# ANNUAL REPORT 2014

CGD REPORTS

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# ÍNDICE

# 1. Board of Directors' Report

## 1.1. Message from the Chairman and CEO of Board of Directors

Portugal witnessed a series of events with differentiated expressive consequences on the financial system and domestic economy in 2014.

Caixa Geral de Depósitos (CGD) Group, as a benchmark operator in the banking sector and in Portugal naturally provided for the effects of such events, in promptly actioning the tools and adjustments needed for an economic environment in a state of change and renewal over the last few years but whose proportions and characteristics, across 2014, were in several cases less auspicious and impossible to predict.

Extraordinary, unforeseen events associated with an important Portuguese financial group, made public at the start of the second half of the year, fuelled fears of the introduction of a certain turbulence in Portugal. However, following a first and very brief less favourable impact, the authorities' immediate response, in their clear, rigorous presentation of a resolution trajectory, avoided the across-the-board perception of a lesser degree of credibility and greater risk in the eyes of the international community.

The fact that Portugal, on the contrary, had been responding in a consistent manner to its commitments was confirmed by the recent successful completion of its Economic and Financial Assistance Programme, in May, without the need for any complementary support programme. This was, effectively, a relevant milestone in the most recent past of the Portuguese economy and, albeit with a certain time lag, cannot but have positive repercussions on banking activity.

The Portuguese banking system once again proved its resilience and robustness, with most of the country's banks having achieved positive results (announced in October) in the ECB's Comprehensive Assessment.

CGD's performance, this year, was highly favourable, in confirming its balance sheet's capacity to provide for highly rigorous asset valuation criteria, as well as the effects of a hypothetical new sovereign debt crisis.

CGD's projected CET1 ratio (transitional dispositions) in 2016 was 9.40% for the base and 6.09% for the adverse scenario, in both cases clearly higher than the minimum thresholds established in the sphere of this exercise.

Albeit penalised by the already referred to extraordinary effects which required the recognition of significant impairment costs on exposure to the Espírito Santo Group, CGD's profitability, nevertheless, improved significantly by around 40% over the preceding year (with negative net income of €348 million in comparison to losses of €578.9 million in 2013). This improvement occurred in a context of greater liquidity and favourable levels of own capital adequacy.

As regards this recovery, reference should be made to the positive contributions made by net interest income, notwithstanding the reduction of Euribor rates and the fact that operating costs continued to trend downwards, in line with the continuous rationalisation and operating efficiency policy as one of the group's important strategic pillars.

In an economic context of gradual recovery, CGD witnessed signs of a recovery in the confidence of Portuguese society, households and companies, as expressed in an increase in its market shares of customer deposits and, in the sphere of lending operations, an already visible flow of new corporate credit operations to non-financial private corporations. Reference should be made to the importance attributed to the corporate treasury function and capitalisation operations, which have continued to rely on the substantial backing of CGD's international platform. Reference should also be made to the 16.4% growth of new mortgage loans.

The fact that the international financial community has also continued to affirm its confidence in CGD credit was certified by the very warm welcome afforded by the market to the January issuance of covered bonds whose conditions were visibly more favourable than those achieved in 2013. This improvement was repeated in an even more marked manner in a similar operation realised in 2015.

During the course of 2014 CGD saw improvements to its ratings as was the case with the Portuguese Republic.

Remaining at the forefront as a bank firmly committed to investment in the country's future, CGD has continued to reinforce its principles and actions designed to promote sustainability and social responsibility in different operating aspects.

With a significant impact on the community these principles are also particularly expressed in the group's internal operating policies and actions, particularly the growing importance attached to its employees' training and satisfaction, as CGD's backbone and which, even in periods of greater difficulty and rigour have always translated CGD's commitments to the community and the country.

Under the scope of the corporate sustainability programme, 2014 was marked, *inter alia*, by the award of the ISO 14001 Environmental Certificate to CGD which was the first Portuguese financial institution to achieve such recognition.

Following the first few months of 2015, the economic environment continues to pose challenges which by far exceed the realms of finance and which require a strengthening of commitments and affirmation of values and principles on a global scale.

In this its 139th year of activity, CGD's history has provided it with the knowledge and expertise to enable it to, once again, find the best responses to a demanding environment and new historical, cultural, social and economic surrounds.

# CGD Group – Consolidated Operations

## 1.2. Highlights

(EUR million)

| Balance sheet | 2011 | 2012 | 2013 (*) | 2014 |
|---|---|---|---|---|
| Loans and advances to customers (gross) (**) | 81,631 | 78,950 | 74,530 | 72,785 |
| Securities investments (***) | 25,176 | 19,611 | 19,035 | 19,562 |
| Customer resources | 70,587 | 66,985 | 67,843 | 71,134 |
| Debt securities | 14,923 | 11,799 | 8,791 | 7,174 |
| Shareholders' equity | 5,324 | 7,280 | 6,676 | 6,493 |
| Net assets | 120,642 | 119,280 | 113,495 | 100,152 |
| **Income statement** | | | | |
| Net interest income incl. income equity instrum. | 1,832 | 1,357 | 924 | 1,038 |
| Non-interest income | 611 | 942 | 791 | 700 |
| Operating costs | 1,776 | 1,350 | 1,403 | 1,328 |
| Net operating income | 2,913 | 2,303 | 1,715 | 1,738 |
| Gross operating income | 1,138 | 954 | 312 | 411 |
| Income before tax and non-controlling interests | -545 | -422 | -673 | -234 |
| Net income | -488 | -395 | -579 | -348 |
| **Ratios** | | | | |
| Common equity tier 1 (phased-in) | n.a. | n.a. | 10.9% | 10.9% |
| Tier 1 (phased-in) | n.a. | n.a. | 10.9% | 10.9% |
| Total (phased-in) | n.a. | n.a. | 12.4% | 12.7% |
| Common equity tier 1 (fully implemented) | n.a. | n.a. | 7.6% | 9.8% |
| Loans-to-deposit ratio | 122.2% | 112.0% | 103.5% | 94.5% |
| Credit at risk / Total credit (1) | 6.9% | 9.4% | 11.3% | 12.2% |
| Non-performing credit / Total credit (1) | 4.3% | 6.4% | 7.5% | 8.9% |
| Overdue credit / Total credit | 3.9% | 5.7% | 6.7% | 7.7% |
| Cred. overdue more than 90 days / Total credit | 3.6% | 5.3% | 6.1% | 7.1% |
| Restructured credit / Total credit | n.a. | n.a. | 8.0% | 10.6% |
| Restr. cr. not incl. in cred. at risk / Total cred. | n.a. | n.a. | 4.8% | 6.3% |
| Accumulated impairment / Overdue credit | 105.0% | 92.8% | 91.0% | 94.3% |
| Accu. Imp. / Cred. overdue more than 90 days | 116.5% | 100.5% | 99.9% | 102.3% |
| Cost-to-income (1) | 60.8% | 58.5% | 81.6% | 75.5% |
| Gross return on equity - ROE (1) | -8.1% | -6.5% | -9.4% | -3.2% |
| Return on equity after tax - ROE (1) | -6.4% | -5.3% | -7.2% | -3.6% |
| Gross return on assets - ROA (1) | -0.4% | -0.4% | -0.6% | -0.2% |
| Return on assets after tax - ROA (1) | -0.4% | -0.3% | -0.5% | -0.3% |
| Net operating income / Average net assets (1) | 1.4% | 2.0% | 1.5% | 1.7% |

(*)The 2013 consolidated values have been restated, following the implementation of IFRS 10 that led to the inclusion in the consolidation perimeter, by the full integration method, of IMOBCI (Mozambique), Fundimo and Fundiestamo.

(**) Includes assets with repo agreements.

(***) Includes assets with repo agreements and trading derivatives

(1) Ratios defined by the Bank of Portugal.

| Other indicators | 2011 | 2012 | 2013 (*) | 2014 |
|---|---|---|---|---|
| Branches | 1,351 | 1,311 | 1,277 | 1,246 |
| Portugal (2) | 860 | 848 | 805 | 787 |
| Abroad | 491 | 463 | 472 | 459 |
| Representative offices (3) | 11 | 12 | 12 | 12 |
| Employees (4) | 23,205 | 21,974 | 19,608 | 15,896 |
| CGD Portugal | 9,509 | 9,401 | 9,049 | 8,858 |
| Other banking institutions | 5,531 | 5,484 | 5,781 | 5,988 |
| Insurance companies | 3,463 | 3,411 | 3,378 | 0 |
| Financial companies | 368 | 411 | 421 | 361 |
| Other activities | 4,334 | 3,267 | 979 | 689 |
| **Ratings (long/short term)** | | | | |
| Moody's | Ba2/NP | Ba3/NP | Ba3/NP | Ba3/NP |
| Standard & Poor's | BB+/B | BB-/B | BB-/B | BB-/B |
| FitchRatings | BB+/B | BB+/B | BB+/B | BB+/B |
| DBRS | BBB R-2 (high) | BBB (low) R-2 (mid) | BBB (low) R-2 (mid) | BBB (low) R-2 (mid) |

(*)The 2013 consolidated values have been restated, following the implementation of IFRS 10 that led to the inclusion in the consolidation perimeter, by the full integration method, of IMOBCI (Mozambique), Fundimo and Fundiestamo.

(2) Includes self-service branches.

(3) Includes presence in Algeria, at approval stage.

(4) Does not include CGD employees in the CGA Support Department or employees engaged on public service secondment or in other situations.

Caixa Geral de Depósitos (CGD)'s negative net income of €348 million, in 2014, comprised a year-on-year improvement of around 40% in its profitability (negative net income of €578.9 million in 2013). This improvement occurred in a context of increased liquidity and favourable shareholders' equity levels.

Negative net income of €348.0 million - an improvement of 40% over the preceding year

Gross operating income was up by around 32% to €410.8 million. Reference should be made to the contributions from international operations and investment banking which were up 59% and 40.1%, respectively

Gross operating income up 32%

The improved profitability was, however, negatively affected, in the second and third quarters by the recognition of impairment costs on the exposure to Espírito Santo Group (GES) and by the higher level of individual provisioning on several customers with more relevant exposure as well as the net impact of the cancellation of deferred taxes deriving from the reduction of the IRC rate (€85 million).

Profitability affected by recognition of impairment costs

In spite of the above referred to significant additional provisioning endeavours, provisions and impairment costs were down 15.6% in 2014 against the preceding year to €949.6 million.

The cost of credit risk was 1.18% in 2014, against 1.06% in 2013 and below the maximum of 1.24% observed in 2012.

Cost of credit risk of 1.18% in 2014

Credit more than 90 days overdue coverage was up from 99.9% to 102.3% in December 2013 and 2014, respectively.

There was a positive evolution of net interest income across the year as a whole, with 2014 ending with growth of 15.7%. Net interest income, including income from equity instruments, also continued to trend to improvement (up 12.4%), in spite of the 28.2% reduction of income from equity instruments.

The behaviour of this margin, however, reflects the impact of the behaviour of financial markets and narrowing credit spreads on economic activity in a framework of an improvement in the perception of the risk attached to the Portuguese economy.

Positive evolution of net interest income in period

Commissions (net) were slightly up over the preceding year by 0.3% to €515 million.

The performance of income from financial operations continued to be favourable at €201.7 million, as a result of asset portfolio trading and management operations, in a context of appreciation, particularly in respect of the Portuguese public debt component.

Good performance by financial operations

There was a year-on-year positive change of 1.4% in net operating income to €1,738.4 million.

Net operating income from banking up 1.4%

In line with the operational rationalisation policy and efficiency improvements being made by the Group, operating costs continued to trend downwards by 5.4% in comparison to the preceding year. This was particularly the case of the fresh reduction of 8% in employee costs.

The cost-to-income indicator declined to 75.5%, against the preceding year's 81.6%, reflecting both cost reductions and an improvement of net operating income.

Operating costs continue to trend downwards (5.4% over preceding year)

Loans and advances to customers were down, year-on-year by 3.5% and 2.3%, respectively in net and gross terms to €67,554 million and €72,785 million. This was not an across-the-board decrease in the different sectors of activity but reflected a significant reduction of credit to the state's business sector following a strong flow of early repayments (around €900 million), as opposed to a greater dynamism in credit flows to non-financial private corporations, excluding construction and real estate activities. New mortgage loans were up 16.4% in comparison to 2013.

Cost-to-income down 6.1 pp

CGD's market share of corporate loans was 17.8% in November.

Customer resources were up 4.9% by €3,291 million year-on-year to a balance of €71,134 million.

Reduction of credit portfolio

CGD increased its lead of the customer deposits' segment from 27.6% at the end of 2013 to 28.6% in November 2014, particularly its 32.4% market share of the individual customers' segment in November.

International operations made an expressive contribution of €334.3 million (up 59%) to the Group's gross operating income).

Good performance of operations in Spain

Reference should be made to the good performance of the operations in Spain, in which BCG made a profit of €20.1 million against losses of €57.3 million in 2013, as a reflection of the success of the restructuring programme in progress in the referred to unit.

Operations in Asia and Africa make a highly positive contribution to consolidated returns

This was accompanied by a visible reduction of the losses made by the CGD branch in Spain from €113.9 million in December 2013 to €66.1 million at the end of 2014.

The operations in Asia and Africa continue to make a highly positive contribution to consolidated profitability with €46.0 million and €44.8 million, respectively.

In spite of the good performance of most Group operations, higher provisioning levels on the Group's international platform owing to the exposure to GES prevented this segment from posting a positive contribution to consolidated net income in 2014 (negative contribution of €2.8 million).

ECB financing continued to trend sharply downwards to €3,110 million in consolidated terms at the end of December against €6,335 million at the end of 2013.

Consistent reduction of resource-taking from ECB

CGD's comfortable liquidity situation enabled it to make an early repayment of its state-backed debt insurance for a total amount of €3.6 billion.

In January 2014, as in the preceding year, CGD returned to the covered bonds market with a new 5 year issuance for the amount of €750 million and a spread of 188 bp on the mid-swaps rate, representing a reduction of around 100 bp in comparison to the level of the bond issuances of 2013, confirming the perception of the growing credibility of its credit in the market.

CGD returns to the markets with a 5 year maturity covered bonds issuance of €750 million, in January 2014

In 2015, CGD made a fresh issuance of covered bonds – for a higher amount of €1 billion and a longer maturity of 7 years than in the past – with a coupon rate of 1%. This was the lowest rate ever recorded for bonds issued by Portuguese entities with such a maturity.

New covered bonds issuance of €1 billion with a maturity of 7 years and a historically low coupon rate of 1% in January 2015

CGD successfully completed the ECB's Comprehensive Assessment in collaboration with the competent national authorities whose results were announced on 26 October 2014. The CET1 ratio projection (transitory dispositions) in 2016 is 9.40% for the baseline scenario and 6.09% for the adverse scenario, i.e. in both cases higher than the minimum thresholds of 8% for the base and 5.5% for the adverse scenario established for the operation. The AQR assessment resulted in an impact of 44 bp in terms of CGD's CET 1 ratio.

The result of the assessment indicates CGD's resilience in both scenarios.

CGD successfully passes the ECB's comprehensive assessment

The Common Equity Tier 1 (CET 1) ratios, calculated in accordance with CRD IV / CRR "phased-in" and "fully implemented" rules, were 10.9% and 9.8%, respectively. Considering its inclusion in the Special Regime applicable to Deferred Tax Assets, the referred to ratios would be 11.1% and 10.2%, respectively.

CET 1 phased-in ratio of 10.9%

CET 1 fully implemented ratio of 9.8%

# 1.3. Group Overview

## 1.3.1. EQUITY STRUCTURE

Caixa Geral de Depósitos' capital is owned by the Portuguese State as its sole shareholder. Share capital, at 31 December 2014 totalled €5 900 million.

## 1.3.2. MILESTONES

**1876** Formation of Caixa Geral de Depósitos, under the aegis of the Junta de Crédito Público, for the essential purpose of taking in mandatory deposits required by the law or the courts.

**1880** Formation of Caixa Económica Portuguesa, to receive and administer the deposits of the less moneyed classes which underwent a *de facto* merger with CGD in 1885.

**1896** CGD is spun off from the *Junta de Crédito Público*. The *Caixa de Aposentações* for salaried workers and the *Monte da Piedade Nacional*, for pawnbroking operations are created under CGD administration.

**1918** CGD starts to perform general credit operations.

**1969** CGD, up to the said date, a public service, governed by the State's administrative rules, becomes a state-owned public limited liability company.

**1975** Formation of Paris branch.

**1982** Formation of the Locapor and Imoleasing leasing companies. The following years witness the formation of real estate fund managers Fundimo (1986) and unit trust fund company Caixagest (1990), with controlling interests in the brokerage companies Sofin (1998) and consumer credit company Caixa de Crédito (2000).

**1988** Creation of Caixa Group as the majority shareholder in Banco Nacional Ultramarino and Companhia de Seguros Fidelidade.

**1991** Acquisition of Banco da Extremadura and Chase Manhattan Bank España, in Spain, with a name change to Banco Luso-Español.

**1992** Acquisition of a stake in the venture capital company Promindústria, giving rise to the Caixa Investimentos investment company, in 1997.

**1993** CGD becomes an exclusively state-owned public company confirming its status as a universal bank operating in a fully competitive regime, without prejudice to being particularly geared to the formation and taking-in of savings and providing support to the development of the country.

**1995** Acquisition of Banco Simeón in Spain.

**1997** Formation of new Banco Comercial de Investimentos de Moçambique.

**1998** Formation of HPP – Hospitais Privados de Portugal, later to become CGD Group's healthcare arm.

**2000** Acquisition of Mundial Confiança insurance company and Banco Totta & Comercial Sotto Mayor de Investimentos, SA, later to become Caixa Banco de Investimento.

**2001** Opening of East Timor Branch.

The Paris branch is assimilated with Banque Franco Portugaise to create the France branch.

**2002** Rationalisation and consolidation of the commercial banks in Spain, in the form of a merger between Banco Luso Espanhol, Banco da Extremadura and Banco Simeón.

**2004** With its acquisition of the Império Bonança insurance company, in 2004, CGD Group becomes the domestic insurance sector leader.

CGD takes a controlling interest in Mercantile Lisbon Bank Holding in South Africa in the form of a capital increase.

**2006** Banco Simeón changes its name to Banco Caixa Geral.

**2008** Formation of Parcaixa (share capital of EUR 1 billion: 51% CGD and 49% Parpública).

Creation of Caixa Geral de Depósitos Foundation – Culturgest.

Caixa Seguros becomes Caixa Seguros e Saúde, SGPS, SA following a reorganisation of the said business areas, with the transfer of the HPP universe from Fidelidade-Mundial's balance sheet to the Caixa Seguros balance sheet.

**2009** Resumption of the Group's presence in Brazil through the start-up of Banco Caixa Geral Brasil.

Equity investment in Banco Caixa Geral Totta de Angola, in which CGD and Santander Totta have a controlling interest of 51%.

**2010** Exercising of the 1% purchase option on the share capital of Partang, SGPS, holding 51% of the share capital of Banco Caixa Geral Totta Angola (BCGTA), with CGD Group now having a controlling interest in the holding company and an indirect interest in the bank itself.

Agreement for the acquisition of 70% of the capital of Banif Corretora de Valores e Câmbio ("Banif CVC") by CGD Group.

Obtaining of authorisation for the formation of Banco para Promoção e Desenvolvimento (BPD) in Angola, with an initial capital of €1 billion, owned on a 50/50 basis by CGD and Sonangol Groups.

Formation of Banco Nacional de Investimento (BNI), in Mozambique, whose capital is 49.5% held by CGD, 49.5% by the State of Mozambique via the Directorate General for the Treasury and 1% by Banco Comercial e de Investimentos (CGD Group).

**2011** Formation of Universal Seguros, in Angola, with a 70% equity investment by Caixa Seguros e Saúde and the remaining 30% held by Angolan partners.

**2012** Merger between the Fidelidade-Mundial and Império Bonança insurance companies, with the latter having been incorporated into the former and simultaneous change of corporate name to Fidelidade-Companhia de Seguros.

Signing of contracts for the acquisition of an equity stake in Banif Corretora de Valores e Câmbio, with a name change to CGD Investimentos Corretora de Valores e Câmbio ("CGD Securities").

Signature of purchase and sales contract for CGD's disposal of its equity investment in Banco Nacional de Investimento (BNI).

Repurchase of all equity stakes held by third parties in Mercantile Bank Limited, with CGD holding the full amount of the bank's share capital.

**2013** Caixa Seguros e Saúde's sale of HPP - Hospitais Privados de Portugal to Brazilian healthcare Group Amil Participações.

Sale of CGD's equity stake in Banco para a Promoção e Desenvolvimento (BPD) to Sonangol Group.

**2014** Disposal of 80% of the equity capital of Fidelidade - Companhia de Seguros, CARES - Companhia de Seguros and Multicare - Seguros de Saúde, to the Chinese Fosun Group in the sphere of the privatisation of CGD's insurance activity.

### 1.3.3. DIMENSION AND RANKING OF GROUP

CGD Group continued to be the domestic market leader in the main business areas in which it operated, in 2014, as shown in the following table:

MARKET SHARES IN PORTUGAL

(%)

| | 2013-12 | | 2014-12 | |
|---|---|---|---|---|
| Banking | Share | Ranking | Share | Ranking |
| Assets (net) [a] | 31.5% | 1st | 30.7% | 1st |
| Loans and advances to customers [b] | 21.6% | 1st | 21.4% | 1st |
| Loans and advances to companies [b] | 18.1% | 1st | 17.8% | 1st |
| Loans and advances to individual costumers [b] | 23.7% | 1st | 23.5% | 1st |
| Mortgage loans [b] | 26.5% | 1st | 26.5% | 1st |
| Customer deposits [b] | 27.6% | 1st | 28.6% | 1st |
| Individual customers' deposits [b] | 32.6% | 1st | 32.4% | 1st |
| Specialised credit [c] | | | | |
| Property leasing | 12.3% | 3rd | 19.8% | 2nd |
| Equipment leasing | 15.4% | 1st | 17.8% | 1st |
| Factoring | 8.7% | 4th | 9.7% | 4th |
| Asset management | | | | |
| Unit trust investment fund (FIM) [d] | 26.3% | 1st | 31.8% | 1st |
| Property investment fund (FII) [d] | 11.8% | 2nd | 11.6% | 2nd |
| Pension fund [d] | 16.6% | 2nd | 19.0% | 2nd |
| Wealth management [d] [e] | 35.9% | 1st | 40.4% | 1st |

(a) Considering the consolidated operations of the five largest Portuguese banking system groups.
(b) Source: Bank of Portugal (Monetary and Financial Statistics-Nov 2014). Credit includes securitised operations.
(c) Source: ALF (Portuguese Leasing and Factoring Association).
(d) Source: APFIPP (Portuguese Investment Funds, Pensions and Wealth Association).
(e) Includes: Pension funds managed by CGD Pensões

CGD's market share of loans and advances to customers, down from 21.6% in December 2013 to 21.4% in November 2014, reflected the evolution of credit shares both in the corporate and individual customers' segment. CGD's share of mortgage loans was 26.5%.

Lead in individual customers' deposits with 32.4% of the domestic market

In 2014, its 28.6% market share of customer deposits reaffirmed CGD's leading position in Portugal, particularly in the individual customers' segment with 32.4%.

