt as well as a significant recovery of results in the hospital area.

FINANCIAL INDICATORS (a)

(EUR million)

	Dec/11	Dec/12
Net assets	13,456	13,553
Shareholders' equity	744	1,498
Invest. properties, securities portfolio, bank deposits and cash	11,891	12,104
Technical provisions net of reinsurance	4,377	4,022
Liabilities for customer resources and other loans	6,955	6,777
Net income	3	90
	Dec/11	Dec/12
Component parts of solvency margin	967	1,321
Required solvency margin	667	614
Surplus solvency margin	301	708
Solvency margin cover rate	145%	215%

(a) The amounts comply with standards relating to the presentation of financial statements in IFRS/IAS format (CGD Group) and correspond to the consolidated accounts.

Insurance Activity

In 2012, domestic insurance activity was once again conditioned by an unfavourable economic environment, in which the market was down 6.4% in terms of direct insurance premiums (including resources taken under investment contracts), to EUR 10,908 million.

Life insurance with premium income of EUR 6,920 million, was down 8.2% over the preceding year and continued to reflect an across-the-board decline in disposable income, which essentially impacted financial capitalisation insurance and "PPRs" (retirement plans).

Non-life insurance areas as a whole with sales of around EUR 3,988 million, were down 3.0%, reflecting the unfavourable socio-economic context and considerably high levels of competition, particularly in the case of motor and workman's compensation insurance.

Market Leader

Caixa Seguros e Saúde's posted EUR 3,195 million in direct insurance premiums from its activity in Portugal, down 18.0% over the preceding year, particularly deriving from a 23.5% reduction of life insurance.

Caixa Seguros e Saúde maintained its clear lead of the domestic insurance sector, with a global market share of 29.3%, both in the case of life insurance (31.0%), and non-life insurance (26.4%).

The amount of Caixa Seguros e Saúde's premiums abroad remained in line with the amount registered in 2011, and continued to be responsible for more than 90% of sales by national insurance companies in other markets.

Clear lead of the domestic insurance sector, with a global market share of 29.3%:

- Life insurance (31.0%)

- Non-life insurance (26.4%)

DIRECT INSURANCE

(EUR million)

	Dec/11	Dec/12
Operations in Portugal		
Total market share	33.4%	29.3%
Life insurance	37.2%	31.0%
Non-life insurance	26.6%	26.4%
Direct insurance premiums	3,895	3,195
Life insurance	2,802	2,143
Non-life insurance	1,092	1,052
Foreign insurance operations		
Direct insurance premiums	66	67
Life insurance	33	28
Non-life insurance	33	39

(a) Pro forma accounts, , excluding non-securing annulments in 2011 the decrease of turnover in 2012 would amount to 2.6% corresponding to 0.1% increase in market share.

Results

The total technical margin, excluding financial activity was down 15.0% over the preceding year to EUR 283.2 million, particularly deriving from the extraordinary provisioning levels on long term liabilities for workman's compensation insurance.

Earnings from financial activity were, in turn, up 400.6% over 2011 to EUR 182.6 million owing to the smaller impact of impairment for the year, in addition to the higher net capital gains on attributions to customers.

Lastly, structural costs were down 2% year-on-year to EUR 296 million, over most account headings.

The consolidated net results attributable to the insurance area were therefore up EUR 79.7 million over the preceding year to EUR 100.8 million.

Solvency

The combined ratio, net of reinsurance was down 1.4pp over the preceding year to 98.5%, having posted a 3.1% improvement via the loss ratio (-3.1pp), owing to a good overall behaviour of the current claims rate and a 1.7 pp increase via the expense ratio (+1,7pp), which incorporates the non-recurrent adjustment costs to the number of staff.

The insurance area also recorded improvement in terms of shareholders' equity as a result of the evolution of the fair value reserve, net results and increase in share capital – the latter owing to the conversion of EUR 351.5 million in subordinated liabilities.

INDICATORS

(EUR million)

	Dec/11	Dec/12
Direct insurance premiums	3,961	3,262
Life insurance	2,835	2,171
Non-life insurance	1,126	1,091
Combined ratio - net of reinsurance (Non-life insurance)	99.9%	98.5%
Loss ratio (1)	73.2%	70.1%
Expense ratio (2)	26.7%	28.4%

(1) Excluding mathematic provisions of workman's compensation insurance and the increase of provisions for workman's compensation insurance totaling EUR 44 million in 2012.

(2) Including non-recurrent costs for the adjustments of the number of staff, totalling EUR 17.3 million.

In consolidated terms, Caixa Seguros e Saúde increased its solvency level to 215% (145% in 2011). This reinforces the sentiment of confidence conveyed to all customers and economic agents related with the Group.

In particular, Fidelidade Seguros as the Group's main insurance company achieved a solvency margin coverage rate of 232% in 2012 compared to 170% in December 2011.