In the leasing area, Caixa Leasing e Factoring (CLF) continued to come first in the equipment sector leasing ranking with a market share of 17.8%. CLF's 94.1% growth in terms of property leasing enabled it to increase its market share from 12.3% in 2013 to 19.8% in 2014. The company came fourth in the factoring sector ranking with a market share of 9.7% (up 1 pp over December 2013).

CGD Group also achieved a leading position in the unit trust investment funds management activity, in which Caixagest strengthened its position in the market, with a 31.8% market share. In terms of pension funds management, CGD Pensões increased its share to 19.0%, in 2014, while continuing to come in second place of the ranking by asset volumes. Lastly, Caixagest retained its market lead in the portfolio management market, centred on the mandates of major institutional customers, with a share of 40.4%.

CLF retains 1st position in the equipment leasing sector with a market share of 17.8%

Caixa - Banco de Investimento, S.A. (CaixaBI) furthered the international affirmation strategy it has been implementing over the last few years in its activity, in 2014. CaixaBI'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 international analysts' distinctions, as shown in its leading positions in the main sector rankings.

Caixagest strengthens its leading market position with a market share of 31.8%

The group enjoys a leading position in the international sphere, both on account of the major relevance of its market share (Cape Verde, Mozambique, São Tomé e Príncipe and Timor), and the status and recognition of its brand (Macau, Cape Verde, Timor, São Tomé e Príncipe, Mozambique and Angola).

Banco Comercial de Investimentos confirmed its position as a first line benchmark bank in Mozambique's financial system, in 2014, with market shares of 29.3% in credit and 28.7% and 29.1% in deposits and assets, respectively in November and was considered for the 2nd consecutive time to be the "Best Commercial Bank 2014" and the "Best Retail Bank 2014" by the international "Global Banking & Finance Review" magazine.

CaixaBI furthers its international affirmation strategy

BCA was elected as the Brand of Confidence of Cape Verdeans for the 5th time. The opinion survey entitled "Survey on Cape Verdeans' Confidence in Brands, Personalities and Professions" was performed by Afronsondagem.

BCI confirms its position as one of the prime banks in Mozambique's financial system

Banco Interatlântico (BI) is the third largest bank in the financial system and was distinguished, in 2014, with the "Best Green Bank Cape Verde" prize from Capital Finance International, in recognition of its responsible market performance.

Reference should also be made to the Timor branch's market share of around 32% of the deposits and 58% of the credit markets as against BISTP's referred to market shares of 72% and 47%, respectively.

### 1.3.4. STRUCTURE OF CGD GROUP - RECENT DEVELOPMENTS

CGD completed an important stage of its strategy, in 2014, tightening its focus as a commercial retail bank at the service of Portuguese households and companies, completing the disposal of its non-banking financial investments, as provided for in the Economic and Financial Assistance Programme included in the Restructuring Plan.

CGD strengthens its position as a a commercial retail bank for Portuguese households and companies

Reference should be made to the following developments in CGD Group's structure, in 2014:

- On 30 April, in the sphere of the reorganisation of the Group's equity stakes in Cape Verde, CGD, Banco Interatlântico (BI) and Banco Comercial do Atlântico (BCA) sold their respective equity stakes of 41.55%, 4.35% and 10% in the share capital of Garantia – Companhia de Seguros de Cabo Verde to Fidelidade - Companhia de Seguros. CGD and BI therefore ceased to have any equity stake in Garantia and BCA reduced its stake in the insurance company to 25%. At the same time, on 7 May, CGD purchased an equity stake of 6.76% in BCA from Garantia, increasing its direct equity stake in the bank to 54.41%;

Sale of 80% of the equity stakes in the insurance businesses

- On 15 May, Caixa Seguros e Saúde, S.G.P.S. sold 80% of the share capital of Fidelidade - Companhia de Seguros, Cares - Companhia de Seguros and Multicare - Seguros de Saúde to the Chinese group Fosun, in the sphere of the privatisation of CGD's insurance group. As provided for in Fidelidade's sales agreement, Caixa Seguros could have an equity stake of 15%, with the disposal of 5% of the share capital to workers. The public offering for sale took place on 15 October, with the sale of 16,860 shares to workers. The remaining shares, to make up the 5% of Fidelidade's capital, were purchased by Fosun Group on 8 January 2015;
- CGD disposed of its 1.1% equity stake in REN – Redes Energéticas Nacionais, S.G.P.S. on 17 June in the sphere of the company's 2nd reprivatisation stage in the form of a domestic public offering and direct sale to qualified national and international investors;
- On 31 December it was approved in the form of a Unanimous Written Resolution the dissolution of Gerbanca, S.G.P.S. by its shareholders - CGD and Caixa-Participações, S.G.P.S., with 92% and 8% of the share capital, respectively.

Restructuring of operation in Spain

Streamlining operations continued to be performed on the branch office network in Portugal across the year as a whole, with the closure of 17 "face-to-face service" branches with low business revenues or in the immediate vicinity of other branches, together with a reduction of 191 employees. In January 2015 there were an additional 19 closures of "face-to-face service" branches on the domestic network. Abroad, with the exception of Spain (with a reduction of 58 branches in 2014), witnessed an expansion of the physical network with the opening of 36 branch offices in Mozambique, 6 in Angola, 4 in Timor and 1 in São Tomé e Príncipe.

Streamlining of branch office network in Portugal and development of distance channels as part of a better quality of service approach

The streamlining of the domestic branch office network has been accompanied by a reinforcement of distance channel services, always pursuant to an approach based on improvements to the quality of service, tailored to meet the new profiles and needs of the population.

## CAIXA GERAL DE DEPÓSITOS GROUP (PERCENTAGE OF EFFECTIVE PARTICIPATING INTEREST)

| | DOMESTIC | | INTERNATIONAL | |
|---|---|---|---|---|
| COMMERCIAL BANKING | Caixa Geral de Depósitos | | Banco Caixa Geral (Spain) | 99.8% |
| | | | Banco Caixa Geral (Brazil) | 100.0% |
| | | | BNU (Macau) | 100.0% |
| | | | B. Comercial do Atlântico (Cape Verde)* | 59.7% |
| | | | B. Interatlântico (Cape Verde) | 70.0% |
| | | | Mercantile Bank Hold. (South Africa) | 100.0% |
| | | | Parbanca, SGPS | 100.0% |
| | | | B. Com. Invest. (Mozambique) | 51.3% |
| | | | Partang, SGPS | 51.0% |
| | | | Banco Caixa Geral Totta (Angola) | 26.0% |
| ASSET MANAGEMENT | Caixa Gestão de Activos, SGPS | 100.0% | | |
| | CaixaGest | 100.0% | | |
| | CGD Pensões | 100.0% | | |
| | Fundger | 100.0% | | |
| SPECIALISED CREDIT | Caixa Leasing e Factoring IFIC | 51.0% | Promoleasing (Cape Verde)* | 55.5% |
| | Locarent | 50.0% | | |
| INVESTMENT BANKING AND VENTURE CAPITAL | Gerbanca, SGPS | 100.0% | A Promotora (Cape Verde)* | 48.4% |
| | Caixa Banco de Investimento | 99.7% | CGD Investimentos CVC (Brazil) | 99.9% |
| | Caixa Capital | 99.7% | | |
| | Caixa Desenvolvimento, SGPS | 99.7% | | |
| AUXILIARY SERVICES | Caixatec- Tecnologias de Informação | 100.0% | Inmobiliaria Caixa Geral (Spain) | 100.0% |
| | Caixanet | 80.0% | | |
| | Imocaixa | 100.0% | | |
| | Esegur | 50.0% | | |
| | Sogrupo Sistemas Informação ACE | 100.0% | | |
| | Sogrupo Compras e Serviços Partilhados ACE | 100.0% | | |
| | Sogrupo IV Gestão de Imóveis ACE | 100.0% | | |
| | Caixa Imobiliário | 100.0% | | |
| OTHER PARTICIPATIONS | Parcaixa, SGPS | 51.0% | La Seda Barcelona | 14.2% |
| | Caixa Participações, SGPS | 100.0% | Banco Internacional São Tomé e Príncipe | 27.0% |
| | Wolfpart, SGPS | 100.0% | | |
| | AdP Águas de Portugal, SGPS | 9.7% | | |
| | SIBS | 21.6% | | |
| | Fidelidade | 20.0% | | |
| | Cibergradual | 100.0% | | |
| | VAA - Vista Alegre Atlantis | 4.5% | | |
| | Yunit | 33.3% | | |

(*)Includes percentage equity stake held by entities consolidated by the equity accounting method.

## 1.3.5. BRANCH OFFICE NETWORK

CGD Group's branch office network, at the end of the year, comprised 1,246 branches of which 787 in Portugal and 459 abroad.

CGD's branch office network: 1 246 branches at the end of 2014

CGD Portugal's branch office network was down 18 branches across the year to 720 branches with face-to-face services, 39 self-service branches and 27 corporate offices.

CGD's branch office network: 18 fewer branches during the year

### CGD GROUP BRANCHES

| | 2013-12 | 2014-12 |
|---|---|---|
| CGD (Portugal) | 804 | 786 |
| Physical branches | 737 | 720 |
| Self-service branches | 38 | 39 |
| Corporate offices | 29 | 27 |
| Caixa - Banco de Investimento (Lisbon+Madrid) | 2 | 2 |
| France Branch | 48 | 48 |
| Banco Caixa Geral (Spain) | 167 | 109 |
| Banco Nacional Ultramarino (Macau) | 18 | 18 |
| B. Comercial e de Investimentos (Mozambique) | 132 | 168 |
| 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 | 29 | 35 |
| Other CGD branch offices | 18 | 21 |
| **Total** | **1,277** | **1,246** |
| **Representative offices (*)** | **12** | **12** |

(*) Includes presence in Algeria, at approval stage.

International branch office network: 13 fewer branches during the year

CGD's international branch office network was down by 13 branches in 2014. The reduction derived exclusively from the restructuring of the Spain operation, with the closure of 58 branches in 2014. The rest of the branch office network abroad was up by 45 branches, particularly in the case of Banco Comercial e de Investimentos, S.A. (BCI) in Mozambique, with an additional 36 branches and Banco Caixa Geral Totta de Angola, S.A. (BCGTA), with 6 branches.

## INTERNATIONAL BRANCH OFFICE NETWORK

| | | | |
|---|---|---|---|
| **Europe** | | | |
| **Spain** | | **Germany** | |
| Banco Caixa Geral | 109 | CGD – Representative Office | 1 |
| Caixa Banco de Investimento | 1 | **United Kingdom** | |
| CGD – Spain Branch | 1 | CGD – London Branch | 1 |
| Inmobiliaria Caixa Geral | 1 | **Luxemburg** | |
| **France** | | CGD – Luxembourg Branch | 2 |
| CGD – France Branch | 48 | **Switzerland** | |
| **Belgium** | | CGD – Representative Office | 1 |
| CGD – Representative Office | 1 | BCG – Representative Office | 1 |
| **America** | | | |
| **United States** | | **Venezuela** | |
| CGD – New York Branch | 1 | CGD – Representative Office | 1 |
| **Mexico** | | BCG – Representative Office | 1 |
| BCG – Representative Office | 1 | **Canada** | |
| **Brazil** | | CGD – Representative Office | 1 |
| Banco Caixa Geral Brasil | 2 | **Cayman Islands** | |
| CGD Investimentos | 1 | CGD – Cayman Islands Branch | 1 |
| **Africa** | | | |
| **Cape Verde** | | **São Tomé e Príncipe** | |
| Banco Comercial do Atlântico | 33 | Banco Intern. S. Tomé e Príncipe | 12 |
| Banco Interatlântico | 9 | **Mozambique** | |
| A Promotora | 1 | Banco Comercial e de Investimentos | 168 |
| **Angola** | | **Algeria** | |
| Banco Caixa Geral Totta Angola | 35 | CGD – Representative Office (*) | 1 |
| **South Africa** | | | |
| Mercantile Bank | 15 | | |
| **Asia** | | | |
| **China – Macau** | | **China** | |
| Banco Nacional Ultramarino,SA | 18 | CGD – Zhuhai Branch | 1 |
| Macau Offshore Subsidiary | 1 | CGD – Xangai Representative Office | 1 |
| **India** | | **East Timor** | |
| CGD – Representative Office | 2 | CGD – East Timor Branch | 13 |

(*) At approval stage.

## 1.3.6. CAIXA BRAND

CGD continues to be the banking brand with the highest recognition factor in the individual customers' and corporate segments (customers and non-customers), standing out on account of the improved perception of its status as an "innovative brand, with dynamic, appealing communication" and its improved position in the "modernity and youth" criterion.

Bank with the best brand recognition factor in the individual customers and corporate segment

CGD tied for first place in terms of the assessment of its corporate image and stands out in the attributes of "relevance in backing companies" and "relevance in its backing of and links with universities".

It is also the brand with the highest probability of attracting new individual customers and succeeded in expressively improving its position in the assessment of its corporate offer, leading in the "bank's relevance in the sector". The probability of CGD's SME customers remaining loyal to the bank, at 76%, is also high.

Brand best positioned to attract new individual customers

Portugal's most valuable banking brand

- Most valuable Portuguese banking brand in Portugal - Brand Finance

  Caixa Geral de Depósitos was the 'Most Valuable Portuguese Banking Brand in Portugal" for the 7th consecutive time in 2014 and the 181st most valuable in the study, with an estimated worth of €556.42 million, up 27% over the preceding year. Its brand strength rating improved from AA- (2013) to AA.

  The valuation derives from the Brand Finance Global Ranking 500 which is a partnership between Brand Finance and The Banker publication which performs an annual assessment of the value of brands in the financial sector worldwide.

Portuguese banking brand with the best reputation

- Portuguese Banking Brand with the Best Reputation - Reputation Institute

  The reputation index with consumers in general (66%) remains high and was up 2.6% over 2013. This value continues to guarantee leadership of the banking reputation ranking in Portugal.

  The Reputation Institute has created a brand valuation model in which reputation is defined and quantified by a consumer's perception of seven aspects, which, in the case of CGD are as follows: Products/Services – 58.9 |Innovation – 59.3 |Workplace – 61.9 | Governance – 57.8 | Citizenship – 61.1 | Leadership – 62.2 | Performance – 58.6.

  To identify the factors which influence corporate reputation, the model establishes the relationship between the seven reputational aspects, using a statistical process based on a qualitative and quantitative survey.

  Global RepTrak™ Pulse 2014 is the largest worldwide reputation study which analyses more than 2,000 companies in 25 different areas in 40 countries. The survey produces indicators on consumer and market perceptions and behaviour.

## Prizes and distinctions

Award of distinction to GD in Carbon Disclosure Project – 2014

- Superbrands 2014 – Excellence Brand
- "Marcas que Marcam" (Brands which Make a Difference) Prize 2014 – Banking Category
- Prime Company – Oekom ranking
- Carbon Disclosure Project Leadership Index Disclosure (CDLI) - CGD achieves the highest classification of all Portuguese companies (99 points)
- Carbon Disclosure Project Performance (CPLI) – Best Iberian Bank (level A)
- Rock in Rio Sustainable Attitude (Lisbon 2014) – award for a sustainable stand
- Green Leadership Award (1st Greenfest 2014 prize) – sustainability strategy
- Winner in the Social Responsibility Category - CGD - Best Ethical Practices Awards 2014
- Eficácia Prize 2014 - Silver
- Marketeer Prize 2014 – Banking Category
- Sapo prizes

Award of distinction from Sapo prizes in the form of 7 trophies

  - Gold: Customer of the Year
  - Gold: Grand Prix Jury with Caixa Plim
  - Gold: Financial Sector with Caixa Plim app
  - Gold: Best WebTV Format with Caixa Plim app
  - Gold: Best Digital Media Plan with Caixa Plim app
  - Silver: Financial Sector with Leisure Time Activity – Nós Alive Facebook

  - Bronze: Entertainment and Shows with RFID Activation - Rock in Rio

- Communication Media and Advertising Prizes
  - Gold: Banking & Finance with CGD's "Saldo Positivo" (Positive Balance)
  - Silver: Banking & Finance with Rock in Rio activation
  - Silver: Social Engagement with Rock in Rio activation
  - Gold: Integrated Communication Campaign with Rock in Rio activation
  - Silver: Internal Event with Anniversary Action
  - Bronze trophy for the "Árvores da Terra" (Trees of the Earth). Book project in the Social Responsibility Category – Social Responsibility Action, in commemoration of Native Forest Day.

Distinction: Communication Media and Advertising

Nota: The prizes awarded are the exclusive responsibility of the awarding bodies.

*Internal communication*

## De Nós para Nós ("From Us to Us") programme

Under the business reorganisation framework in progress and in order to involve and mobilise employees to rise to the innumerable challenges therefrom deriving, a specific internal communication programme, beginning with the CEO's New Year message, setting out the "De Nós para Nós" programme was presented, including a short inspirational film created specifically for this purpose.

De Nós para Nós ["From Us to Us"] programme: Together we're changing Caixa"- CGD's CEO

The programme which accompanies the group's change and renewal process as a whole, comprises thematic newsletters on various transversal projects and an intranet page on the most relevant occurrences, either as regards business challenges or the valorisation of teams of excellence in the most demanding projects.

## Caixa's 138th birthday

The 10 April 2014 celebrations were marked by an inspirational communication campaign starting with a countdown announcing the presence of the chairman of the executive committee on the intranet, followed by a film with the chairman's message and ending with a selfie of the executive committee accompanied by an invitation for the teams to take and share their own selfies.

Around 300 teams responded to this challenge and sent in their own selfies accompanied by birthday greetings, expressively translating the success of the action and strengthening internal culture and cohesion.

## Intranet

Intranet: more than 8 million visits in 2014

The intranet is the internal portal used to announce institutional and commercial information of relevance to CGD's activity. 74.4 million page views and 8.39 million visits were recorded in 2014.

## Caixa Notícias newsletter

Caixa Notícias is the preferred vehicle for communication with employees. It contributes towards a sense of belonging and corporate culture, conveying priorities at each point of time to enable the group to achieve its business and objectives.

The editorial criteria were restructured in 2014. While business topics continued to be highlighted, new themes designed to increase readers' interest in the newsletter were also included.

Reference should be made to interviews with several new directors, describing their career paths and the premises upon which their new functions are based and to high achieving employees both from inside and outside Caixa. Information was given on teams whose functions are fundamental for the quality and excellence of CGD's service but of which most employees are, to a certain extent, unaware. Contents related with leisure, benefits and curiosities were also introduced.

Caixa Notícias was once again published every month with contributions from various structural bodies and entities. The sections ceased to be fixed, changing in line with each issue's types of content.

### *Digital communication*

#### www.cgd.pt

Structuring changes were made to cgd.pt, in 2014 with the aim of leveraging the financial portfolio's products and services business, particularly:

- The supply of a call-back function with a "I want to be contacted" button allowing customers to schedule a request for contact from the Caixa Contact Centre (CCC), with the call being returned within a maximum period of 30 minutes;
- Integration of cgd.pt with Caixadirecta online: with a "I want to subscribe" button on card pages (debit, credit and prepaid), term deposits and savings accounts. This integration enables customers to navigate directly from cgd.pt to the Caixadirecta online page containing information on the product and subscribe. In cases in which products cannot be subscribed for online the call centre issues an alert on a contact's expressed intention to subscribe, returns the call and informs the customer's branch office of a product sales opportunity;

New functionalities at cgd.pt

- Creation of an "Other Proposals" zone on the accounts, cards and savings page for the presentation of similar alternative products;
- Supply of filters on the accounts, cards and savings lists enabling only specific products to be viewed at the time in question;
- Automatic standardised information sheet module on products, enabling the sheets to be automatically read by cgd.on the Documentum platform, guaranteeing the site's compliance as regards this rule on CGD's informational duties.

#### Social networks

CGD restructured its presence on social networks. Facebook campaigns were replaced by the launch of a transversal presence across Facebook, Twitter, Instagram and Google+: in the form of A Nossa Caixa ("Our Caixa") containing news, leisure -time activities and events.

The new page aims to create an "aggregating" presence, encompassing a diversity of issues ranging from leisure-time activities, helpful suggestions, financial literacy *et al*, with the objective of being the main presence on the social web.

The following were the number of followers on various CGD profiles at the end of the year:

CGD restructures its presence on social networks

- A Nossa Caixa: 83,000
- Saldo Positivo ("Positive Balance"): 77,000
- Caixa IU: 37,500
- Caixa Woman: 23,000

- Vantagens Caixa (“Caixa Benefits”): 23,000

CGD is also on YouTube and LinkedIn. In the case of the latter social network for professionals, reference should be made to clear growth, in which CGD, within one year post-launch affirmed its status as the only banking brand with an active presence deriving from its choice of contents in the management, entrepreneurship, innovation and knowledge areas.

Development of contents in the management, entrepreneurship, training, innovation and knowledge areas

## 1.3.7. HUMAN CAPITAL

In 2014 CGD maintained its Corporate Functional Model strategy designed to improve its global performance by promoting a group culture.

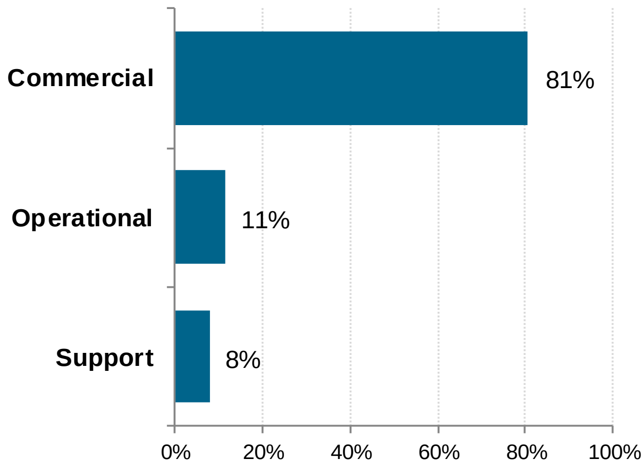
As regards its human capital, Caixa continues to implement its guidelines of the last few years, in backing business areas and other entities, its recognition of merit, management of potential and skills development and balance and harmony between its employees’ personal and professional lives.

Owing to the economic-financial context, which has not shown any significant changes over the recent past, CGD was forced to downsize its employee complement by 243 employees over 2013. CGD had a global complement of 9 649 employees at the end of 2014, of whom 8,773 were allocated to domestic banking operations.

Furtherance of Group culture and growing employee involvement in the Group’s strategic objectives

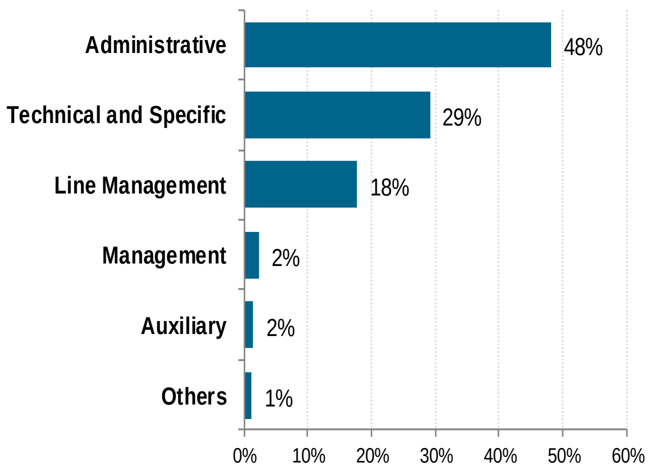
### DISTRIBUTION BY AREAS

(%)



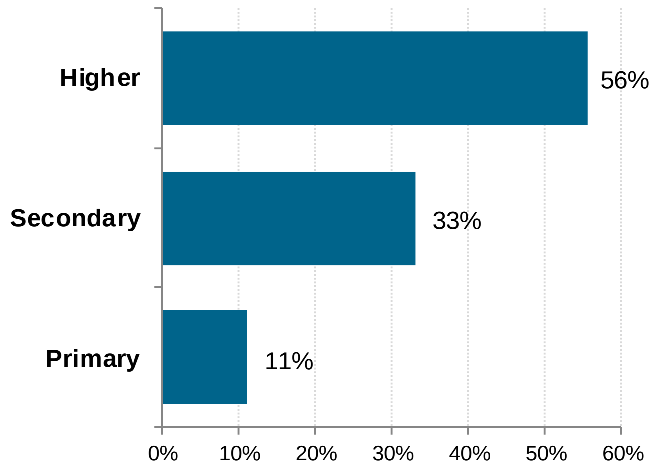

### FUNCTIONAL DISTRIBUTION

(%)



## DISTRIBUTION BY ACADEMIC QUALIFICATIONS

(%)




56% of employees have higher educational qualifications

2014 saw an increase in the average age from 42.8 to 43.4 and an increase in the number of employees with higher educational qualifications to more than 55%.

## CGD EMPLOYEES

| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| **CGD Total (1)** | **9,892** | **9,649** | **-243** | **-2.5%** |
| **Full time (1)** | **8,971** | **8,773** | **-198** | **-2.2%** |
| Joining the bank | 284 | 323 | 39 | 13.7% |
| Leaving the bank | 691 | 521 | -170 | -24.6% |
| **Main indicators** | | | | |
| Average age | 42.8 | 43.4 | 0.7 | 1.5% |
| Average seniority | 18.0 | 18.6 | 0.7 | 3.7% |
| Higher than secondary education rates | 54.5% | 55.7% | 1.2 | 2.3% |
| Female employees' rate | 56.7% | 57.2% | 0.5 | 0.8% |
| Absenteeism rate | 4.9% | 4.8% | -0.1 | -1.6% |

(1) CGD employees.

Notwithstanding the concern to optimising its employee complement, Caixa has also refreshed its employee complement by recruiting a small number of young graduates, having an impact on the referred to increase in the level of academic qualifications.

Talent management: 'Knowledge + Development + Training + Oversight"

### *Recruitment and Skills Management*

Caixa furthered its guideline policy on the advancement of its human capital, in 2014.

The creation of opportunities for professional advancement, translating into investment in employees' career development to meet their expectations in line with CGD's strategy, has been a priority. Accordingly 17 "characterisation processes" were performed using the assessment centres methodology, based on a talent management approach, resulting from the rationale represented by the 'Knowledge + Development + Training + Oversight' concept, which endeavours to identify differentiating characteristics, translating into attitude, skills, motivation and knowledge of employees. With the objective of providing for internal needs, 31 mobility processes geared both to the commercial area and central departments and the international area were also organised.

In the external recruitment field, Caixa's guidelines continued to be based on the skills and refreshing of its employee complement. Its proximity strategy with universities, namely those with courses of interest to banking, has been a crucial element. Caixa has, herein, also been involved as an employer at the invitation of several universities, in the assessment and accreditation processes of their courses, as promoted by A3ES – Agência de Avaliação e Acreditação do Ensino Superior. As in past years, it has continued to attend training fairs sponsored by professional employment offices and diverse universities' students' associations.

Its placements programme, in force since 1993, provided first degree or masters courses finalists and recent graduates in the financial areas with 337 placements in 2014. 161 of these placements were of a professional nature, 116 curricular and 60 summer placements provided under the "Summer Academies" scheme".

### *Training*

Internal training based on knowledge and use of internal training staff

Reference should be made to the three most important training areas in 2014:

- Consolidation of programmes starting in past years, namely training in corporate business, credit recovery and compliance-related areas;
- Maintenance of short term training support such as LPAs ("local promotional actions") and tutorials, the broadening of active tutorials and prevalence of internal training benefiting from the expertise of internal training monitors;
- Increase in corporate training management.

Based on the above, reference should be made to several characteristic initiatives of this year's training plan:

- Development of the technical skills and commercial approach of corporate office teams (5,672 hours);
- Awareness and empowerment on issues such as anti-money laundering and anti-terrorism (8,189 hours), ethics and code of conduct – information duties (2,934 hours), the single supervisory mechanism (3,053 hours) and FATCA (Foreign Account Tax Compliance Act ) - (2,671 hours);
- Development of proximity, networking and knowledge-sharing actions, bringing together parties from different business areas, through sharing and market panel sessions (7,030 hours);
- Greater focus on the oversight of compulsory training which has permitted an increase in the median rate of completion of e-learning courses, in the commercial area, to more than 98%;
- The supply of contents permitting greater autonomy in team learning processes LPAs, with the supply of 7 new modules. LPA training hours accounted for 17,195 hours of the available subjects.

Greater autonomy of team-learning process

Training hours were distributed across functional groupings as follows:

NUMBER OF TRAINING HOURS

(Hours)

| Functional distribution | 2014-12 |
|---|---|
| Management | 9,931 |
| Line management | 50,490 |
| Technical and specific | 97,332 |
| Administrative | 209,899 |
| Other | 143 |
| **Total** | **367,795** |

Global training within the bank, accounted for 367,795 training hours totalling 124,852 participations and an average of 35 hours training per employee, split up as follows:

## TRAINING

| | Attendances | | Actions | |
|---|---|---|---|---|
| | Total | Hours | Total | Hours |
| Leading change programme | 224 | 2,240 | 6 | 84 |
| Developing integrated teams programme | 17,461 | 18,743 | 67 | 133 |
| Strengthening key skills programme | 3,217 | 18,272 | 106 | 900 |
| Participating in the sales chain and innovation programme | 293 | 2,459 | 21 | 176 |
| Empowering and certifying programme | 6,735 | 138,195 | 445 | 5,255 |
| **Development training** | **27,930** | **179,909** | **645** | **6,548** |
| **Empowerment training** | **93,098** | **173,503** | **833** | **11,025** |
| **Other training** | **3,824** | **14,383** | **111** | **720** |
| **TOTAL** | **124,852** | **367,795** | **1,589** | **18,293** |
| Of which: | | | | |
| **Internal** | **122,932** | **333,770** | **1,368** | **10,035** |
| **External** | **1,920** | **34,025** | **221** | **8,258** |
| | | | | |
| **Classroom training** | **38,389** | **247,059** | **1,458** | **18,004** |
| ***E-learning*** | **53,838** | **105,245** | **62** | **262** |
| **Tutorials** | **32,625** | **15,491** | **69** | **27** |

### *Evolution of number of CGD Group workers*

Number of CGD Portugal employees down 191

CGD Group had 15,896 employees in December 2014, down 107 employees over 2013 when excluding the 3,605 employees of Caixa Seguros e Saúde which was sold in May 2014.

## CGD GROUP EMPLOYEES

| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| Banking operations (CGD Portugal) (1) | 9,049 | 8,858 | -191 | -2.1% |
| Other | 10,559 | 7,038 | -3,521 | -33.3% |
| **Total** | **19,608** | **15,896** | **-3,712** | **-18.9%** |

(1) Includes employees from other Group companies

International activity continues to expand with an additional 207 employees

Significant increase in African territory

The commercial branch office network was rationalised in 2014 with a reduction of 191 employees. As opposed to the group's streamlining operation in Spain (down 259 employees) there was an increase of 207 employees on the international branch office network which continued to trend to expansion, notably in Africa with increases of 335 and 107 employees in Banco Comercial e de Investimentos (Mozambique) and Banco Caixa Geral Totta de Angola, respectively.

# 1.4. Economic-Financial Environment

## 1.4.1. OVERVIEW

The world economy, in 2014, grew at a rate similar to the preceding year's at 3.3%, according to the interim estimates published in January by the International Monetary Fund (IMF). According to the IMF, there was also a slight acceleration of 0.5 pp in the activity of the developed countries bloc although growth rates of 1.3% in 2013 and 1.8% in 2014 remained very low. Activity in the emerging and developing bloc cooled from 4.7% in 2013 to 4.4% in 2014.

World economy continues to grow moderately and heterogeneously. Developed countries post very slow growth rates

Once again, the evolution of growth was not homogenous across the main regions and economies. Whereas, in the US and UK, activity intensified during the course of 2014, particularly based on domestic demand, in the euro area, although the economy returned to growth following two years of contraction, the rate of activity remained modest.

Recovery gains steam in US and UK

In spite of the notorious exception of the US Fed, which, as planned, terminated its quantitative easing programme in October, the dominant trend was the addition of fresh monetary stimuli by the main central banks. Increasing concerns over very low inflation levels and need to incentivise lending to fuel higher economic growth levels, were the main reasons for the measures taken, which translated into lower interest rates and the use of non-conventional tools such as quantitative easing. The emerging economies also witnessed the predominance of interventions geared towards greater monetary policy expansion, although this was not an across-the-board occurrence owing to the bloc's heterogeneity. The central banks, as a whole, once again played a decisive role in terms of investor confidence.

Fed terminates its quantative easing programme

Other factors meriting the attention of economic agents and financial markets across the year derived from geopolitical events. There were two major crises, firstly between Ukraine and Russia and the second deriving from the advances made by radical groups in Iraq and Syria. On another level, reference should be made to the early elections in Japan following the decision to postpone the new VAT hike, initially planned for October 2015 and resulting in the re-election of Prime Minister, Shinzo Abe. Also in political terms, reference should be made to two sentiment constraining events. Firstly, in September, with the referendum on Scotland's continuing membership of the United Kingdom and secondly, the indirect presidential elections in Greece in which, with the election of the president having failed on three occasions, under the Greek Constitution the prime minister was forced to dissolve Greece's parliament and call early elections.

On an economic level, the deterioration of several emerging countries' indicators fuelled fears of a sharper slowdown of growth. The outlook for countries more reliant on exports of commodities was also affected by negative price evolution.

There was a marked recovery in US economic indicators starting in the spring, following a year start marked by the negative impact of bad weather, leading GDP to post its first quarter of contraction in the last three years. The following two quarters inclusively witnessed the highest consecutive annualised growth of the last decade at 4.6% and 5.0%, each quarter, respectively.

In Japan, as a consequence of the VAT hike in Spring, the Japanese economy once again slipped into technical recession which, as stated, led prime minister Shinzo Abe, to put his reform programme up to the vote by calling early elections and to the central bank's adoption of new stimulus measures in a year in of a positive change in inflation, for the second consecutive year, not witnessed since 2007 and 2008.

There was a further slowdown in the emerging economies, in spite of their higher growth level than that of the developed countries. Less favourable conditions whether cyclical or, in some cases, structural, dictated such a cooling-off process.

Inflation at generally very low thresholds

Euro area growth fuelled by domestic demand

Better performance by economies under pressure

Fears of deflation spread across Europe

New monetary policy options designed to fuel growth

Sovereign yields continue to narrow across-the-board

In the Asian bloc, where growth remains stronger, China expanded by 7.4%, although this was the lowest value over the last 24 years. In turn, Brazil, as Latin America's main economy, slipped into technical recession in the first half. Notwithstanding and as a consequence of high inflation levels, the Central Bank of Brazil continued to increase its reference rate, with its key reference rate closing 2014 at 11.75%, its highest level since third quarter 2011. In the case of Eastern Europe, special reference should be made to Russia in which the second half of the year was marked by high levels of uncertainty, deriving from falling oil prices and a slowdown of activity owing to the economic sanctions imposed on the country. The rouble depreciated 79.8% against the dollar in this period, with the Central Bank of Russia having been forced to raise its reference rate on five occasions to an end of year 17%.

Unemployment, notwithstanding an across-the-board reduction, is still very high in historic terms. The fact that the pressure on wage growth is still therefore highly contained, in conjunction with lower commodity prices, particularly oil, in the second half of the year, led to substantially lower inflation in diverse developed countries. The moderating trend of past years was, therefore, even more marked, with waning expectations of evolution on a price level, as opposed to events of past years.

## ECONOMIC INDICATORS

(%)

| | GDP | | Inflation [b] | | Unemployment [b] | |
|---|---|---|---|---|---|---|
| | 2013-12 | 2014-12 | 2013-12 | 2014-12 | 2013-12 | 2014-12 |
| **European Union [a]** | **0.0%** | **1.3%** | **1.5%** | **0.6%** | **10.8%** | **10.2%** |
| Euro area | -0.5% | 0.8% | 1.4% | 0.4% | 12.0% | 11.6% |
| Germany | 0.1% | 1.5% | 1.6% | 0.8% | 5.2% | 5.0% |
| France | 0.3% | 0.4% | 1.0% | 0.6% | 10.3% | 10.3% |
| United Kingdom | 1.7% | 2.6% | 2.6% | 1.5% | 7.6% | 6.3% |
| Spain | -1.2% | 1.4% | 1.5% | -0.2% | 26.1% | 24.3% |
| Italy | -1.9% | -0.5% | 1.3% | 0.2% | 12.2% | 12.8% |
| **USA** | **2.2%** | **2.4%** | **1.5%** | **2.0%** | **7.4%** | **6.3%** |
| **Japan** | **1.6%** | **0.1%** | **0.4%** | **2.7%** | **4.0%** | **3.7%** |
| **Russia** | **1.3%** | **0.2%** | **6.8%** | **7.4%** | **5.6%** | **5.6%** |
| **China** | **7.7%** | **7.4%** | **2.6%** | **2.3%** | **4.1%** | **4.1%** |
| **India** | **5.0%** | **5.6%** | **9.5%** | **7.8%** | **n.a.** | **n.a.** |
| **Brazil** | **2.5%** | **0.3%** | **6.2%** | **6.3%** | **5.4%** | **5.5%** |

Sources: IMF: World Economic Outlook - Update - January 2015
(a) European Commission: European Economic Forecast – February 2015
(b) IMF: World Economic Outlook - October 2014 (for non EU member countries)
n.a. – not available

According to the European Commission's October estimates, activity in the euro area was up 0.8% in annual terms, primarily owing to domestic demand. The main member states, with the exception of Italy, posted positive growth rates. The performance of the economies under pressure was also positive with a return to growth. Special reference should be made to the recovery of Ireland and, to a lesser extent, Spain.

Unemployment in the region was slightly down, in 2014, following two consecutive years of increase. The average unemployment rate, up to November, was down 0.4 percentage points over 2013 to 11.6%.

Price evolution in the euro area accentuated the fears of an extended period of very low inflation or even deflation. There was an average change of 0.4% in the HICP (harmonised index of consumer prices), which was one percentage point down over 2013 and only higher than the value noted in 2009 when the referred to average rate was 0.3%.

Unemployment rate down

The European Central Bank (ECB) was particularly active during the year. The evolution of the economic environment led to its June and September decisions to reduce reference rates, with its deposit rate moving into negative territory for the first time in history. It also announced new targeted long term refinancing operations (TLTROs) to incentivise the availability of bank credit to non-financial corporations and households as well as two secondary market debt purchase programmes, namely an ABS and covered bonds programme.

ECB activity is a decisive factor in the behaviour of interest and market rates

The progress achieved in terms of banking union, namely the understanding reached in the European Parliament and Council on the single resolution mechanism and completion of the asset quality review and stress test process in the sphere of the ECB's competencies relating to the single supervisory mechanism were additional factors in the continuous improvement of sentiment in the region.

## ECONOMIC INDICATORS IN THE EUROPEAN UNION AND EURO AREA

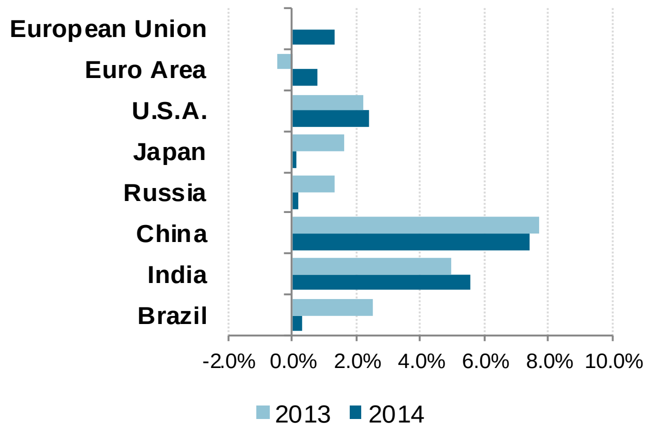
Rates of change

| | European Union | | Euro Area | |
|---|---|---|---|---|
| | 2013 | 2014 | 2013 | 2014 |
| **Gross domestic product (GDP)** | **0.0%** | **1.3%** | **-0.5%** | **0.8%** |
| Private consumption | -0.1% | 1.3% | -0.6% | 0.9% |
| Public consumption | 0.2% | 0.9% | 0.2% | 0.7% |
| GFCF | -1.5% | 2.2% | -2.4% | 0.9% |
| Domestic demand | -0.4% | 1.4% | -0.9% | 0.8% |
| Exports | 2.2% | 3.2% | 2.1% | 3.6% |
| Imports | 1.3% | 3.6% | 1.2% | 3.6% |
| **Inflation rate (HICP)** | **1.5%** | **0.6%** | **1.4%** | **0.4%** |
| Ratios | | | | (%) |
| Unemployment rate | 10.8% | 10.2% | 12.0% | 11.6% |
| General government deficit (as a % of GDP) | -3.2% | -3.0% | -2.9% | -2.6% |

Source: European Commission: European Economic Forecast - February 2015

## GROSS DOMESTIC PRODUCT

(%)




## 1.4.2. PORTUGUESE ECONOMY

### 1.4.2.1. OVERVIEW

GDP's negative trajectory in Portugal over the last 4 years brought to a halt

According to the Bank of Portugal's projections in its December 2014 Economic Bulletin the Portuguese economy also enjoyed positive growth for the first time in four years. This evolution is explained by the performance of domestic demand given that, as opposed to the recent past, foreign trade made a negative contribution to GDP in 2014, as the increase of imports was higher than that of exports.

Positive economic evolution derives from the behaviour of domestic demand

According to the central bank, there was a halt in the growth trend of exports over the three previous years although their evolution was significantly affected by the energy goods component as a reflection of the extended period of closure of a refinery in the first quarter of the year.

Interruption of trend towards an increase of market share by exports

#### PORTUGUESE ECONOMIC INDICATORS

Rates of change

| | 2012 | 2013 | 2014 (a) |
|---|---|---|---|
| **Gross domestic product (GDP)** | **-3.3%** | **-1.4%** | **0.9%** |
| Private consumption | -5.2% | -1.4% | -1.8% |
| Public consumption | -4.3% | -1.9% | -0.6% |
| GFCF | -15.0% | -6.3% | 1.5% |
| Domestic demand (b) | -6.9% | -2.4% | 1.4% |
| Exports | 3.1% | 6.4% | 3.7% |
| Imports | -6.6% | 3.6% | 4.7% |
| **Inflation rate (HICP)** | **2.8%** | **0.3%** | **-0.3%** |
| Ratios | | | (%) |
| Unemployment rate | 15.8% | 16.4% | 14.1% |
| General government deficit (as a % of GDP) | -5.5% | -4.9% | -4.8% |
| Public debt (as a % of GDP) | 124.8% | 128.0% | 127.2% |

Source: INE
(a) State budget for 2015, October 2014, except when marked (*)
(b) Contribution to the gross of GDP (%)

On the budget front, efforts continued to be made to reduce the deficit which is estimated to be lower than the government's defined target. A contributory component to such evolution was particularly a higher than expected growth of fiscal revenues accompanied by lower public expenditure.

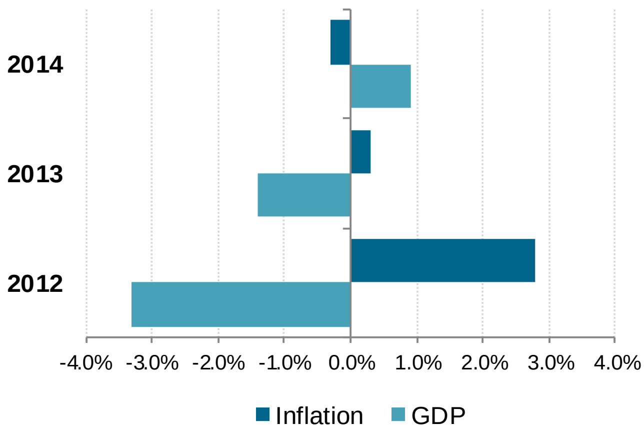
In line with most euro area countries, there was a visible decline in the Portuguese HICP which, in 2014, posted an average negative change of 0.3%, following a positive change of 0.3% in 2013.

Endeavours to reduce deficit continue

Higher than expected growth of tax revenues accompanied by lower levels of public expenditure

## PORTUGUESE ECONOMIC INDICATORS

(%)




Portuguese HICP down in 2014

The unemployment rate fell in the first three quarters of 2014 to its lowest level of the last 4 years at 13.1%, with a 16% decrease in the number of unemployed to 688,900 in comparison to the same quarter 2013.

Portugal successfully exited its Economic and Financial Assistance Programme in May without the need for any precautionary measures.

Portugal successfully exits its Economic and Financial Assistance Programme in May

## 1.4.2.2. DEPOSIT AND CREDIT AGGREGATES

There was a nil change in the M3 liquidity aggregate, excluding currency in circulation in December 2014.

Total deposits up 1.2%

Total deposits, up 1.2%, comprise a slowdown in comparison to the end of the preceding year which posted growth of 3.2%. A contributory factor was the performance of the deposits of non-financial corporations and individual customers' and emigrants' deposits.

Total domestic credit was down 5.7%. Lending to central and local government, net of liabilities to central government were down 14.9%, with a contraction of 5.7% in lending to non-financial corporations and a drop of 3.6% in lending to individual customers.