CAIXA GERAL DE DEPÓSITOS, S.A.

8 February 2013

7 – Consolidated Balance Sheet

(at 31 december 2012)

(EUR million)

			Change	
ASSETS	Dec/11 (*)	Dec/12	Total	(%)
Cash and cash equivalents with central banks	2,704	1,603	-1,101	-40.7%
Loans and advances to credit institutions	5,944	3,823	-2,121	-35.7%
Loans and advances to customers	78,248	74,714	-3,534	-4.5%
Securities investments	24,398	28,188	3,791	15.5%
Assets with repurchase agreement	778	504	-274	-35.2%
Invest. in subsidiaries and associated companies	35	32	-3	-9.2%
Intangible and tangible assets	1,516	1,430	-86	-5.7%
Current tax assets	87	63	-24	-27.3%
Deferred tax assets	1,915	1,514	-401	-20.9%
Technical provisions for outwards reinsurance	226	197	-29	-12.7%
Other assets	4,791	4,857	66	1.4%
Total Assets	**120,642**	**116,926**	**-3,716**	**-3.1%**
LIABILITIES				
Central banks' and credit institutions' resources	15,860	12,243	-3,616	-22.8%
Customer resources	70,587	71,404	817	1.2%
Financial liabilities	1,918	2,218	300	15.6%
Debt securities	14,923	10,591	-4,333	-29.0%
Provisions	886	951	65	7.3%
Technical provisions for insurance operations	4,611	4,224	-387	-8.4%
Subordinated liabilities	2,075	2,889	814	39.2%
Other liabilities	4,457	5,095	639	14.3%
Sub-Total	**115,318**	**109,615**	**-5,703**	**-4.9%**
Shareholders' Equity	**5,324**	**7,311**	**1,987**	**37.3%**
Total	**120,642**	**116,926**	**-3,716**	**-3.1%**

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

8 – Consolidated Income Statement

(at 31 december 2012)

(EUR thousand)

			Change	
	Dec/11 (*)	Dec/12	Total	Dec/11 (*)
Interest and similar income	5,367,805	5,074,082	-293,723	-5.5%
Interest and similar costs	3,682,312	3,730,343	48,031	1.3%
Net interest income	1,685,493	1,343,739	-341,754	-20.3%
Income from equity instruments	146,724	118,942	-27,782	-18.9%
Net interest income including income from equity investments	**1,832,218**	**1,462,681**	**-369,536**	**-20.2%**
Income from services and commissions	655,988	677,957	21,969	3.3%
Costs of services and commissions	151,008	169,334	18,326	12.1%
Commissions (net)	504,980	508,623	3,643	0.7%
Income from financial operations	-24,762	357,070	381,833	
Other net operating income	131,114	88,687	-42,427	-32.4%
Non-interest income	**611,332**	**954,380**	**343,048**	**56.1%**
Premiums net of reinsurance	1,243,666	1,202,831	-40,835	-3.3%
Investment income allocated to insurance contracts	143,388	179,572	36,184	25.2%
Claims costs net of reinsurance	823,924	783,043	-40,881	-5.0%
Commissions and other associated income and costs	-93,326	-86,247	7,080	7.6%
Technical margin on insurance operations	469,803	513,113	43,310	9.2%
Net operating income from banking and insurance operations	**2,913,352**	**2,930,175**	**16,822**	**0.6%**
Employee costs	939,253	909,280	-29,973	-3.2%
Other administrative expenses	638,533	623,255	-15,278	-2.4%
Depreciation and amortisation	197,872	185,510	-12,362	-6.2%
Operating costs and depreciation	1,775,658	1,718,044	-57,613	-3.2%
Gross operating income	**1,137,695**	**1,212,130**	**74,436**	**6.5%**
Provisions and impairment of other assets (net)	827,556	537,872	-289,684	
Credit impairment net of reversals	825,940	1,008,569	182,628	22.1%
Provisions and impairment	**1,653,496**	**1,546,440**	**-107,056**	**-6.5%**
Income from subsidiaries held for sale	**-37,953**	**-22,643**	**15,310**	
Income from associated companies	**8,669**	**-16**	**-8,685**	**-100.2%**
Income before tax and non-controlling interest	**-545,085**	**-356,969**	**188,116**	
Tax	**-115,896**	**-10,558**	**105,338**	
Current and deferred	-145,295	-40,310	104,984	
Extraordinary contribution on the banking sector	29,398	29,752	354	1.2%
Consolidated net income for period	**-429,189**	**-346,411**	**82,778**	
of which:				
Non-controlling interest	59,236	48,304	-10,931	-18.5%
NET INCOME ATTRIBUTABLE TO CGD SHAREHOLDER	**-488,425**	**-394,715**	**93,709**	

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

Caixa Geral
de Depositos