Total domestic credit down 5.7%

## MONETARY AGGREGATES IN PORTUGAL (a)

Rates of change

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| **M3, excluding currency in circulation** | **-6.8%** | **-0.2%** | **0.0%** |
| Total deposits | -2.7% | 3.2% | 1.2% |
| Deposits made by non-financial companies | -18.8% | 8.6% | 2.9% |
| Individual customers' and emigrants' deposits | 0.0% | 1.3% | 0.6% |
| **Total domestic credit** | **-7.3%** | **-4.1%** | **-5.7%** |
| Loans and adv. to central and local govern. (b) | -6.1% | -7.8% | -14.9% |
| Loans and adv. to non-financial companies | -8.4% | -5.0% | -5.7% |
| Mortgage loans | -3.6% | -3.8% | -3.8% |
| Consumer and other credit | -7.3% | -6.0% | -2.5% |

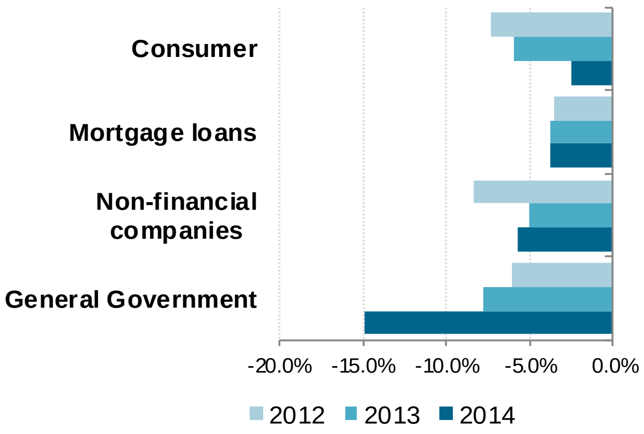
Source: Bank of Portugal - Statistics Bulletin, February 2015

(a) Rates of change based on end of month balances. Deposits aggregates do not include NMFI with credit rates including securitised loans

(b) Net of liabilities to central government

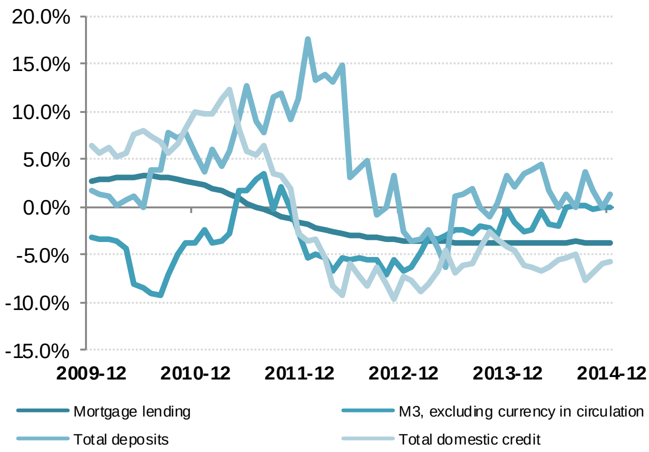
## EVOLUTION OF CREDIT IN PORTUGAL

(%)




## CURRENCY AND CREDIT

Year-on-year rates of change (%)




Continuing reduction of inflation leads ECB to reduce its key reference rate on two occasions

### 1.4.2.3. INTEREST RATES

Notwithstanding the euro area's higher growth levels in 2014, the continuous reduction of inflation led the ECB to reduce its key reference rate in June and September by a total of 20 bp to a new historic minimum of 0.05%.

The council of governors of the European Central Bank also strengthened its commitment to keep reference rates very low for a "long period of time".

## INTEREST RATES (a)

(%)

| | 2012 | 2013 | 2014 | | | |
|---|---|---|---|---|---|---|
| | Dec | Dec | Mar | Jun | Sep | Dec |
| **Fed funds rate** | **0%-0.25%** | **0%-0.25%** | **0%-0.25%** | **0%-0.25%** | **0%-0.25%** | **0%-0.25%** |
| **ECB reference rate** | **0.75%** | **0.25%** | **0.25%** | **0.15%** | **0.05%** | **0.05%** |
| ***Euribor*** | | | | | | |
| *Overnight* | 0.131% | 0.446% | 0.688% | 0.336% | 0.197% | 0.144% |
| 1 month | 0.109% | 0.216% | 0.237% | 0.099% | 0.007% | 0.018% |
| 3 months | 0.187% | 0.287% | 0.317% | 0.207% | 0.083% | 0.078% |
| 6 months | 0.320% | 0.389% | 0.418% | 0.303% | 0.183% | 0.171% |
| 12 months | 0.542% | 0.556% | 0.590% | 0.488% | 0.338% | 0.325% |
| **New credit operations** | | | | | | |
| Non-financial companies (b) | 5.08% | 4.60% | 5.11% | 3.90% | 3.93% | 3.49% |
| Individual customers - mortgage loans | 3.45% | 3.28% | 3.42% | 3.28% | 3.15% | 3.01% |
| **Term deposits and savings accounts (c)** | | | | | | |
| Non-financial companies | 2.71% | 1.98% | 1.82% | 1.69% | 1.37% | 1.20% |
| Individual customers | 2.90% | 2.24% | 2.14% | 2.00% | 1.80% | 1.63% |

Source: Bank of Portugal - Statistics Bulletin, February 2015
(a) Rates relative to last day of month.
(b) Operations of more than €1 million
(c) Deposits with an agreed maturity of up to 2 years

The ECB, on the other hand, also introduced a series of other non-conventional stimuli, to facilitate lending to the economy and continuous improvement of the euro area's financial fragmentation, to ensure the adequate transmission of monetary policy and achieve the objective of maintaining price stability. It also expressed its willingness to introduce new measures, if required.

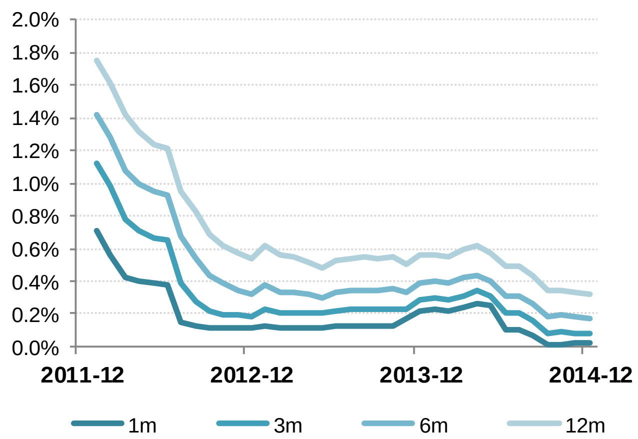
ECB introduces unconventional stimuli geared to facilitate lending to the economy and the ongoing attenuation of financial fragmentation in the euro area

The ECB's actions were, once again, determinant in terms of the performance of Euribor rates. Following the end of the 1st quarter when the central bank signalled its intention of reinforcing monetary stimuli, interest rates which are frequently used as an indexer for financial intermediation operations, embarked upon a downwards trend to successive historic minimums in the second half of the year.

Euribor rates for 1, 3, 6 and 12 month maturities fell, respectively, 19.8 bp, 20.9 bp, 21.8 bp and 23.1 bp across the year as a whole.

## EURIBOR (*)

(%)



Decline of interest rates on new deposit and lending operations

Interest rates on new operations, both deposits and loans, in 2014, were down in line with the performance of the market indexer i.e. Euribor rates and with the reduction of financial institutions' funding costs in capital markets. The sharpest decline was in the non-financial corporations segment, particularly lending.

### 1.4.2.4. EXCHANGE RATES

The euro depreciated against most other currencies in 2014, owing to the strengthening of the expansionary nature of monetary policy in the euro area, deriving from an environment of a fall in inflation to values which are considered to be very low and the maintenance of a slow rate of growth.

The single currency lost 10.0% of its value against the US dollar, owing to the divergent performance of the respective central banks, with the Fed completing its quantitative easing programme and the ECB's strengthening of its monetary stimuli. The euro closed the year at less than $1.21, its lowest since mid 2012.

Euro depreciates against most currencies

In comparison to the main European currencies, the euro's performance, in 2014, was mixed. The single currency depreciated 6.5% and 2.0% against sterling and the Swiss franc respectively, having appreciated 6.7% and 8.1% against the Swedish krona and Norwegian krone respectively, which performance, in this latter case was achieved at the end of the year, owing to the fall in oil prices.

The euro appreciated against the yen for the third consecutive year, this time by 3.8%, having, at the end of the year reached a six year peak of 144.85 yen to the euro. The Japanese economy's disappointing performance and fall in inflation, in increasing fears over the possibility of once again failing to achieve the 2% objective defined by the Bank of Japan, in 2015, led to the strengthening of extraordinary measures by the Japanese authorities, contributing to the yen's loss of value.

However, with the exception of the yen, the single currency once again trended to depreciation outside the European space, exemplified by the Australian (-4.0%), New Zealand (-7.3%) and Canadian (-3.7%) dollars. In Asia, reference should be made to the 10.1% depreciation against the Indonesian rupiah and 8.4% depreciation against the Korean won.

The single currency also depreciated against the BRIC currencies across the year except for the case of the Russian rouble against which it appreciated by more than 62%. The euro depreciated 3.7% against the Chinese renminbi and posted its first annual loss in four years against the Brazilian real and Indian rupee, although at very different rates. Depreciation against the Brazilian currency was 0.9% and 9.9% against the Indian currency.

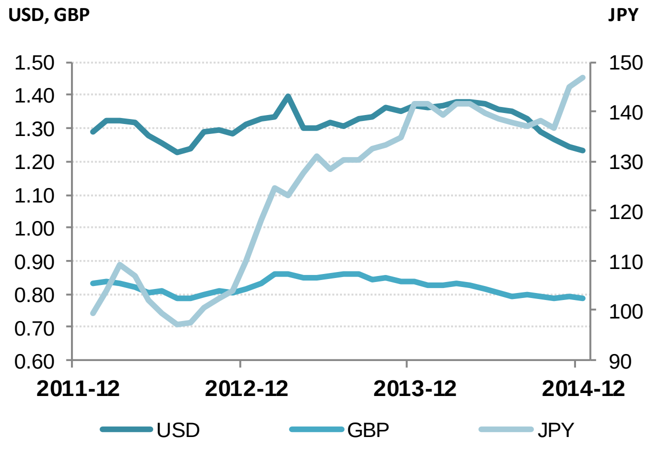
### EURO EXCHANGE RATES

Average monthly values (%)

| | USD | GBP | JPY |
|---|---|---|---|
| December 2011 | 1.318 | 0.844 | 102.55 |
| December 2012 | 1.312 | 0.813 | 110.02 |
| December 2013 | 1.370 | 0.836 | 141.68 |
| December 2014 | 1.233 | 0.788 | 147.06 |

## EURO EXCHANGE RATES

Average monthly values (%))




## 1.4.2.5. CAPITAL MARKET

Performance in the capital markets, in 2014, was, once again, driven to a large extent by the central banks, in an environment of a gradual improvement in the developed economies, particularly in the US, and moderation in the most relevant emerging economies.

Capital market performance largely affected by the performance of the central banks

Diverse factors helped to improve the economic outlook across 2014. The impact of the fiscal consolidation endeavours occurring over the last few years was less negative in addition to the measures of the central banks which added new monetary stimuli, further expanding financial system liquidity and helping to reverse the deterioration of funding conditions in diverse economies.

Improvements in the developed economies, particularly in the US. Growth moderation in the most relevant emerging economies

Special reference should be made to the European Central Bank which across the year resumed its provision of both conventional and non-conventional stimuli. These measures, in conjunction with the understanding on banking union reached in the European Parliament and Council contributed towards signs of an improvement in the sovereign debt crisis in the euro area.

The rate of economic growth was similar to 2013, with an acceleration in the second half of the year. Particularly noticeable was the US economy which achieved its strongest rate of expansion of the last decade. On the contrary, growth in emerging and developing countries was moderate. Such different trends noted on an economic level translated into different levels of capital market performance.

Economic trends indicate different performance levels in capital markets

Falling prices for certain commodities, particularly oil in second half 2014, had a negative impact on their respective exporting countries, but comprised an additional growth boosting factor in the case of importing countries. The deflationary effect of the fall in commodity prices, namely energy, also contributed to the decline in inflation, which, in several cases, triggered a response from the central banks in the form of new monetary stimulus measures.

Lower commodity prices, particularly energy, help to reduce inflation

Capital markets were also constrained by one-off geopolitical factors, in 2014, particularly the conflict between Russia and Ukraine and continuing instability in the Middle East.

Capital markets conditioned by geo-político factors in 2014

## *Share Market*

Main equity indices appreciate but less than in 2013

The main equity indices made gains in 2014, although fewer than in 2013. In spite of being a year of new across-the-board monetary stimuli and favourable corporate results, there were several one-off adjustments to the main equity indices during the course of the year, contributing towards an appreciation of the Morgan Stanley global index of no more than 2.9% against 24.1% in 2013.

The first phase of the correction owing to the fears associated with the Fed's reductions of monetary stimuli and economic slowdown in China, occurred at the end of January. A new correction was triggered at the beginning of August, with the intensifying of tensions between Russia and Ukraine. The period between September and October witnessed the strongest correction of the year. In addition to the continued tensions in euro area the explanation lies in the uncertainty represented by the huge decline in oil prices in several countries and the signs of a new weakening of the euro area. The market was down yet again close to the end of the year owing to the reappearance of political uncertainties in Greece and the sharper drop in commodity prices.

US stock market up for the sixth consecutive year. Main indices close the year at all-time highs

The US stock market achieved its sixth consecutive year of growth, in 2014 with the main indices ending the year at historic maximums. The S&P 500 benchmark index was up 11.4%, and the Dow Jones up 7.5%. The NASDAQ technology index, up for the third consecutive year, rose 13.4%, closing the year at more than 4,700 points, its highest since March 2000.

The Japanese Nikkei 225 was up 7.1%, after having appreciated by its second highest ever amount of 56.7%, in the preceding year and ending the year at close to its highest level since 2007. The yen's depreciation of 13.7% against the dollar contributed to this performance, in spite of the more negative than expected impact of the VAT hike on economic activity in the second and third quarters.

Appreciation of main equity indices:

- S&P500: up 11.4%
- Nikkei225: up 7.1%
- Ibex: up 3.7%
- DAX: up 2.7%

Equity market performance in Europe was particularly diverse. The Irish market made its mark with gains of 15.1%. Substantially more modest were the 3.7% and 2.7% gains made by Spain's IBEX and Germany's DAX at more than 10 000 points and 9 800 points, respectively, in a year in which Italy's stock market did not register any change and France's index was a marginal 0.5% down.

PSI20 down 26.8% at year end

On the negative side reference should be made to Portugal's PSI20 which, up 18% by the beginning of April ended the year down 26.83%, with one of the worst results worldwide with only Russia's and Greece's markets turning in a worse level of performance. The performance of Portugal's index was its third worst ever, having been especially affected by the situation of GES and PT SGPS.

Heterogeneous performance by emerging equity markets:

Russia: down 45.2%

Bovespa: down 2.9%

Sensex: up 29.9%

Shanghai: up 52.9%

Equity market performance was also heterogeneous. On the negative side, in addition to the Russian market's sharp fall of 45.2%, reference should be made to Brazil's Bovespa which was down 2.9%, in this case for the second successive year. On the positive side reference should be made to the 29.9% and 52.9% gains made by the Indian (Sensex) and Chinese (Shanghai) markets. The Morgan Stanley index for emerging markets was down 4.6%, in 2014.

## STOCK MARKET INDICES

| | 2013 | | 2014 | |
|---|---|---|---|---|
| | Index | Change | Index | Change |
| Dow Jones (New York) | 16,576.66 | 7.3% | 17,823.07 | 7.5% |
| Nasdaq (New York) | 4,176.59 | 15.9% | 4,736.05 | 13.4% |
| FTSE (London) | 6,749.09 | 5.8% | 6,566.09 | -2.7% |
| NIKKEI (Tokyo) | 16,291.31 | 21.0% | 17,450.77 | 7.1% |
| CAC (Paris) | 4,295.95 | 15.2% | 4,272.75 | -0.5% |
| DAX (Frankfurt) | 9,552.16 | 29.1% | 9,805.55 | 2.7% |
| IBEX (Madrid) | 9,916.70 | -4.7% | 10,279.50 | 3.7% |
| PSI-20 (Lisbon) | 6,558.85 | 2.9% | 4,798.99 | -26.8% |

Sharp reduction of sovereign debt yields in Europe

Favourable, consistent evolution of risk premiums of issuers on the periphery

### *Bond Market*

Reduction of sovereign debt yields in Spain, Italy, Ireland and Portugal

There was a sharp reduction in sovereign debt yields in Europe in 2014. In the case of Germany, the regional benchmark, this followed an increase in 2013 and was associated with lower inflation in the euro area and the ECB's respective actions. In the case of the European periphery, the downwards trend on yields in 2014 accentuated the trend which was already visible in the past year, accompanied by narrowing spreads in comparison to Germany. Greece in which yields were up last year, was an exception.

The favourable evolution of the risk premium on peripheral issuers was consistent across the year. These issuers benefited from the environment of a return to economic growth and European Central Bank support, owing to the introduction of new monetary stimuli and commitment to maintain an expansionary monetary policy.

The fall in sovereign debt yields in Spain, Italy, Ireland and Portugal, also derived from the reduction of imbalances, both on a level of the public and external accounts and strengthening of European governance mechanisms. Particular reference should be made to the understanding on banking union reached in the European Parliament and Council.

Fresh decline in yields on the longer maturities in US in 2014

After rising in 2013 for the first time in 4 years, yields over the longer maturities in the US were down once again in 2014, owing to expectations of lower inflation particularly associated with the sharp fall in oil prices in the second half and the Fed's patient posture in the transition to a cycle of increasing reference rates.

In the case of the shorter maturities, the US saw an upwards trend related with the Fed's ending of its quantitative easing programme in October and consequent adoption of a less accommodative monetary policy. In the euro area, being in a different phase of the cycle with a clear distortion towards the addition or more stimuli, rates over the shorter maturities were down as in the case of the longer maturities in the region, having, in the case of Germany, traded in negative territory over the second half of the year.

Portugal, on the European periphery, with the highest reduction on 10 year maturities, down 344 bps to 2.69%

Overall, the 10 year rate in the US was down 85.7 bp. closing at 2.17%, as opposed to the 2 year rate which was up 28.5 bp to 0.664%. In Germany, the rates on these maturities were down respectively by 138.8 bp to a historic minimum of 0.54% and - 31.1 bp having, in this case, closed at a negative value (-0.098%), which was also a minimum.

On the European periphery, Portugal was the country with the largest reduction in its 10 year rate which was down 344 bp to 2.69%. Italy and Spain also obtained notable reductions of 224 bp to 1.89% and 254 bp to 1.61%, respectively. In all cases these were the lowest ever levels. Portugal therefore witnessed its third consecutive year of a narrowing risk premium on its sovereign debt of -205.5 bp against German debt. Over the 2 year maturity the fall in the Portuguese yield was 290 bp with a spread compression of -259.5 bp.

Primary market outperforms expectations with a higher volume of issuances

The context of added monetary type stimuli, particularly in Europe, evidence of strong growth in the US and outlook for an acceleration of global economic activity in 2015 may create a favourable scenario for the private debt market and consequent reduction of risk premia.

Progression in terms of the integration of the European financial system, particularly on account of the asset quality review and the stress tests in the sphere of the single supervisory mechanism provided additional market backing.

In general, European credit derivative spreads continue to trend to decline as in past years, having, in the second half of the year, stabilised at their lowest levels since the beginning of 2008. Credit spreads therefore contracted for the 3rd consecutive year (-7.2 bp) to close at 62.9 points. Reference should also be made to financial corporations' spreads with an even more pronounced narrowing process (-19.8 bp.).

The primary market outperformed expectations, posting a higher volume of issuances, both by financial and non-financial entities. In particular, the non-financial segment saw a 33.3% annual increase of issuances over the preceding year (with year-on-year growth of 4.1% in 2013).

Low overall yield levels at historic minimums and spread compression have made investors' demands for returns one of the market's main supporting factors, enabling yet another year of a major placements of speculative debt to a new record volume in Europe.

# 1.5. Business Strategy and Operating Segments

## 1.5.1. STRATEGIC OBJECTIVES

In strategic terms, CGD's activity is naturally constrained by the economic-financial goals to be achieved by CGD Group by the end of 2017, in the sphere of the restructuring plan approved by DGComp of which special reference should be made to the following guidelines:

- Concentration on retail banking;
- Deleveraging of non-core assets and run-down of assets parked in CGD' Spain branch;
- Improved operational efficiency in domestic terms, giving continuity to already existing endeavours to reduce operating costs;
- Turnaround of the Group's operation in Spain to improve profitability and efficiency ratios.

CGD guidelines:
– Concentration on retail banking
– Deleveraging of non-core assets
– Operational efficiency improvements
– Turnaround of Group's operations in Spain

CGD's activity will also be geared to ensuring adequate capital levels to provide for growing regulatory demands and ensure safety thresholds in respect of the stress tests for adverse economic scenarios.

Lastly, in May 2013, CGD's sole shareholder reaffirmed its mission, prioritising lending to companies, without putting the adoption of an adequate risk management policy at risk. In concrete terms and in addition to defining quantitative objectives, the focus on corporate segments operating in tradable goods markets, geared to exports or import substitution was tightened.

### *Strategic Plan*

CGD Group's strategic plan has been structured on two key challenges:

1st challenge: To protect and strengthen CGD Group's financial health (solvency, liquidity and profitability) to meet the needs of the new economic and financial sector context.

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

The first challenge requires a response to the needs created by the new economic and financial sector context, even in more adverse scenarios, strengthening the group's indicators to maintain a core tier I ratio of 10%, ROE of 10% over 5 years and a stable loans-to-deposits ratio of between 110-120%.

The second challenge aims to prepare and guarantee CGD's sustainability and competitiveness on an organisational and business model level owing to the paradigm shift in the banking sector, adjusting the bank's current model in Portugal and integrating it in supply terms with the international network, ensuring greater focus on services/transactions, a service model more in line with foreseeable market evolution and requirements of key segments – premium customers, non-residents and companies/SMEs working in the tradable goods sectors – and necessary support based on platforms, processes and HR optimisation in line with the new market requirements.

The key strategic guidelines defined to meet the referred to challenges are:

a) To increase net interest income, particularly by reducing the funding costs of deposits;

b) To protect and boost revenue generation;

c) To improve efficiency levels based on measures to enable productivity gains, in a context of deleveraging and change of key business determinants, both as regards the branch office network and central services;

d) To optimise all risk management-related processes, particularly in respect of the more integrated management of the group's property assets and credit oversight and recovery process;

e) To create profitable assets with adequate risk levels by strengthening relationships with companies, notably SMEs, with CGD achieving the status of the bank of first choice of the best SMEs;

f) To back corporate capitalisation and microfinance. Intervention in this area is considered fundamental to ensure the funding of investments needed to improve corporate competitiveness and reduce financial costs;

Optimisation of risk management-related processes

g) To increase backing for exports/internationalisation. CGD should operate as a support bank for exporting companies, increasing its contribution to the country's economic development by reinforcing Portuguese companies' competitiveness and internationalisation;

h) To maintain its leading position in the individual customers' segment;

Greater backing for exports and the internationalisation of Portuguese companies

i) To take in savings and diversify liquidity sources, adopting a commercial strategy enabling it to maintain a low level of balance sheet liquidity risk, albeit not disregarding profitability;

j) To continue to deleverage its balance sheet based on disposals of non-core assets to align its loans-to-deposits ratio with the defined objective;

k) To strengthen a multichannel customer relationships strategy, pursuant to which the development of distance banking will permit the reconfiguration of the physical branch office network by moving into new locations with more flexible formats;

l) To guarantee each individually considered group entity's positive contribution to consolidated net income, ensuring adequate credit and liquidity risk management;

m) To promote talent management and human resources mobility.

Lastly, the strategies and policies defined by the group aim to meet the following corporate objectives:

- Liquidity
  - A loans-to-deposits ratio of less than 120%;
  - Stabilisation/reduction of intragroup funding needs;
  - A progressive reduction of ECB funding;
  - Convergence of the stable funding ratio to 100%.

Ensuring a positive contribution by each Group entity

- Solvency
  - Core tier 1 ratio – compliance with the capital requirements provided for in the EBA's core tier 1 preservation recommendation, implementation of Basel III and those deriving from the SSM (single supervisory mechanism).
- Efficiency
  - Convergence of net commissions/employee costs ratio to 100%;
  - Convergence of cost-to-income (BdP) to 50%.

## 1.5.2. OPERATING SEGMENTS

### 1.5.2.1. COMMERCIAL BANKING

As part of its fundamental strategy, Caixa continued to back Portuguese households and companies in 2014, in the context of a gradually positive evolution of the macroeconomic environment, consolidating actions geared to strategic segments and products and boosting commercial dynamics geared to leveraging profitability and customer loyalty.

In the corporate segment, based on its strategic focus as the "Corporate Bank", Caixa – through its teams of dedicated commercial managers specialising in SMEs, micro enterprises and entrepreneurs – strengthened its backing for the economy across all economic sectors, particularly companies producing tradable goods, based on a comprehensive sectoral offer and a strong international presence focusing on its backing of the corporate treasury function and capitalisation operations.

Reinvigoration of business with companies submitting the best projects and making the largest contribution to economc growth and renewal

As regards individual customers and capitalising upon Caixa's strong leadership, the commercial approach strengthened its pillars of loyalty, profitability, utilisation, knowledge and customer satisfaction. In its pursuit of the strategic objective of strengthening its relational management and improving the customer experience, Caixa also expanded its team of commercial operatives with dedicated management functions and the number of individual customers to whom managers have been allocated, while, at the same time providing more interaction means and functionalities with customers on digital and e-mobile banking channels.

Caixa continues to maintain solid ratios on the use of its branch office network capacity, mainly considering its 4 million customers and the high levels of customer satisfaction and levels of service provided.

#### *Branch office network*

Deriving from its strategic commitments to improve its levels of operating efficiency and rationalise costs, Caixa has furthered its sales network optimisation programme as part of its sustained development of an integrated multichannel offer.

Caixa continued to adjust its physical domestic retail network in 2014. At 31 December, the network totalled 720 branches with a face-to-face service (17 fewer than at the end of 2013), 39 self-service branches (up 1) and 27 Caixa Empresas corporate offices (down 2), to a total of 786 business units.

Notwithstanding this reduction, Caixa continues to be the only bank whose branch office network has a physical presence in all municipal districts nationwide and continues to focus on positive differentiation in terms of customer experience and commercial dynamics, by expanding its dedicated management services to more than 1 million individual and 40,000 corporate customers.

#### *Multibanco and Caixautomática network*

The nationwide self-service channel comprises Multibanco network ATMs and the Caixautomática private network. 4,635 automatic items of equipment were responsible for 271.3 million operations for an amount of €17.7 billion at the end of 2014.

The Caixautomática network, comprising 1 424 cash machines and 942 passbook readers was responsible for 131 million operations and movements of around €9.3 billion. Caixa's Multibanco ATM network comprising 2 269 units, accounted for a market share of 17.8%, with 140.3 million operations involving movements of €8.4 billion.

The Multimedia Kiosk, operating as a pilot project in two branch offices is an innovative experiment in the self-service area, providing customers with new functionalities and a uniform experience in terms of use, owing to its multichannel linkage. Reference should be made to this equipment's technological capacity which translates into the innovative characteristic of interacting with the Portuguese citizens ID Card in addition to traditional passbooks and cards.

*Face-to-face service models*

The commercial dynamics of Caixa's offer to its corporate and premium/mass market customers comprise one of its face-to-face service models on the branch office network:

- Caixa Empresas service model

  A face-to-face and financial advisory service, for:

  - SMEs, with its own branch office network of 27 corporate offices and 100 dedicated account managers;
  - The self-employed and micro enterprises, via a team of 315 dedicated account managers and the availability of Caixa Empresas spaces at 720 Caixa branch offices.

Caixa Empresas service is particularly dynamic, based on CGD's corporate banking approach

- Caixazul service model

  This is a face-to-face service for individual premium customers provided by dedicated account managers at exclusive spaces in branch offices. At the end of 2014, this service was available at 576 branch offices (80% of the network). It was provided by 945 dedicated account managers, responsible for accompanying and advising a total number of around 294 thousand customers.

  Caixazul customers can request call-backs, exchange secure messages with their account managers, ask for assistance in carrying out transactions and schedule meetings, through their online manager available 24/7 by Caixadirecta telephone, online, mobile and app.

Caixa Mais and Caixazul services: two complementary approaches to the individual customers' area

- Caixa Mais service model

  This is a face-to-face relational management service for individual mass market customers with business growth potential but not eligible for the Caixazul service. At the end of 2014, this service was provided by 1,337 commercial assistants to more than 624 thousand customers at 699 branch offices (97% of network).

  Caixa Mais customers enjoy the benefit of the virtual presence of their respective commercial assistant or contact centre by Caixadirecta telephone, online, mobile service and app via an online assistant service, requesting help whenever needed by pressing the call-back button or using the secure messaging service.

- Universal model

  This service with 720 person-to-person customer service units is available across the branch office network as a whole.

*Distance banking*

The ongoing commitment to integrated channel management and humanising of distance channels aims to provide for customers' main needs, guaranteeing procedural coherence acting as a business facilitator and putting the bank at the forefront in terms of channel linkage.

An additional boost was given to the furtherance, innovation and promotion of distance banking channels in 2014.

Improvements to and extensions of distance channels help to improve customer satifaction levels and provide a better quality of service

Work continued to be performed on consolidating distance relational management service models for specific customer segments: Caixadirecta Internacional and Caixazul Internacional for customers resident aboard, Caixadirecta IU for university students and Caixadirecta Mais for postgraduates with a preference for remote channels. More than 140 thousand individual customers benefited from these models as a whole in December.

New relational, product contract and enhanced mobility distance channel functionalities were launched:

- The Caixadirecta app, which is one of the most popular financial apps in the Google Play and Apple app stores, now permits subscriptions for term deposits, card applications and the personalising of frequent operations with associated photographs;
- Special reference should be made, in the case of the Caixadirecta online service, to access to new markets for share trading operations (Euronext Amsterdam, Brussels and Paris) and to subscriptions for savings accounts;
- In the case of the Caixa e-Banking service, reference should be made to the reinforcement of the permanent “human” presence in the form of the exchange of secure messages between corporate customers and the respective branch or Caixa Empresas account manager, possibility of scheduling meetings with account managers, launch of new forms of access (mobile version and telephone calls on 707 24 24 77), the supply of new transactional areas for foreign trade operations, currency trading and prepaid cards.
- Reference should be made, in the case of the creation of innovative services on digital channels, to the launch of the new Caixa plim app for iOS, Android and Windows Phone 8 smartphones which permits in a user-friendly manner to make person-to-person payments, transfer small amounts between Caixa current accounts using the mobile telephone numbers of service subscribers.
- QR Codes were supplied for self-service channels following the performance of operations, awarding prizes in the form of tickets for summer festivals, promoting an image of innovation and refreshing the pool of cash machine users.

Caixa further improves its leading position in promoting the use of electronic platforms as business levers

The Caixa e-Banking service continued to trend to growth, in 2014, with more than 82 000 frequent user contracts responsible for average daily movements of €106 million.

Caixadirecta launches one of the first free financial apps

The Caixadirecta service achieved around 780 thousand frequent user contracts, in 2014 and recorded 338 million operations, up 19.4% over the preceding year.

Reference should be made to the significant growth of the service using the Caixadirecta app, which already represents around 32% of the service’s total number of operations. They provide diverse views with a graphically appealing interface, in addition to banking operations including transfers, payments, stock market operations, chequebook applications, cash advances, online managers, business opportunities and immediate savings options, developed to maximise the customer experience in terms of their mobile access to the bank.

The Caixa Contact Centre received around 1.7 million calls, in 2014, including informational and transactional services. Around 2.8 million outgoing calls were made and 329 thousand customers contacted.

Special reference should be made to Caixa’s provision of its e-Banking transactional service, for corporate customers by a team of specialists responsible for the execution of contacts and operational support.

*Means of payment*

In line with its general guidelines, the card issuing and acquiring components of CGD's means of payment, furthered the following policy in 2014:

- Reduction of costs based on portfolio rationalisation/optimisation;
- Business promotion based on initiatives designed to boost profitability;
- Market differentiation through innovative, exclusive projects.

Maintenance of marked leadership in terms of share of domestic bank cards market

Caixa remained the undisputed leader in terms of its domestic market share of bank cards having achieved its objectives notwithstanding the maintenance of a socioeconomic environment with a reduced level of recovery in consumption.

As the current environment continues to be characterised by higher default levels, a more rigorous approach has been adopted to monitoring risk and its associated costs, in terms of prevention and control.

2014 was also a significant year for innovation and the launch of new products. Special reference should be made to Caixa's OnBizz card, which is geared to specific corporate needs, simplifying payment processes and facilitating management. There are two versions of the card:

- Caixa OnBizz, for the payment of bonuses?, incentives and other amounts in which the funds credited to the card belong to the card's owner;
- Caixa OnBizz Staff, for the payment of expenses for which the company is responsible, such as expense account items et al, whose credited funds belong to the company.

Technological development, especially in the mobile area, has enabled a more universal use of mobile phones. In this context, Caixa implemented the following pilot projects in the mobile payments area in the last quarter of 2014:

CGD introduces three pilot projects in the mobile payments area in the last quarter of 2014

- Caixa Change: enables payments to be made, at this stage, on Caixa's private network, using a smartphone which reads a QR Code;
- MB Way: enables purchases to be made, at this stage, electronically, using a smartphone, based on a mobile phone number or email account;
- m.card: allows purchases to be made by smartphone, with near field communication (NFC) technology, using contactless – paywave and paypass technology.

Caixa's acquiring service maintained its strategy of promoting the netcaixa brand and identification of new business opportunities. Based on this approach, work continued to be performed on campaigns designed to grow market share. Several business-enhancing initiatives were implemented such as:

- Contactless technology: Caixa helped LIDL to set up the first pilot project for the use of contactless payments in major retail outlets. The service enables payments of up to €20 to be made without the need for a PIN by simply placing the card next to the terminal;
- Eos Parking: Caixa and Empark have provided an innovative market solution in the form of a virtual parking meter which enables cardholders to pay for their parking by smartphone or tablet;
- Cross-border acquiring: In the sphere of its internationalisation and growth strategy in the corporate segment, Caixa successfully implemented a pilot project, consisting of expanding its acquiring offer to the Spanish market in 2nd half 2014.

## *Companies*

In strengthening its strategic guideline of achieving "corporate bank" status Caixa's main focus, in 2014, was to boost the domestic economy in its concern over the partnership relationship with companies operating in all sectors of activity, particularly exporting companies and companies producing tradable goods, in backing their treasury function, investment and recapitalisation. In its backing for the economy, Caixa was responsible for funding of more than €25 520 million up to October 2014.

The focus on this strategic segment, in optimising CGD's comprehensive offer, endeavoured to create confidence in the domestic entrepreneurial spirit and further enhance Caixa's image as the basis for economic development.

Optimisation of corporate offer with the aim of generating confidence in domestic entrepreneurship

Caixa has, therefore, been developing actions to improve proximity with its customers, intensity of the relationship and quality of service provided. The following initiatives took place in 2014:

- Launch of new specific lines of credit, including PME Crescimento ("SME Growth"), Comércio Investe ("Commerce Invest") and the Linha Garantia Mútua-FEI 2013-2015 ("Special Mutual Guarantee Investment Line");
- A strengthening of Caixa's sectoral offer, in the form of 7 distinctive solutions focusing on specific operating sectors, particularly the relaunch of its "Iberian Business" value proposal;
- Optimising the pricing of corporate credit operations, aligned with the respective risk and market conditions.

### *Launch of Linha Caixa Empresas Exportadores e Produção de Bens Transacionáveis ("Exporting Companies and Producers of Tradable Goods Line");*

In the Portuguese economy's current framework, backing for exporting companies and companies producing tradable goods is an increasingly critical and determinant factor. This line is geared to backing and increasing the flexibility of exporting companies' or producers of tradable goods treasury functions and has 3 advantages:

- Improving the flexibility of the maturity and terms on medium and long term or new operations and limits;
- Benefits for commercial involvement with Caixa, based on a table of subsidised spreads;
- Advance of export receipts.

Present on 4 continents and the main destinations of Portuguese companies' exports, Caixa continues to back exporting companies with its team of experienced, knowledgeable managers in international markets.

### *Adhesion to new government lines*

To back the domestic economy and improve companies' access to finance, Caixa has set up the following investment support lines of credit:

- Linha PME Crescimento 2014 (“SME Growth”)

CGD enters into agreements for a series of investment support lines

Providing continuity to the PME Investe/PME Crescimento (“SME Invest/SME Growth”) lines of credit as a fundamental pillar for its financial support to domestic SMEs, Caixa entered into specific lines of credit with the Garval, Lisgarante, Norgarante and Agrogarante mutual guarantee companies, IAPMEI (“SME Support Institute”) and PME Investimentos, in 2014.

This is a special line of credit designed to improve Portuguese SMEs’ access conditions to funding, with a mutual guarantee, competitive spreads and extended maturities including a grace period on principal.

The PME Crescimento 2014 line has a credit limit of €2 billion split up into 3 specific secondary lines, the micro and small enterprises line, the general line (including specific appropriations for working capital and investment) and the commercial line of credit for exporting companies which includes a specific appropriation of 10% of the global amount, exclusively for companies in the primary sector.

17.8% market share of *SME Growth* line 2014: 17.8%

Caixa has approved more than €284 million for this line (operations received by mutual guarantee companies up to December 2014), comprising a market share of around 17.8%.

Around €216.4 million in new funding was provided in 2014 under PME Investe lines of credit to a portfolio total of €1,427 million at the end of 2014.

Caixa has approved more than €6,024 million under PME Investe/PME Crescimento lines of credit since 2008 (operations received by mutual guarantee companies up to December 2014).

In its strategy for backing exporting companies, Caixa’s market share of specific secondary lines for exports is 20.1% by amount of funding.

20.1% market share of secondary export support lines

- Comércio Investe line

This is a special line of credit entered into by Caixa with mutual guarantee companies, IAPMEI and PME Investimentos. The line, for a total amount of €25 million is to fund candidatures which have been approved under the Comércio Investe measure, with a mutual guarantee on up to 70% of the principal, competitive spreads and extended maturities of up to 9 years with a grace period of up to 24 months on principal.

- Linha Garantia Mútua-FEI 2013-2015

This is a special line of credit between Caixa and mutual guarantee companies for a total amount of €203 million and is a part of the general protocol in force, to finance investments in fixed assets and working capital, including the acquisition of equity stakes, R&D investments and the acquisition of licences. It has a mutual guarantee on up to 80% of the principal, competitive spreads and extended maturities of up to 10 years with a grace period of up to 24 months on principal.

Attribution of 28% of total SME Leader statuses

- PME Líder and PME Excelência status (“Leading and Excellence SMEs”)

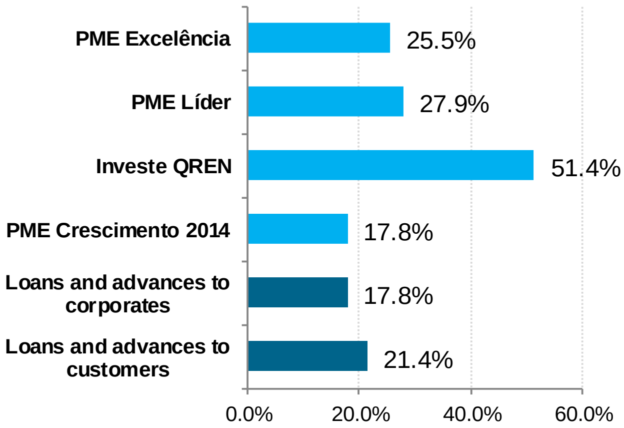
In line with its objective of being the bank of choice of the best SMEs, Caixa was, for the second consecutive year the bank with the largest number of Leading SMEs, with around 28% of the attributed statuses. Around 73% of the total of 7,748 PME Líder companies are Caixa customers. Caixa accordingly achieved an increase of around 85% in the number of PME Excelência companies by around 85% (467 companies comprising a share of around 26%).

26% market share of SME Excellence statuses

Caixa's position in government lines and in terms of PME Líder/PME Excelência companies reflects the market’s growing recognition of Caixa’s commitment to corporate business as shown in the following table:

## MARKET SHARES - LINES OF CREDIT

(%)




(*) Market shares as of December 2014, except Corporate Loans and Loans and advances to customers (November 2014).

### *EIB line*

At the end of 2014 CGD negotiated a line of credit for around €300 million with the European Investment Bank for general lending to the economy, particularly in the form of medium and long term loans.

Beneficiaries come from the broadest range of sectors, including private entities such as SMEs and midcaps as well as state owned companies, for a multiplicity of purposes which also include funding for working capital. Eligibility for this line varies with the type of promoter and project, which are classified in four groups. Special reference should be made to the financial advantage of a minimum spread reduction of 25 bp, calculated according to the risk premium assessment method in force.

Reformulation of Iberian Offer allows customers to work with CGD and Banco Caixa Geral (BCGE) as it they were the same bank

### *Enhancement to sectoral offer*

Relevant improvements were made to Caixa's specific offer for each individual sector of activity, to improve the competitiveness of our commercial action, notably:

- The Oferta Ibérica ("Iberian Offer"), providing a turnkey service to Portuguese companies with commercial relationships in Spain and vice-versa, was reformulated to allow customers to operate with Caixa and Banco Caixa Geral (BCG) as if they were dealing with a single bank.

  The main advantages are associated with improved flexibility when opening an account in the 2 countries and current treasury movements; the definition of cross-border credit limits; oversight and personalised advisory services, provided by a customer account manager in Portugal and another in Spain and a network of around 1,000 branch offices in the Iberian space.

- Proder/Promar lines of credit: charges for these operations were reviewed and are now entitled to the advantages set out in the benefits scorecard which is contingent upon commercial involvement.
- Fisheries line of credit 2014: a new line of credit for companies in the fisheries sector with treasury difficulties owing to last Winter's bad weather;
- Line of credit for tourism companies' treasury function: the conditions attached to these operations were reviewed, with an increase in the maximum amount per company, maturity and a revision of interest. They are now entitled to the

advantages set out in the benefits scorecard which is contingent upon commercial involvement.

- Line of credit for the qualification of tourism companies: the interest terms were revised and are now entitled to the benefits scorecard contingent upon commercial involvement and the creation of a secondary entrepreneurship line of credit for tourism animation companies restaurants and beverages with projects of up to €300 thousand of eligible investment.

Sectoral offer comprises 7 core product and service solutions for the activity of companies in each sector

The sectoral offer comprises 7 core products and services solutions for the activity of the companies in each sector as follows:

- Primary sector: to back the growth of agricultural activity, both in terms of production cycles (crops), and investment and export support, particularly the line of credit attached to this campaign;
- Industry sector: to back the relaunch of domestic industry's production of tradable goods and structuring investment projects to boost economic resurgence, particularly Caixa Mais Tesouraria; ("Treasury plus").
- Tourism and restaurant sector: to back tourism companies in consolidating the Portugal brand as a top world venue, highlighting TPA netcaixa (fixed, mobile and virtual for e-commerce);
- Commerce and services sector: to strengthen corporate competitiveness in a vital sector for the Portuguese economy by energising the local business environment and employment capacity, particularly highlighting the Caixaworks and Win Win cards adequate for financing retailers' purchases from wholesale subscribers;
- Export/internationalisation: accompanying companies which operate or sell to other markets, through Caixa Group's international network in 23 countries, providing information on local markets and commercial opportunities, coverage of diverse risks, local banking services and global funding solutions, particularly the Linha Caixa Exportação ("Export Line").
- Iberian companies: backing for this exporting/importing companies niche, in the form of a partnership between Caixa and Banco Caixa Geral Spain, as if it were a single bank, particularly as regards the "Iberian Passport's" offer of products and services.
- Entrepreneurship/capitalisation: to ensure the capital needed to launch new companies, new business models or approach to new markets by consolidated companies, particularly highlighting the Linha Caixa Capitalização. ("Capitalisation Line").


Communicational improvements in the corporate segment

### *Commercial campaigns*

Caixa reinforced its corporate segment communication on the basis of the following campaigns over the course of 2014:

- Caixa Empresas" campaign, providing information on the Caixa Empresas service and its large domestic network of account managers on the theme, "Together we'll create a borderless team" (January) and "Our dedication - your vision " (February);
- "Caixa Empreender" campaign, on the theme "Everything for your business idea. Including a future" (July);

- "Sectoral Offer" campaign, a broad-ranging communication campaign associated with Caixa's sectoral offer, Iberian business and internationalisation (September and October);
- "Netcaixa contactless" campaign on the theme "Contactless. Fast payment, easy receipt" (November and December).

*Premium and mass market customers*

Individual customers have been the main pillar of Caixa's profitability, sustainability and recognition. The relationship was further enhanced in 2014 and was visible:

- in Caixa's lead of all image-related attributes, namely trust and financial strength, innovation and efficiency;
- in the strengthening of relational management with more than 1 million customers benefiting from dedicated management, including around 918 thousand Caixazul and Caixa Mais customers;
- in Caixa's continuous enhancement of its value proposal, exemplified by the wealth management and Caixa Plim programmes, subscriptions for savings accounts and trading in Euronext markets through Caixadirecta;
- in improving customer ties with a positive change in the number of products per customer over 2013.

The results, in 2014, reflect an articulated vision and an increasingly tighter focus and commercial dynamic comprising:

Strengthening of the pillars of a proactive approach, based on leveraging profitability and retaining customer loyalty

- a reinforced commercially proactive approach with a 14% increase in operations per employee;
- greater priority in the retaining and the growth of suitably profitable balance sheet resource-taking operations;
- an increase in the levels of customer satisfaction and recommendation in respect of face-to-face services in branches and Caixa products.

Therefore, leveraged on profitability and customer loyalty, the pillars of a proactive approach clearly visible in the principles that "Each interaction with customers should comprise a sales/relationship development opportunity" were strengthened in 2014 and the following activities developed:

- Launch of an action plan, structured on 6 transversal and thematic campaigns, with 5.76 million leads targeted at 1.89 million different customers (average of 3.05 leads for each customer);
- Supply of 2.7 million leads via permanent and complementary central opportunities designed to increase sales in respect of incoming/outgoing actions on strategic products, namely wage/salary accounts, debit and credit cards and Caixadirecta;
- Better oversight of commercial activity with the supply of new oversight reports.

### *Investment and savings*

Proactive savings and investment solutions based on a better knowledge of customer profiles (households and individual)

Caixa launched the following savings and investments solutions over the course of 2014 with the objective of leveraging the retention and growth of suitably profitable balance sheet resources:

- On a deposits level, Caixa organised campaigns on six bimonthly resource-taking initiatives (base and integrated deposits offer) and automatic savings solutions with the objective of providing continuity to Caixa's strategic priority of retaining and taking-in sufficiently profitable balance sheet resources.
- Over the course of 2014, in the sphere of its customary pricing revisions and in line with the across-the-board drop in market rates, several adjustments were made in terms of simplifying the deposits offer and pricing revisions of branch office and online deposits.
- At 31 December 2014, Caixa pioneered the launch of its basic account which is a current account comprising a collection of basic banking services. The basic account, whose characteristics are in line with the Bank of Portugal's recommendations is for individual customers and was provided in two options: statements or passbooks.
- 49 short and medium term maturity tracker product deposits, with guaranteed capital on maturity were supplied with varied interest structures, ranging from interest rates to shares, share indices and exchange rate trackers.
- Deposits providing exclusive access to certain integrated offers and occasional events were launched in 2014:
  - Caixa Woman: 1 indexed deposit
  - Caixa Activa: 1 indexed deposit
  - associated with various Summer festivals in 2014 and Caixa Alfama, sponsored by Caixa and providing exclusive access to specific customer segment /loyalty levels:
    - Caixa IU university students: 1 basic term deposit;
    - Customers with Cliente Mais status: a 1 or 3 year basic term deposit (not permitting withdrawals).
- 9 medium/long term capitalisation campaigns, in the sphere of financial insurance were organised, guaranteeing principal and fixed interest on maturity, with the introduction of new additional cover for death from accidental causes, starting from the end of the 1st half.
- As regards unit trust investment funds, 12 actions designed to promote Caixa's permanent range of unit trust investment funds were made.
- Income and retirement solutions comprised the following:
  - 4 PPRs (retirement savings plans), the "Leve" PPR promotional campaigns and a special PPR (Levexpert) series were organised;
  - 12 promotions of Caixa's permanent range of 3 pension funds, Caixa Reforma Activa, Caixa Reforma Prudente and Caixa Reforma Valor.

A more multi-product approach to non-financial insurance

Reference should also be made to the following initiatives:

- The form of approaching customers, in the sphere of non-financial insurance was reviewed, in 2014 on the basis of an approach more geared to multiproduct offers/presentations comprising Caixa's commercialisation of 10 main products which were increased to 12 products over the period October to December, with the launch of 2 new non-financial insurance products:

- Caixa Proteção Ventura – geared to young professional who wish to provide their household budgets with comprehensive protection in the event of an accident either during their professional or leisure-time activities.
- Caixa Proteção Familiar – for holders of wage accounts who wish to guarantee the stability of their family in the event of their death.

This was accompanied by a "product possession" initiative comprising:

- A "Possession of Insurance Index Initiative" – for Caixazul customers with a non-life insurance policy in force, to whom the 1st annuity of an Activcare geral card is offered when subscribing for new insurance from Caixa's permanent products.
- Caixa Seguro Lar initiative for customers and Caixazul customers holding a non-life insurance policy in force and a Caixa Seguro Lar policy for more than 10 years, to whom a 10% discount on the commercial premium for all Caixa Seguro Lar policy annuities was given when subscribing for a new insurance contents pack.

Seguro Caixa Woman and Seguro Automóvel Liber 3G cover was further enhanced:

- Trading in financial instruments – it is now possible to trade in shares on Caixadirecta's online and telephone platform, on the Euronext Amsterdam, Brussels and Paris markets, in addition to trading on Euronext Lisbon, strengthening the service provided to customers.
- Investor profile questionnaire – provision of a simulator to assess investor profiles on the Caixadirecta online and Caixadirecta Telefone services.
- Participation in the following placements:
  - Espírito Santo Saúde IPO
  - FC Porto SAD 2014-2017 fixed-rate bonds public subscription
  - REN – 2nd reprivatisation stage public offer for sale
- Home and Technology Campaigns – An initiative allowing customers to purchase non-financial home and technology products was available in the first four months.

CGD continues to promote its integrated offer for specific customer groups

The promotion of "Integrated Offers" targeted at specific customer groups, namely My Baby, young people, Caixa Woman and Caixa Activa, was included in the launch of targeted campaign products (Caixa Woman Ações 2017 and Caixa Activa Saúde agosto 2016_PFC), the promotion of savings products for young people (CaixaProjecto) and participation in events of relevance for the disclosure of information on these offers for specific customer groups.

In the sphere of the My Baby offer, Caixa was present at the "Looking after our son, looking after ourselves" conference sponsored by the publishers Goody, in Culturgest's large auditorium. The event highlighted the prepaid My Baby card, savings and deposits for babies and extended families, particularly the Caixa Família service, Caixa Woman offer and Made by card.

As regards the offer for young people, the Young People's Savings Campaign was developed, with greater emphasis at 3 different times: Children's Day (June), Back to School (September) and Savings Day (October). The objective of these initiatives was to reinforce communication with these customers, either through their guardians or the young people themselves when of age (up to and including 25), in order to encourage savings habits.

This campaign incentivised the opening and/or reinforcements of savings accounts, with gifts for subscribing customers.

As regards the Caixa Woman offer, Women's Day celebrations included a specific promotion which included the launch of a share tracker product, ref: Depósito Indexado Ações 2017_PFC, provision of this opportunity via Caixadirecta and information thereon in the Caixa Woman newsletter.

Initiatives to strengthen and improve mortgage lending

Concern over the future of grandchildren and financial support for children is one of the premises of the Caixa Activa offer that, in addition to Caixa Família promotion, has paid special attention to Grandparent's Day (July) with the launch of a structured deposit especially designed for older customers.

A Facebook action was also developed and highlighted on the first page of Caixa's website, by means of which a gift was attributed to the first grandparent customers using Facebook to contact Caixa.

### *Mortgage loans to individual customers*

Development of fixed-rate mortgage lending operations

In the mortgage lending sphere Caixa furthered the development of initiatives designed to reinforce the value of its respective offer, particularly in terms of a pricing review, improvements to the range of fixed-rate indexers with the objective of helping to stabilise payments over a certain period of time and adjusting the tariffs of their associated life insurance downwards.

Caixa continued to promote its commercialisation of property in its portfolio not in use for its main activity and properties built with Caixa finance. Reference should be made to differentiation in terms of funding conditions enabling customers to benefit from a more advantageous fixed-base interest rate, over the first 5 or 10 years of the contract, a reduction of the operation's spread and extended loan maturities over the remaining period of the contract.

Caixa has endeavoured to develop its offer of fixed-rate interest on its mortgage loans, guaranteeing a low spread between Euribor and fixed-rates, allowing households taking out new loans for maturities of up to 20 years to maintain their financial stability.

### *University students and universities*

Caixa completed 20 years in terms of its leadership of the university market, in 2014, as a business partner of the large majority of higher educational establishments in Portugal, providing benefits to the academic community in general, comprising around 280 000 individuals (students and higher education professionals) who have chosen Caixa as their support bank.

Of special significance, in 2014, was the protocol entered into with Lisbon University as the largest higher educational establishment in Portugal, sealing the partnership between two benchmark Portuguese institutions.

Under the aegis of the Caixa IU brand, in addition to helping students with their financial needs during their academic lives and when embarking upon their professional careers, Caixa helped to promote knowledge and academic merit, through its award of research grants, cash prizes to the best students and curricular and professional on-the-job training placements, encouraged entrepreneurship by sponsoring competitions with specific financial solutions for young entrepreneurs, backing a diverse series of events and projects in partner schools, in addition to other regional or national initiatives such as the academic associations' thematic festivals and Summer festivals

On the motto "With Caixa IU you'll get top marks" the 20th edition of the new university year campaign 2014 was organised. This is the major annual event for finding new customers, by means of which Caixa, arranges for reception desks to be positioned in more than 100 locations during the enrolment period, to make its first contact with new students in higher education. ID Cards were issued under the terms of specific protocols entered into with the colleges, with the promotion of free, simplified access to the Caixa IU pack and its essential products for students' day-to-day lives – the current account upon which the relationship with Caixa is based, the Caixa IU debit card home banking service with dedicated support for Caixadirecta IU university students, the Caixa ISIC discount card with a credit option and the Caixapoupança Superior savings account together with the new Caixa plim payments app.

Caixa's participation as the sponsoring bank for the Summer festivals provided yet another opportunity for promotional initiatives specifically geared to university students, particularly the launch of the Caixa IU Oportunidade Festivais de Verão term deposit, whose success helped to increase and incentivise savings in the young people's segment together with the impact of the segment's relationship with festivals for such young people.

In addition to its promotional initiatives, Caixa continued to consolidate its specific service model for university students, in 2014, in the form of the distance relational management service performed by Caixadirecta IU commercial assistants focusing activity on the response to requests from its customers portfolio and proactive contact to promote the involvement of university customers, complemented and articulated with a proximity service provided by university branch offices located on around 20 university campuses, with greater focus on each customer's key moments.

The Caixadirecta IU service was designed to respond to the needs of the segment of university customers who place value on distance and advisory services 24x7. It provides financial support, personal services from commercial assistants by telephone or internet, preference in terms of access to specific products and services for university students.

CGD continues to consider residents abroad as a strategic segment

Customers can use the service on 808 212 213 or via sms, using the Reply2Me feature. To complement the distance service provided by the branch, customers can use the physical branch office network and the www.caixaiu.pt portal which promotes relationships with young people in the segment.

### *Residents abroad*

Caixa continues to consider the residents abroad segment to be a strategic option, owing to its proportion of the total resources of individual customers and high growth potential, given the current economic environment.

The following special promotions were launched over the course of 1st half 2014 to further enhance this segment's value proposal:

- Caixa sem Fronteiras ("Caixa without Borders"), based on an advertising campaign with the headline "If you're travelling abroad take Caixa along with you" including the provision of flyers by country of destination in which Caixa operates. The action was designed to promote Caixa's exclusive offer for residents abroad, for current or potential customers working outside Portugal, facilitating the integration of people starting new lives in other countries.

- An Easter campaign, based on an advertising action under the “Em Abril, Poupanças Mil” (“Savings Galore in April”) banner with the main objective of promoting Caixa’s savings solutions, based on the diversity of their maturities, markets and currencies (euros, US and Canadian dollars).
- Summer campaign, based on an advertising action with the message conveyed by the expression “Há mar e mar, há ir e voltar” (a Portuguese saying allusive to the dangers of the sea and a safe journey home), using advertising media both abroad and in Portugal. The campaign was geared to promoting the diversification of savings (Depósitos Mais – “Savings Plus”) enabling Caixa to be contacted from anywhere worldwide (Caixadirecta by freephone, debit cards for residents abroad with no fees payable in the country of residence, as well as credit cards with a personalised image for residents abroad).

Broadening of *Caixadirecta Internacional* service with the aim of significantly improving relational management with customers resident abroad

- Christmas campaign with the objective of promoting savings solutions and especially Depósitos Mais RE (deposits in foreign currency) in euros, US and Canadian dollars and, for the first time sterling. The campaign benefited from the support of the domestic and international press, posters, leaflets and digital media with the message “Este Natal, depois da poupança vem a bonança”(“This year Christmas will be followed by good fortune”) establishing linkage with the Easter and Summer campaigns which continued to employ popular Portuguese expressions and sayings.
- “Know-your-customer” campaign with the main objective of collecting information for the production of personalised proposals.
- Campaign for the identification of customers resident abroad, with actions for making contact with customers who indicate that they may emigrate or become expatriates with the aim of assessing and adjusting offers to individual cases.

Together with these promotional initiatives and to significantly improve relational management with customers resident abroad, as a complement to the branch office network, branches and representative offices abroad, the Caixadirecta Internacional service was extended to other customers resident abroad (Angola and Mozambique) with agreements with Caixadirecta. This service can be used by customers resident outside Portugal to contact their bank by freephone or online, benefiting on a team of dedicated commercial operatives.

Growth of 4.1% in resources-taken balance (excluding interbank market)

## *Resources*

CGD continued to be the dominant force in its market share of deposits in Portugal, particularly individual customers with 32.4% in November 2014.

The resources-taken balance by the group as a whole (excluding the interbank market) totalled €108,027 million, i.e. up by a year-on-year 4.1%. Another contributory factor was the favourable evolution of off-balance sheet resources which were up 10.9% over the end of December 2013.

## RESOURCES TAKEN BY GROUP – Balances at 31 December

(EUR million)

| | 2013-12 | 2014-12 | Change Total | Change (%) |
|---|---|---|---|---|
| **Balance sheet** | **79,158** | **80,737** | **1,579** | **2.0%** |
| Retail | 69,525 | 72,796 | 3,270 | 4.7% |
| Customer deposits | 67,623 | 70,718 | 3,095 | 4.6% |
| Other customer resources | 1,903 | 2,078 | 175 | 9.2% |
| Institutional investors | 8,733 | 7,041 | -1,692 | -19.4% |
| EMTN | 4,064 | 2,282 | -1,783 | -43.9% |
| Covered bonds | 3,810 | 4,579 | 769 | 20.2% |
| Other | 858 | 180 | -679 | -79.0% |
| Portuguese State - Conting. convert. bonds | 900 | 900 | 0 | 0.0% |
| **Off-balance sheet** | **24,601** | **27,291** | **2,690** | **10.9%** |
| **Total** | **103,759** | **108,027** | **4,268** | **4.1%** |
| **Total (excl. inst. inv. and Portuguese state)** | **94,126** | **100,086** | **5,960** | **6.3%** |

Not considering resources taken from institutional investors and CoCo bonds, the year-on-year change was up 6.3% by more than €5,960 million.

Growth of resource-taking in the domestic market and international segment

"Off-balance sheet resources", totalling €27,291 million at the end of 2014, reflected the positive change and good performance of pension funds which were up 28.7%, wealth management activity and units in unit trust investment funds, up 9.7% and 6.1% respectively.

Customer resources were up 4.9% by €3,291 million over the preceding year to €71,134 million.

## CUSTOMER RESOURCES – Balances at 31 December

EUR million)

| | 2013-12 | 2014-12 | Change Total | Change (%) |
|---|---|---|---|---|
| Customer deposits | 67,623 | 70,718 | 3,095 | 4.6% |
| Sight deposits | 19,377 | 21,348 | 1,971 | 10.2% |
| Term and savings deposits | 47,939 | 49,061 | 1,122 | 2.3% |
| Mandatory deposits | 307 | 309 | 2 | 0.7% |
| Other resources | 220 | 416 | 196 | 89.1% |
| **Total** | **67,843** | **71,134** | **3,291** | **4.9%** |

International network accounts for €15 321 million of total customer deposits

Customer deposits were up by an expressive 4.6% over the preceding year, with special reference to the 6.8% increase in the domestic branch office network's balance to €58,861 million.

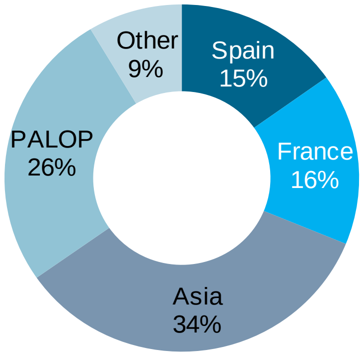
By category, approximately €49,061 million (69.4% of the customer deposits total) comprised deposits and savings accounts.

The international area's contribution of €15,321 million to total deposits (up 5.3% over the end of 2013) continued to be highly favourable, particularly including CGD business units in Asia, Africa and Spain, together with France.

## CUSTOMER DEPOSITS - INTERNATIONAL ACTIVITY

(%)

34.2% market share of individual customers' deposits




CGD maintained its market share of customer deposits (28.6% in November 2014), in Portugal. Reference should be made to the fact that in addition to the 32.4% market share of individual customers' deposits, the emigrants' segment's share totalled 40.7% and the corporate segment's share was up from 11.5% in December 2013 to 12.6%.

## CUSTOMER DEPOSITS – MARKET SHARES (PORTUGAL) BY CUSTOMER SECTOR

(%)

| | 2013-12 | 2014-11 |
|---|---|---|
| Corporate | 11.5% | 12.6% |
| General government | 13.0% | 26.9% |
| Individual customers | 32.6% | 32.4% |
| Emigrants | 41.2% | 40.7% |
| Mandatory | 96.9% | 95.2% |
| **Total** | **27.6%** | **28.6%** |

Debt securities, down 18.4% over the end of 2013 to €7,174 billion, particularly translated the 42.3% reduction in the balance of bond issuances under EMTN programmes. The balance on covered bonds was, however, up 20.2% by €769 million owing to the €750 million issuance of covered bonds with a maturity of 5 years at the start of the year.

## DEBT SECURITIES

(EUR million)

| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| EMTN programme issues [a] | 3,982 | 2,300 | -1,683 | -42.3% |
| Covered bonds | 3,810 | 4,579 | 769 | 20.2% |
| Bonds on the public sector | 614 | 0 | -614 | -100.0% |
| Other | 385 | 296 | -89 | -23.2% |
| **Total** | **8,791** | **7,174** | **-1,617** | **-18.4%** |

(a) Does not include issues classified as subordinated liabilities.

In the subordinated liabilities sphere, CGD took in resources of €2,428 million, down 3.8% over December 2013.

## SUBORDINATED LIABILITIES

(EUR million)

| | 2013-12 | 2014-12 | Change Total | Change (%) |
|---|---|---|---|---|
| EMTN programme issues [a] | 1,141 | 1,046 | -95 | -8.3% |
| Contingent convertible (Coco) bonds | 900 | 900 | 0 | 0.0% |
| Other | 482 | 481 | -1 | -0.2% |
| **Total** | **2,524** | **2,428** | **-96** | **-3.8%** |

(a) Does not include issues classified as debt securities.

### *Credit*

CGD's level of involvement in backing the investment projects of Portuguese companies continued to be highly comprehensive (micro, SME and large enterprises) translating into funding of €1,843 million for new medium and long term operations.

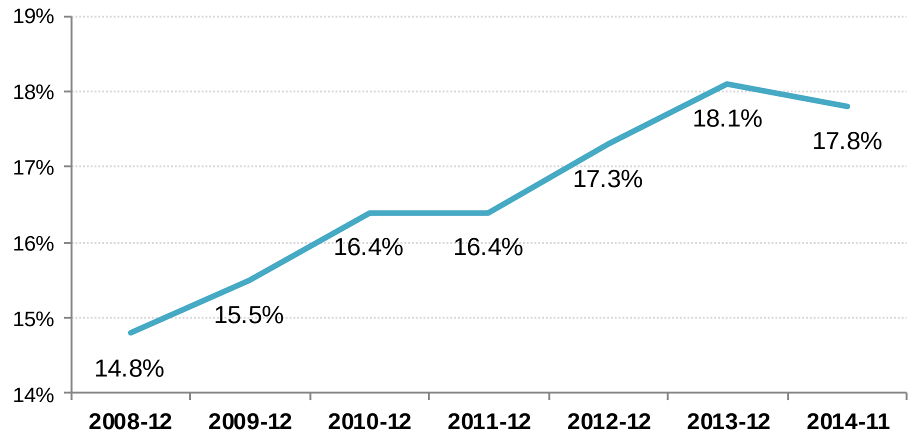
Loans and advances to customers (gross) down 2.3%

In an environment of still weak but slowly recovering demand, new loans to companies, albeit rising (up 5% over the preceding year), have still not reached the level of portfolio repayments leading to an across the year 6.3% reduction of the respective balance. It should, however, be noted that an expressive contribution to this reduction was made by the early payment flows on credit operations from the state's corporate sector as the non-financial private corporate sector (excluding construction and property activities), is starting to show signs of greater dynamism.

Notwithstanding the aggressiveness of the major banks operating in this segment in Portugal, CGD had a 17.8% share of corporate credit in November (18.1% at the end of 2013). There was a positive change of 3.0 pp in the referred to market share, between December 2008 and the said date.

MARKET SHARE - CORPORATE LOANS

(%)




Gross credit particularly includes BCI and BNU, with 31% and 48% respectively

In consolidated terms, loans and advances to customers (gross) were down 2.3% by €1,745 million to €72,785 million between December 2013 and the end of 2014. CGD Portugal accounted for €55 669 million euros and the group's remaining business units for €17 114 million, respectively accounting for 76% and 24% of the loans and advances to customers total.

## GROSS LOANS AND ADVANCES TO CUSTOMERS (CONSOLIDATED) (a)

Favourable evolution of market share of loans and advances to companies in a highly competitive environment

(EUR million)

| | | | Change | | Structure | |
|---|---|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) | 2013-12 | 2014-12 |
| Companies | 31,254 | 30,248 | -1,006 | -3.2% | 41.9% | 41.6% |
| General government | 5,530 | 5,904 | 374 | 6.8% | 7.4% | 8.1% |
| Individual customers | 37,746 | 36,633 | -1,113 | -2.9% | 50.6% | 50.3% |
| **Total** | **74,530** | **72,785** | **-1,745** | **-2.3%** | **100.0%** | **100.0%** |

(a) Before impairment and including assets with repo agreements.

New actions to strengthen corporate offer

The banks in Africa posted growth of 25.6% in their loans and advances to customers (gross) to €3,023 million in 2014. Special reference should be made to BCI in Mozambique which posted a 31% increase of €351 million over December 2013 and to Macau, where loans made by BNU were up by a 47.6% year-on-year €733 million.

CGD's 21.4% market share of loans and advances to customers in November 2014, was slightly down over the end of 2013.

## LOANS AND ADVANCES TO CUSTOMERS – MARKET SHARES (PORTUGAL) BY CUSTOMER SECTOR

(%)

| | 2013-12 | 2014-11 |
|---|---|---|
| Corporate | 18.1% | 17.8% |
| Individual customers | 23.7% | 23.5% |
| *Mortgage loans* | 26.5% | 26.5% |
| *Other* | 9.2% | 8.8% |
| General government | 29.5% | 29.8% |
| **Total** | **21.6%** | **21.4%** |

Loans and advances to companies were down 3.2%. Special reference should be made by sectors of activity to transport and warehousing (down 37.0% by €664 million) and construction and real estate (down 4.9% by €576 million).

## LOANS AND ADVANCES TO CORPORATE AND INSTITUTIONAL SECTORS - BY SECTORS OF ACTIVITY (a)

(EUR million)

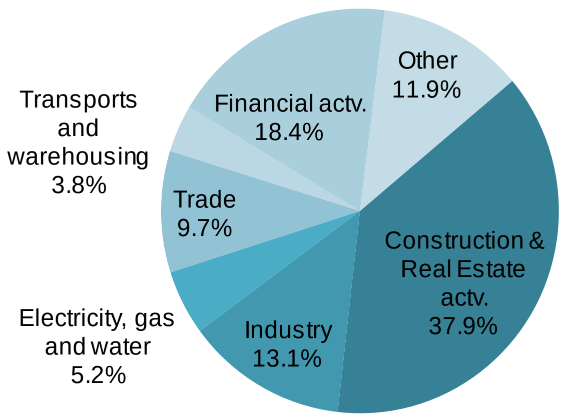
| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| Construction and real state activities | 11,782 | 11,206 | -576 | -4.9% |
| Mining and manufacturing | 3,773 | 3,860 | 88 | 2.3% |
| Electricity, gas and water | 1,521 | 1,546 | 25 | 1.6% |
| Wholesale and retail trade | 2,619 | 2,857 | 238 | 9.1% |
| Transports and warehousing | 1,792 | 1,128 | -664 | -37.0% |
| Other financial activities | 5,579 | 5,440 | -139 | -2.5% |
| Other | 4,189 | 4,210 | 21 | 0.5% |
| **Total** | **31,254** | **30,248** | **-1,006** | **-3.2%** |

(a) Consolidated activity and before impairment.

(b) For comparison purposes, the year 2013 values are pro forma.

## LOANS AND ADVANCES TO CORPORATE SECTOR - DECEMBER 2014

(%)




The balance on construction loans has been consistently declining as a result of Caixa's support for the active disclosure of information on building completions and buildings brought to market at www.imoveisparceiroscaixa.pt, together with preference terms for loans to customers potentially interested in purchasing a new home on the basis of a bank loan.

New mortgage loans of more than €539 million

The loans and advances to customers balance was down 2.9% by €1.1 million at the end of the year to €36.6 billion, originating from housing (down 4.5%).

## LOANS AND ADVANCES TO INDIVIDUAL CUSTOMERS [(a)]

(EUR million)

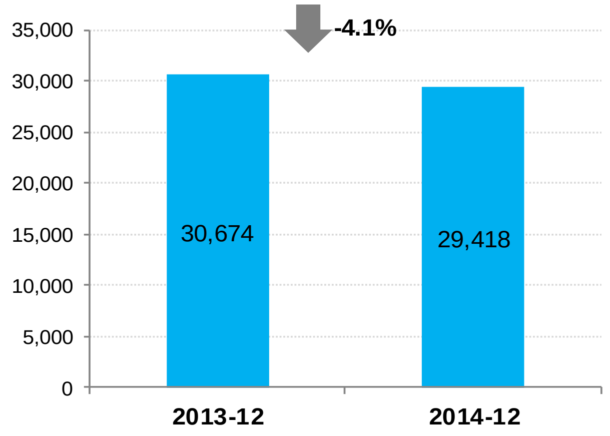
| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| **Mortgages** | **35,497** | **33,908** | **-1,590** | **-4.5%** |
| **Other** | **2,249** | **2,725** | **476** | **21.2%** |
| Of which: | | | | |
| Credicaixa (consumer) [(c)] | 740 | 668 | -72 | -9.8% |
| Credit cards [(c)] | 274 | 265 | -10 | -3.5% |
| **Total** | **37,746** | **36,633** | **-1,113** | **-2.9%** |
| NEW OPERATIONS | | | | |
| **Mortgages** | | | | |
| Number of contracts | 5,955 | 6,799 | 844 | 14.2% |
| Amount | 463 | 539 | 76 | 16.4% |

(a) Before impairment.
(b) For comparison purposes, the year 2013 values are pro forma
(c) Operations in Portugal

New mortgage lending operations in Portugal were up 16.4% over the preceding year to €539.2 million. The volume of repayments and settlements was higher than the volume of new operations, resulting in a 4.1% reduction of the amount of portfolio credit.

## MORTGAGE CREDIT PORTFOLIO - BRANCH OFFICE NETWORK (PORTUGAL)

(EUR million)




## 1.5.2.2. SPECIALISED CREDIT

The property and equipment leasing sub-sectors, in 2014, grew 28.9% and 21.7%, respectively, leading to a 24.2% increase in the leasing sector. The factoring sector was down by around 1.3% year-on-year 2013. Consumer credit was up by around 27.3% year-on-year 2013.

### SALES FOR SECTOR IN THE YEAR

(EUR million)

| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| Property leasing | 456 | 588 | 132 | 28.9% |
| Equipment leasing | 905 | 1,102 | 197 | 21.7% |
| Factoring | 21,685 | 21,404 | -281 | -1.3% |
| Consumer credit | 4,012 | 5,106 | 1,094 | 27.3% |

CLF, with increases of 94.1% in property and 20.4% in equipment leasing operations, resulting in global leasing growth of 40.2%

### *Caixa Leasing e Factoring*

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

### CAIXA LEASING E FACTORING - SALES AND MARKET SHARE

(EUR million)

| | CLF Sales | | | | CLF Market Share | | | |
|---|---|---|---|---|---|---|---|---|
| | 2013-12 | 2014-12 | Change | | 2013-12 | | 2014-12 | |
| **Product** | | | Total | (%) | Ranking | (%) | Ranking | (%) |
| Property leasing | 60 | 117 | 57 | 94.1% | 3rd | 12.3% | 2nd | 19.8% |
| Equipment leasing | 163 | 196 | 33 | 20.4% | 1st | 15.4% | 1st | 17.8% |
| **Total leasing** | **223** | **313** | **90** | **40.2%** | | | | |
| **Factoring** | **1,943** | **2,086** | **143** | **7.3%** | **4th** | **9%** | **4th** | **9.7%** |
| **Consumer credit** | **4** | **6** | **2** | **45.7%** | | **0.3%** | | **0.1%** |
| *of which:* | | | | | | | | |
| **Vehicle finance** | | | | | | | | |
| Property leasing | 51 | 79 | 28 | 55.2% | | | | |
| Consumer credit | 3 | 6 | 3 | 93.8% | | | | |

The company's property leasing operations were up 94.1% and its equipment leasing operations by 20.4%, giving an overall growth of 40.2% in leasing. This performance put CLF in second place in the property sub-sector ranking with an increase in market share from 12.3% in 2013 to 19.8% in 2014. The company retained first position in the equipment leasing sub-sector with an increase of around 2.4 pp in its market share to 17.8% against 15.4% in 2013. The company retained fourth position in the factoring sector with a market share of 9.7% against 8.7% in 2013.

Caixa Leasing e Factoring's net assets were down 5.1% owing to the 5.5% reduction of the loans and advances to customers (net) portfolio.

### CAIXA LEASING E FACTORING - INDICATORS

(EUR million)

| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| Net assets | 2,364 | 2,244 | -119 | -5.1% |
| Loans and advances to customers | 2,402 | 2,271 | -131 | -5.5% |
| Provisions for overdue credit | -203 | -214 | -11 | - |
| Shareholders' equity | 67 | 83 | 16 | 24.6% |
| Net income | -21 | 16 | 37 | - |
| Share capital | 10 | 10 | 0 | 0.0% |
| *Group %* | 51% | 51% | 0 | 0.0% |
| Employees | 188 | 184 | -4 | -2.1% |

The 6.2% growth of net operating income, associated with the 5.8% reduction of operating costs and the 76.3% reduction of the provisions and impairment appropriation gave income before tax of around €18.2 million. The company made net income of €16.4 million in 2014.

Enhanced strategic importance of international activity

## 1.5.2.3. INTERNATIONAL ACTIVITY

In a context of a recovery, albeit weak, of domestic demand and the restructuring of a significant part of the Portuguese business environment, CGD has been strengthening the importance it affords to its international business as a strategic thrust of its policy and activities. This is crucial for convergence towards a sustained trajectory of profitability and financial strength.

This priority is, moreover, aligned with the national objectives of revitalising the tradable goods sector and increasing its respective contribution to wealth creation as drivers of a consistent, robust recovery of the domestic economy.

Promotion of multilateral trade based on the strong integration of Caixa's global network

More than a differentiated collection of geographical hubs, CGD Group's international platform (in 23 countries on 4 continents) aims to be, in its customers' eyes, a seamless network, furthering common objectives and strategies. It provides products to a whole universe of companies and individual customers, in any of the group's different units, whatever their geography or wherever their business takes them.

CGD Group has been laying the groundwork, in Portugal and in its various business units, to improve the flexibility of multilateral business flows between CGD customers whatever their geography.

Specialised desks have accordingly been set up in various group branches and subsidiaries to promote cross relationships between customers and between the various network operations to facilitate and promote business.

Foreign trade which, in 2014, was up by a year-on-year 35%, in the form of 7 071 new operations in this area, is an accurate reflection of the emphasis placed upon this business segment.

The backing provided to companies is also highly important, notably those which are embarking upon their internationalisation processes or which plan to move into new markets, in terms of advisory services and the provision of information on the specifics of each country for export or investment purposes.

Improved offer to “internationalised” or “internationalising” companies

The fact that the group’s many years of experience in international business has provided it with a great deal of expertise on each market is indisputably important for any customer.

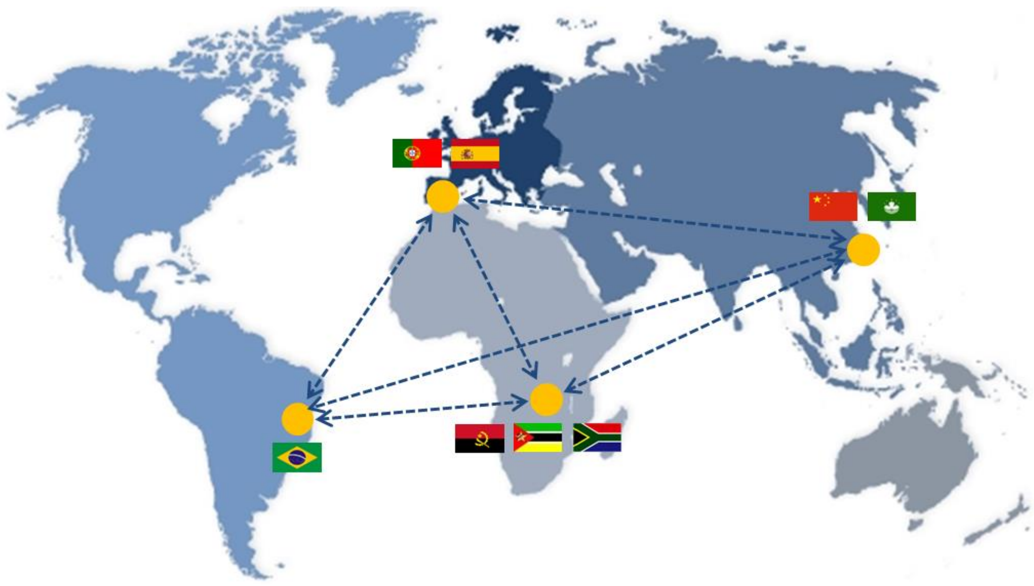
Reference should also be made to CGD’s organisation of a series of promotional and business empowerment actions, both in Portugal and in several of Caixa’s priority markets, notably Mozambique and Macau. Several training workshops (“market panels”) on countries such as Spain, France and Angola were organised during the year.

This was complemented, as regards backing for the internationalisation processes of Portuguese companies, by the fact that CGD has set up 8 concessionary lines of credit for 6 countries, for a total amount of €1,450 million, including 133 projects, distributed across 127 Portuguese companies under which an amount of €118 million was disbursed in 2014. Reference should be made, both on account of the number of projects backed and the number of companies involved, to the concessionary line for social housing in Cape Verde under which an amount of €42 million, allocated to 70 Portuguese companies, most of which SMEs, was disbursed across 79 projects.

An amount of €55 million was disbursed to Portuguese exporting companies from the commercial line of credit for Mozambique.

The group’s international activity is an important factor in terms of its consolidated net income.

International area’s contribution to consolidated net income is slightly negative owing to provisioning requirements particularly deriving from the exposure to GES



## CONTRIBUTION OF THE INTERNATIONAL ACTIVITY TO THE CONSOLIDATED NET INCOME

(EUR million)

| | 2013-12 | 2014-12 | Change |
|---|---|---|---|
| **Total International** | **-83.3** | **-2.8** | **80.5** |
| **Total International, excluding Spain** | **99.2** | **51.0** | **-48.3** |
| **Spain** | **-182.5** | **-53.8** | **128.8** |
| Of which: | | | |
| Banco Caixa Geral Espanha | -57.3 | 20.1 | 77.4 |
| Spain Branch | -113.9 | -66.1 | 47.8 |

Visible improvement of results from operations in Spain

The level of performance of business units in the Orient and Africa continued to be highly favourable in 2014. Income of €46 million was generated by business units in Asia, in which reference should be made to BNU Macau's good contribution with net income of €41.9 million. Africa contributed €44.8 million to consolidated net income in the period under analysis. Particular reference should be made to Mozambique (€15.4 million), Angola (€18.2 million) and South Africa (€8.9 million).

Further improvement of good performance of operations in Africa and Asia

The group's performance in the "mature" markets segment was also globally favourable, notably as expressed in BCG Spain's and London branch's net income of €20.1 million and €11.8 million, respectively.

The positive results achieved by CGD's Spain subsidiary, in 2014, are in contrast to the losses of €57.3 million made in 2013 and express the already visible effects of the application of a major restructuring plan agreed with DGComp, which essentially comprised a structural review of the bank's business model which is now highly geared to the retail segment and Iberian business. This was accompanied by a notable streamlining operation within the bank, based on a downsizing of employee numbers and the branch office network, with greater concentration on the more important geographical hubs for cross-border business.

Promotion of cross-selling business between individual customers resident abroad and "internationalised" companies

Provisioning requirements owing to one-off conjunctural factors, especially associated with exposure to the Espírito Santo Group, prevented a positive outcome as regards income from international operations which was recorded a loss of €2.8 million. The 59.0% increase of €334.3 million in gross operating income over last year was, however, highly expressive.

5.4% growth of resource-taking from individual customers resident abroad

Caixa continues to pay special attention to the individual customers resident abroad segment, not only on account of its business relevance but also its commitment in support of traditional customers as well as new waves of immigration, which, nowadays, comprise highly qualified young people in search of opportunities outside Portugal or specialised workers seconded abroad by their respective corporate employers.

Adherence to the European Savings Bank's IIBN Platform

Caixa has accordingly furthered its policy of developing cross-business between individual customers resident abroad and "internationalised" companies in its awareness of the relevance attached by customers to a global commercial approach by their bank.

Greater banking involvement with customers has been furthered by strengthening team skills and in the form of proximity campaigns and events in Portugal and abroad, with the supply of diverse specific products to meet the segment's needs, particularly in terms of an expansion of offer diversification to non-euro currencies such as the Canadian dollar and sterling.

Resource-taking from current individual customers resident abroad was up 5.4% in 2014.

Caixa continued to strengthen its distance service models for the referred to segment, having expanded the Caixadirecta Internacional service to Angola and Mozambique, in

Unemployment continues to be the Spanish economy's main problem

2014 and which is now available in 16 countries. This service operates on a multichannel approach, endeavouring to diversify access and improve customers' proximity to Caixa.

Partnerships for the development of international business support solutions were also developed with leading international institutions, in which reference should be made to the implementation of the global offer in renminbis and membership of the European Savings Bank's IIBN Platform.

*Main CGD Group geographies*

### Spain

Spain exited a period of a reduction of economic activity and embarked upon a new period of expansion in 2014. Growth was posted across all quarters of the year at an annual rate of more than 1.3%, one of the highest in Europe. However as was the case on a European-wide level, there continued to be a decline in bank loans to the economy, mainly on account of the fall in mortgage lending to households and loans to property companies.

The drivers behind the recovery were domestic demand in the form of private consumption and the positive evolution of exports, including tourism, which recorded its best ever year with 65 million foreign visitors.

Unemployment continues to be the Spanish economy's main problem, although a trend change was also witnessed, with 2014 being the first year since 2007 to post net job creation.

BCG's fulfilment of its undertakings to DGComp, in completing the restructuring of its branch office and central services network

The Kingdom of Spain's ratings improved to the following levels: BBB long term, stable, from S&P; BBB+, stable, from Fitch; Baa2, with a stable outlook, from Moody's. The country-risk premium, measured by yields on 10 year Treasury bonds fell by more than 100 points in 2014, with a one digit spread in comparison to Germany at the end of the year, to 107 points at 31 December. Public debt costs were reduced to less than a half across the year with a 1.58% yield on 10 year bonds at the end of the year.

Spain's stock exchange had another positive year, with the IBEX 35 up 3.7% during the year, closing the year at 10,279 points.

Spanish banking completed the concentration and restructuring processes beginning in past years. In taking advantage of the improvement in the country's situation and ECB policy, Spanish banks made visible changes to their interest policy on term deposits which, at year end, were 50% down over the levels recorded at the beginning of the year, without penalising their customers' confidence. This situation, accompanied by a significant reduction of impairment and notwithstanding the reduction of interest on new loans, enabled them to maintain margins and return to positive results. The bank's solvency was confirmed by ECB stress tests.

Banco Caixa Geral (BCG) kept its commitments to DGComp, completing the restructuring of its branch office network and central services and downsizing its staff to agreed levels. This process was carried out on the basis of an agreement entered into with workers' representatives and was fully based on voluntary redundancies.

BCG currently has a team of 523 employees and a network of 109 branches in Spain and 3 representative offices abroad, encompassing the communities of Madrid, Galicia, Estremadura, Catalonia, the Basque Country, Asturias, Valencia, Castile-León and Aragón.

2014 was a year of transformation with the aim of meeting restructuring undertakings, reducing costs and particularly creating a financially viable business unit capable of being a strong link in the value chain for customers and CGD.

The established objectives of achieving growth in terms of new business and customers, improving margins and maintaining a loans-to-deposits rate of less than 130%, were determinants for generating sustainable, positive net income levels which continue to be objectives in 2015.

The overdue credit ratio remained low, at 3.4% at the end of the year, against an average of 13.1% for Spain's financial sector.

France branch furthers its strategic recentring programme drawn up in 2013

New products for Portuguese customers resident in Spain and most other individual customers or small businesses were developed during the year, adapting the range of deposits and services associated with deposit accounts, supply of mortgage loans and consumer credit.

The bank's commitment to growing its loans to SMEs and exporting or importing companies, centred on Portuguese companies operating in Spain and Spanish companies operating in the Portuguese market or in other geographies in which the group is present was also a determinant. The "Iberian Passport" as a pioneering product allowing customers to work more effectively with the group's international branch office network is one of Caixa's important instruments in this segment of activity.

## France

There was a slight upturn of 0.3% in economic activity in France in 4th quarter 2014, which consolidated its evolution during the course of 3rd quarter 2014 (up 0.1%).

Notwithstanding the relatively unfavourable macroeconomic context in 2014, France branch furthered and developed its "Strategic Recentring" programme drawn up in 2013, translating into the specialisation and concentration of resources and capacities in niche markets, particularly focusing on the Lusophone community while also committing to a high level of proximity with other customer segments.

The branch has taken several steps to improve efficiency, turnover and its quality of customer service. This particularly includes the "PEREN" (People, Efficiency, Risks and Business) programme, promotion of bilateral trade between Portugal and France and sales of CGD Group property in the French market.

This policy and activity have been successful, with the branch having achieved positive evolution in terms of an 8.4% increase in its global net operating income. On a loans-to-deposits level, reference should also be made to the 9.5% increase in net loans and 4.7% increase in deposits.

## Africa

In Angola, according to data from the Ministry of Planning, the Angolan economy achieved a growth rate of 6.8% in 2013, but decelerated to 4.4% in 2014, as a result of the slowdown in the evolution of the non-oil sector (from growth of 10.9% to growth of 8.2% in 2014), together with a contracting oil sector (from growth of 0.9% to a decline of -3.5% in 2014).

Mid 2014 saw a fall in oil prices of an unforeseen magnitude of more than 50% in only 6 months, particularly the price of Brent, which is the benchmark for the crude produced in Angola. This strong movement in oil prices did not have a significant effect on the state budget in 2014, as the average price across the year did not differ significantly from the forecast, but represents a major threat to the budget for 2015 if prices remain low across the rest of this year.

BCGTA with a strategic focus on backing companies in key sectors of Angola's economy

A noticeable event, in 2014, was the population and housing census whose preliminary results show a quadrupling of Angola's resident population over the last 44 years. According to the INE (National Statistics Institute), the 1970 census recorded a population of 5.6 million, as opposed to more than 24.3 million in 2014, with a strong concentration in Luanda (6.5 million), with Angola coming 12th in the ranking of the most populous countries in Africa. Reference should also be made to the country's age pyramid in which more than 50% of the inhabitants are under the age of 20.

Positive evolution of BCGTA's performance and financial position

The balance of trade continues to run a surplus as the downturn of oil exports was more than offset by the fall of imports.

The National Bank of Angola maintained a prudent monetary policy, with inflation, notwithstanding moderate acceleration over the last few months of the year, remaining at moderate levels (7.5%) in comparison to historic values.

Banco Caixa Geral Totta de Angola's (BCGTA's) strategic focus is on corporate banking in key sectors of the Angolan economy, notably oil and diamonds, in addition to premium customers. Reference should, herein, be made to BCGTA's participation in support of entrepreneurship, through its "Angola Investe" programme, which is able to offer a competitive, differentiating product for Angolan SMEs. It has also developed various initiatives with businessmen, particularly including seminars on the "Angola Investe" keynote topic, in the cities of Lobito, Lubango and Luanda.

The bank continued to expand its range of products, laying the groundwork for an improvement of its commercial dynamics, in 2014, particularly:

- The opening of 5 new branch offices and 1 corporate centre, to an end of year total of 30 branch offices and 5 corporate centres on the branch office network;
- Inclusion of payments of services on CaixaTotta@net;
- Establishing of a Caixa Totta call centre available 24/7;
- Launch of equipment leasing for companies in the 1st half of the year;
- Launch of diverse innovative products on the market.

BCGTA's performance and financial position evolved positively in 2014, with net income growth of 30.2% in the year and ROE of 24.7%.

The credit portfolio was up 31.3% and deposits up 28.9%, strengthening market share from 2.8% in 2013 to 3.2% in November 2014.

Mozambique's economic performance, up until first half 2014, remained robust with a 7.2% growth of GDP in the period, according to the International Monetary Fund. GDP growth was based upon the performance of the mining industry (fuelled by coal exports), construction, financial services (reflecting credit expansion and increased income, mainly centred in urban areas) and transport and communications (related with the development of infrastructures in the megaprojects sphere).

The growth indicators therefore certify a recovery of the country's economic activity following the slowdown occurring in second half 2013, during which period various sectors were affected by the climate of uncertainty generated by political tensions. It was, on the other hand, noted that in spite of all of the constraints, coal and gas sector projects continued to provide economic activity with a major boost.

In terms of inflation and following the effect of the floods which devastated the country at the start of the year, the 2nd half saw a marked fall in the consumer price index which ended the year with an annual inflation rate of 1.9%.

In the political arena, a ceasefire agreement between the two major political forces was agreed in 3rd quarter 2014 with incident-free elections in October 2014.

Taking the evolution of Mozambique's key macroeconomic indicators into account, particularly GDP and inflation, with a favourable, consistent trajectory in line with the programme established for 2014, the Bank of Mozambique (BM) reduced the interest rate on its standing lending facility by 75 bp to 7.5%, while leaving the rate on the mandatory reserves and the interest rate on its standard deposit facility unchanged at 8.0% and 1.5%, respectively.

BCI confirms its position as one of the prime banks in Mozambique's financial system

The medium term growth outlook remains highly favourable. GDP is likely to expand by an average of more than 7.0% over the next few years, although these estimates are, contingent upon political stability and the final investment decision particularly in the LNG sector.

As regards the banking sector, reference should be made to the entering into force, in January 2014, of diverse "official notices" issued by the Bank of Mozambique, regulating the implementation of the second international convergence agreement on capital measures and standards (Basel II). This new stage imposed adjustments to standards regulating the functioning of Mozambique's credit institutions, leading to the creation of greater stability in the financial sector, including the strengthening of institutions' minimum capital requirements and the adoption of highly demanding credit risk hedge measures and assessment of minimum capital requirements. Operational risk and market control measures were also incorporated under the agreement.

Mozambique's banking sector continued to grow at a fast pace in 2014, albeit continuing still concentrated on the four biggest banks. The fact that competition between banks is becoming increasingly more intense has been reflected in the cost of funding and higher worker turnover rates.

BCI's membership of Ansamo - an innovative financial services platform in Southern Africa

Banco Comercial e de Investimentos (BCI) strengthened its presence in several of the main urban centres and geographical development corridors, in 2014, having opened 36 new branch offices, 14 of which in rural zones. BCI has, therefore, reaffirmed its strong commitment to help provide the population in the more remote zones with access to financial services, enabling them to channel their savings into the banking system, helping to drive the country's economic growth and modernisation.

With the opening of the 36 branch offices above referred, BCI now has a 30.8% market share of the system's banking network, ending the year with 168 branch offices. BCI has also developed a multichannel approach to customer relationships. Reference should be made, up to December 2014, to a further 154 terminals on the ATM network to 477 and a 1,609 increase in the number of POS terminals to 6,303.

BCI confirmed its position as a first line benchmark bank in Mozambique's financial system, in 2014, with market shares of 29.3% for credit and 28.7% and 29.1% for deposits and assets, respectively, in November.

BCI inaugurated a new Integrated Business Centre in Maputo, in December, owing to the strong recognition afforded to the BCI brand by businessmen, institutions and citizens in general.

BCI joined an innovative financial services platform in South Africa, in 2014 - Ansamo (Angola, South Africa, Mozambique), in putting its signature to a public protocol entered into between Banco Caixa Geral Totta (Angola), Mercantile (South Africa) and BCI (Mozambique). The protocol aims to formalise the partnership between the three banks, celebrating this commitment in the eyes of the public in general and customers in particular.

The Ansamo platform provides a broad range of financial services among the three referred to countries, through an interconnected platform capable of accompanying its customers, both institutions and individual, in their activities in these markets.

The international “Global Banking & Finance Review” magazine distinguished BCI, for the 2nd consecutive year, as the “Best Commercial Bank 2014” and the “Best Retail Bank 2014”.

In Cape Verde, the slight improvement in the external environment favoured foreign demand for the domestic production of tradable goods, emigrants’ remittances and the recovery of FDI in Cape Verde. The evolution of economic indicators published by the National Statistics Institute, however, suggests that economic activity continues to be restricted by the scarcity of external demand, persistent financial difficulties and excessive bureaucracy which constrain the business environment. According to the Bank of Cape Verde and the latest projections, GDP growth, in 2014, is likely to be between 1% and 2%.

Inflationary pressure, in an environment of a reduction of imported inflation and underperforming economic growth, was largely contained across the year and, in a context of deflation, starting September, the consumer price index was down 0.2% in November. The Bank of Cape Verde has indicated a fall in the annual inflation rate in 2014 (from 1.5% to between 0.2% - 0.4%).

BCA’s activities in 2014 were marked by the sale of 10% of Garantia’s equity to Fidelidade

Domestic demand trended upwards in September, backed by foreign public and private business investments, offsetting the moderation in central government expenditure and the weakness of the domestic private sector. Net external demand trended in the opposite direction, owing to the growth of goods imports and lower revenues from tourism.

The increase in the economy’s borrowing requirements was accompanied by an increase in FDI inflows and a decrease of financial assets invested by the banks abroad.

After posting growth of around 2% at the end of 2013, lending to the economy started to trend downwards and has, since July, posted negative growth rates, notwithstanding the strengthening of accommodative monetary policy measures. Available statistics suggest that the evolution of lending to the economy is highly related to credit risk and the increased uncertainty and risks conditioning the dynamics of economic activity as well as the persistence of structural constraints affecting the business environment.

Bank funding is trending in the opposite direct to credit, strengthening the liquidity position across the year. Deposits growth continued to accelerate across the first nine months of the year, driven both by the continual increase of residents’ sight and term deposits (8.6% and 14.4% respectively), in addition to growth of around 9% in emigrants’ deposits.

The activity of Banco Comercial do Atlântico (BCA) in 2014 was marked by the sale of 10% of Garantia’s share capital to Fidelidade, while maintaining a qualified holding of 25% in Garantia’s share capital.

The reformulation strategy of the business model to the emigrants’ segment provided them, starting November, with an integrated telephone and email service in the form of BCADirecto. Based on a partnership with Cape Verde’s Cretcheu Association, the bank provided emigrants resident in Portugal with a service for processing and routing their requests to BCA’s branch offices in Cape Verde. Support is provided on the premises of this Association which also redirects several customers on a proximity basis to CGD’s branch office in Almada, whenever a transfer to Cape Verde is requested.

BCA elected Cape Verde’s “Trustworthy Brand” in the financial sector for the 5th time

The bank continued to focus on the reduction and sustainable normalisation of overdue credit this year, both through effective recovery with a more aggressive collections approach or in the form of restructuring operations, when criteria relating to an objective payment capacity is assured, as well as associated guarantees and, whenever possible, immediate cash payments by borrowers.

Another of the bank’s key objectives is to achieve permanent productivity and quality of service improvements, implementation of measures to reduce its structural costs and improve its cost-to-income efficiency ratio.

In business terms and in an, as yet, globally unfavourable scenario, with high levels of non-performing loans and an increase in loan restructuring operations, the bank has continued to adopt a conservative policy to its issues of new loans. BCA, however, maintained its risk control and reduction strategy, based on the permanent, systematic oversight of its loans and advances to customers portfolio.

To improve its performance, BCA has been strengthening its commercial and marketing actions, focusing on proximity and consolidating its relationship with the corporate segment while strategically repositioning itself in the emigrants' segment. Last September, it therefore launched a subsidised line of credit for SMEs and the self-employed in different sectors and Microcredit Associations for a global amount of 1 billion Cape Verde escudos.

BI awarded "*Best Green Bank Cabo Verde*", prize from Capital Finance International

Customer resources, as the bank's main funding source, were up 5.3%. This was, particularly the case of the 8.6% growth of deposits, in which retaining the loyalty of existing and securing new resources were of strategic importance.

Particular reference should be made to the inauguration of the bank's new headquarters, in Praia's historical centre.

BCA was elected as the Brand of Confidence of Cape Verdeans in the financial sector for the 5th time. The opinion survey entitled "Survey on the Confidence of Cape Verdeans in Brands, Personalities and Professions" was performed by Afronsondagem.

BCA entered into a partnership protocol with ADEI (Agência de Desenvolvimento Empresarial e Inovação) in November to fund RENI (Rede Nacional de Incubadoras de Cabo Verde). The protocol aims to grant preference rights in respect of the offer of financial products and services to corporate incubators affiliated with RENI, based on a competition sponsored by ADEI. The objective of ADEI's corporate incubators programme is to back the creation and development of SMEs with growth and competitiveness potential and provides for the development of incubation projects on all of Cape Verde's islands.

Banco Interatlântico (BI) is the third biggest bank in the financial system and has been a partner in the growth and sustainable development of Cape Verde, having been recognised by its peers and customers for technological and product innovation and its dynamism in the domain of financial services.

BI was distinguished, in 2014, with the Best Green Bank Cape Verde prize from Capital Finance International, in recognition of its market performance.

Even in the country's difficult economic situation, BI has achieved better than market average deposit growth, in clear recognition of its financial strength and customers' confidence.

Together, the two banks have a network of 42 branch offices, with CGD Group now having a presence on all of the islands of the archipelago.

Banco Comercial do Atlântico, Garantia and Banco Interatlântico, entered into a partnership protocol with the Pedro Pires para a Liderança (IPP) institute, in November, to lay the material groundwork for holding the IPP's Strategic Dialogues over the next three years, making the group comprising BCA, Garantia and BI the official sponsor of these events and these three companies the first private sector institutions to be associated with the said institute's activities.

The IPP's Strategic Dialogues is an annual event, bringing together specialists and stakeholders from diverse quadrants and nationalities to Cape Verde. The Dialogues are open to the public and deal with issues whose careful and informed consideration may help Cape Verdeans plan their country's future and help to formulate/reformulate policies in line with the circumstances on which they wish to act.

In São Tomé e Príncipe, on a political level, 2014 was marked by the results of the general, municipal and regional elections, in which the ADI (Ação Democrática Independente) party won an overall majority with 33 out of the 55 seats in parliament and 4 out of the 5 municipalities.

BISTP retains its leading position in the market

According to data from the Central Bank of S. Tomé e Príncipe, inflation has been on the decline and fell to historically low levels of 6% in 2014 against 7% in 2013, 10.4% in 2012 and 11.9% in 2011.

The consequences of the government's cost cutting policy over the last few years has been a slowdown or an almost total stagnation of economic activity. The banking system, currently comprising 7 commercial banks, has been greatly affected by the country's economic difficulties, reflected in few business opportunities, a reduction of lending to the economy and more defaults.

In addition to the difficult economic context, the weakness of several banks' resilience levels also derives from a small market and a high concentration of activity (around 86% of gross credit, 91% of total customer deposits and 83% of net operating income are concentrated in only 3 banks).

Although market returns remain low (ROA: - 3.07%; ROE: - 10.46%), there is a liquidity surplus and solvency has been higher than required. It should, however, be emphasised that there are institutions with underperforming solvency and liquidity ratios of 12% and 20% respectively.

Banco Internacional de São Tomé e Príncipe (BISTP) has continued to focus on consolidating its leading market position, improving the quality of its assets, maintaining its liquidity and solvency levels, modernising its products and services and training its human resources.

To materialise the objectives, in 2014, which was marked by a sharp deterioration of banks' credit portfolios and scarcity of business opportunities, BISTP centred its actions:

- on opening an additional branch, increasing the number of branch offices to 12, in order to strengthen its geographical presence and leverage an increase in its market share;
- on credit recovery and prudential deposit management;
- on improving its internet-banking service, providing it with a transactional component and greater customer autonomy to carry out banking operations;
- on adjusting and strengthening the policy of combating money-laundering and adjusting the technological, operational and legal structure to become a member of FATCA.

The success of these actions enabled BISTP to achieve its main objectives in 2014, with a continual, sustained growth of its balance sheet and results.

BISTP has succeeded in maintaining and strengthening its market share, with 72% of deposits and 47% of gross credit.

The stagnation of economic activity, a clear downturn in demand for bank finance and a substantial increase in risk associated with lending led BISTP, this year, to maintain a rigorous prudential policy, giving priority to short and medium term credit operations, as reflected in a 5.28% decline in the portfolio. The monitoring of loans in difficulty and recovery of non-performing loans were also intensified.

Geographical expansion, comprising aggressive commercial and marketing actions geared to innovation and full customer satisfaction, in addition to conveying an image of trust and financial strength to customers, has permitted a sustained growth of deposits.

South Africa is a multiethnic society with a huge variety of cultures, languages and religions. This multiplicity is reflected in its Constitution's recognition of 11 official languages.

South Africa is classified as a medium-to-high income economy by the World Bank and is considered to be a recently industrialised country. Its economy is the second largest in Africa and the 28th largest worldwide.

Politically, the country is dominated by one political party with major socialist leanings – African National Congress – with around 60% of the seats in parliament. The incumbent party, ANC, won 62.15% of the votes at the general election in 2014.

Mercantile Bank plays an important role in accompanying and backing Portuguese companies with internationalisation projects in South Africa

South Africa's current population is estimated to be around 53 million with an unemployment rate of around 25%. There is a great deal of political focus on job creation and social mobility, with significant budgets for housing and social welfare programmes.

Economic activity in South Africa expanded at a faster rate in third quarter 2014, with negative growth of 1.4% in 1st quarter 2014 followed by positive growth of 0.5% in the 2nd quarter. This moderate growth can be attributed to the real value added by the primary and tertiary sectors.

Following better performance in 3rd quarter 2014, real GDP in the first three quarters of 2014 was up 1.5%, year-on-year 2013. This evolution is in line with the projected growth outlook for 2014 revised by the Medium Term Budget Policy Statement for 2014 (MTBPS) and the International Monetary Fund's (IMF's) most recent World Economic Outlook.

Mercantile Bank operates in a niche commercial banking area and aims to achieve differentiation on the basis of a personalised service and financial solutions tailored to South African businesspeople. The bank also plays an important role in accompanying and backing Portuguese companies with internationalisation plans in South Africa.

As a niche bank, it has a wide range of products and services to meet day-to-day corporate needs. As with any other South African bank, it is involved in most payment flows but has a bigger balance sheet than most of its peers.

22 new projects were initiated and completed in 2014. They particularly included the bank's role in setting up a team to develop the above referred to Ansamo platform, launch of private banking for entrepreneurs (first in South Africa) and the construction/refurbishment of 5 new business centres and its own headquarters.

## East

The estimate of Macau's economic growth, in 2014, is 0.7%, fundamentally translating the downturn in revenues from gambling, particularly as a consequence of China's implementation of anti-corruption policies and the deceleration of the growth of China's economy.

Several activities, such as fairs and exhibitions and purchase destinations, have, however, been gaining in importance. These activities are highly reliant on overseas, namely the number of tourists visiting the city most of whom from Mainland China.

Notwithstanding, the gambling sector, tourism and connected activities, should continue to be the local economy's main driver to enable its to achieve sustained growth. There has, however, been a market adjustment with gross revenues from gambling down 2.6% in 2014, particularly in the VIP segment, in spite of the overall 7.5% increase in the number of visitors to the Territory. Reference should be made to the 14% increase in the number of visitors from Mainland China in 2014 and the 4% decline in their per capita spend, according to data registered up to September 2014.

Considering data registered up to September 2014, private consumption expenditure was up 7.2% and government expenditure up 8.1%.

BNU Macau continues to operate as a commercial bank and Macau's mint

Investment, fundamentally deriving from private investment, with 41.5%, was up from 38.1%, particularly on the back of tourism and mass entertainment projects.

Exports of goods were up 11.4%, as opposed to exports of services which were down 9.9%, mainly owing to the above described evolution of the gambling sector.

Unemployment totalled 1.7% at the end of 2014, against 1.8% in 2013, with the labour market being practically one of full employment. This brings pressure to bear on wages and greater difficulties for companies in recruiting and retaining human resources. At the same time, inflation hit 6.1% in 2014, particularly reflecting price pressures on rents and the restaurants sector.

In the context of the local economy, the banking sector has benefited from Macau's economic growth. However, although banking business continues to be competitive, owing to the big local banks' endeavours to carve out market share, there has been a drop in the level of returns from operations and the rates charged in the local market.

Banco Nacional Ultramarino (BNU) is CGD Group's representative in Macau and continues to operate both as a commercial bank and one of Macau's two mints, in a context in which currency in circulation has been increasing.

Zhuhai branch is geared to servicing Group customers in the Asia region, particularly BNU Macau customers

BNU continued to perform well on a level of its growth in business revenues, benefiting from the favourable economic climate in the Special Administrative Region of Macau, notwithstanding the referred to intensification of competition in the banking sector, with its consequent impact on margins, deposit-taking and lending to individual customers.

In 2014 and in terms of the evolution of BNU business, reference should be made to the 29.9% growth of credit as opposed to the 6.7% decline in customer resources and consequent increase in the loans-to-deposits ratio from 38.1% to 53.1% in 2014.

The average number of products per customer increased to 3.20 in 2014 against 3.17 in 2013. There was a 7.4% increase in the sale of investment products and a 40.7% increase in revenues from the sale of insurance products.

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

East Timor continues along the path to growth, endeavouring to consolidate structuring aspects of its economy to enable it to sustain the improvements to its socio-economic structure made over the last few decades. In line with these plans reference should be made to the following pillars:

- Maintenance of an orderly social climate, with the aim of consolidating the values of a democratic, open, peaceful society;
- The gradual execution of its strategic development plan for the next 20 years, fundamentally centred on the creation of quality infrastructures and education;
- In terms of economic growth, reference should also be made to the sustainability and careful management of the oil fund, a part of whose annual income is transferred to the state budget each economic year;

- Formalisation of "Special Zones of Social Market Economy" (ZEESM), with the promulgation of Law 3/2014 of 18 June approving the creation of the referred to administrative region, particularly the Oecussi zone whose ceremony for the formal attribution of competencies from the central government to the authority of this autonomous region took place on 24 January 2015;
- The central bank continued its new technological structure development cycle, whose computerisation project for the transactions/transfers/payment system, including the large transactions system, is at its final preparation stage. The master plan for the development of East Timor's financial sector was, in the meantime published, with the creation of the Financial Information Unit (UIF);
- The state-owned bank, Banco Nacional Comercial de Timor-Leste (BNCTL), is in the middle of a development process and benefits from the international technical support of the ADB.

The Timor branch was authorised to initiate a pilot project to improve its population's financial inclusion

The financial sector maintains the same structure and composition in terms of institutions, although the different strategies of each of the commercial banks operating in East Timor are evident.

Historically, the Timor branch has operated as the state's "Treasury" and is still the only institution to receive taxes and customs duties and to have a certain level of penetration in the civil servants' and pensioners' segment. The branch has a market share of around 32% of deposits and 58% of credit.

The branch maintains a rigorous policy designed to maintain risk control levels commensurate with the economic environment, centring on the individual customers with stable income levels segment, namely public sector workers and pensioners and other individual customers employed by companies with good performance levels, reputations and track records. The bank continues to apply demanding risk assessments, vis-à-vis the context, resulting in fewer loan applications involving more significant amounts from companies/businesspeople.

The furtherance of the protocol with the Secretariat of State for Employment and Professional Training (SEFOPE) has made it possible to keep the line of credit for young Timorese travelling to South Korea and Australia (a new front opening in 2014) for on -the-job training in various structuring sectors for the future economy of Timor (fisheries, agriculture, mines, industry and several engineering areas).

East Timor's central bank has authorised the branch to start work on a "mobile money" pilot project. This branch project will open up a new "front" for its commercial activity and will help provide the backing for one of the central bank's strategic projects which is to strengthen measures to improve people's financial inclusion.

The joint approach of broadening the branch office network, improving facilities available at older branches, expansion of the ATM network, POS installations, mobile money, Visa credit cards and internet banking, will strengthen the bank's image as an innovative institution at the forefront of a range of services available in the Timorese market.

It should be remembered that 2015 represented an important historical milestone for the country in its commemorations of the 500th anniversary of the arrival of the Portuguese in East Timor. This has been included on the political agenda and coincides with the inception of the Oecussi Special Economic Zone project (the first Portuguese landed at Oecussi which was East Timor's first capital).

## Brazil

Banco Caixa Geral Brasil refocused its activity in corporate and investment banking

2014 was presidential election year in Brazil, with the re-election of President Dilma Rousseff. Uncertainty over the result of the elections led the main economic agents to adopt a more cautious decision-making approach. Brazil's macroeconomic scenario continued to deteriorate across 2014.

The current economic development model appears to be exhausted, with annual GDP growth of close to zero. There continues to be pressure on inflation, particularly in respect of services, in which annual inflation is running at 8%. The IPCA index was up 6.3% in 2014, assisted by an administered prices control policy.

The central bank continued to increase the SELIC (Special System for Settlements and Custody) rate which ended the year at 11.75%. The Brazilian real lost 11% against the dollar, in spite of the central bank's intervention programme's accumulation of around USD 100 billion in sales revenues.

The Ibovespa ended the year down by only 3%, in spite of the intense volatility across the year owing to the electoral process. At the end of 2014, news related with cases of corruption involving state-controlled companies and large Brazilian conglomerates added a further layer of uncertainty.

2014 was, therefore, marked by a reorientation of CGD Group's activities in the Brazilian market. Banco Caixa Geral Brasil (BCG-B) refocused its activity as a corporate and investment bank based on three pillars:

- To promote cross-border activity between Brazil and countries in which CGD Group is present and vice-versa, by i) encouraging the presence of its international customers in the development or establishing of its activities in Brazil as the largest Portuguese-speaking country; and ii) extending the backing of CGD Group's international network of advisory and commercial and investment financing activities in Europe, Africa and China to its Brazilian customers;
- To provide financial services to sectors connected with infrastructure, mainly associated with roads, energy, sanitation, ports and airports, in which CGD has experience and a solid track record in the Iberian Peninsula and in which it has carved out a leading position in the Brazilian market. Over the last 5 years the bank has provided advisory services and structured or financed infrastructure projects worth more than US 10 billion dollars;
- To back Brazilian companies in areas in which BCG-Brasil's dimension and operating areas can add value.

CGD's international network also includes its New York, Cayman Islands, London, Spain, Luxembourg and Macau branches, in addition to various representative offices

In parallel and with the accumulated drop in brokerage activity, CGD Group has undertaken a strategic reorganisation of its brokerage activities (in which it has been active since June 2012 through CGD Investimentos). In June 2014, a merger of homebroker's activity with Rico, creating the second largest independent online investment platform in Brazil, was announced. In this new partnership, CGD Group owns 51% of the company which has around 90,000 registered and around 40,000 active customers. The closure of institutional brokerage activities was announced in November 2014.

BCG Brasil's credit portfolio was up 34%, in 2014, and continues to be free from non-performing loans. Resources-taken from customers have kept pace with the growth of the credit portfolio. The bank's revenues are up 67% over 2013, whereas recurrent costs are up 5%, coming in under inflation.

In addition to these units, Caixa's international network also includes its New York, Cayman Islands, London, Spain, Luxembourg and Macau branches as well as representative offices.

Reference should also be made to the revitalising of the huge range of correspondent banks, in more than 120 countries, particularly in the new geographies involving the internationalisation of the Portuguese economy, providing Caixa customers with business solutions, in the most diverse world markets.

### 1.5.2.4. INVESTMENT BANKING

In terms of advisory services, 2014 was a positive year for Caixa Banco de Investimento (CaixaBI), which was involved in the biggest operations in Portugal and achieved leading positions in the sector's main league tables. Recognition of the quality of the bank's advisory and brokerage services, associated with endeavours to contain costs, enabled CaixaBI to achieve positive results even in a particularly demanding macroeconomic context marked by historically low interest rates in Europe, economic slowdown in European and Brazilian markets and instability in domestic markets, associated with the major financial groups.

#### CAIXA BANCO DE INVESTIMENTO - INDICATORS

(EUR million)

| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| Net interest income | 25.7 | 25.5 | -0.2 | -0.7% |
| Commissions (net) | 54.3 | 45.3 | -9.0 | -16.6% |
| Income from financial operations | 22.8 | -1.6 | -24.4 | -106.8% |
| Other operating income | -0.2 | 1.7 | 1.9 | - |
| **Net operating income from banking** | **102.6** | **70.9** | **-31.7** | **-30.9%** |
| **Net operating income from banking adjusted*** | **110.6** | **106.4** | **-4.2** | **-3.8%** |
| Provisions and impairment | -39.4 | -26.5 | 12.8 | - |
| Structure costs | -25.0 | -24.9 | 0.1 | - |
| Income from associated companies | -4.1 | -3.3 | 0.8 | - |
| **Income before tax** | **34.1** | **16.2** | **-17.9** | **-52.5%** |
| Tax | -6.0 | -12.1 | -6.2 | - |
| **Net income** | **28.2** | **4.0** | **-24.1** | **-85.6%** |
| *Cost-to-income* | *24.1%* | *34.8%* | *10.7%* | *44.4%* |
| *Cost-to-income adjusted** | *22.3%* | *23.1%* | *0.8%* | *3.6%* |

*(*) Adjusted by impairements on derivatives portofolio.*

As regards advisory activity, the bank's involvement in major operations contributed to the good performance achieved in respect of its net commissions of €45.3 million during the year.

Losses of €1.6 million were made in the case of Income from financial operations and equity instruments which were particularly penalised by the recognition of €35.6 million of impairment on the derivatives portfolio during the year.

CaixaBI's net operating income of €70.9 million, would have been €106.4 million when corrected for the effect referred to in the preceding paragraph.

The difficulties felt in respect of a series of projects, as a result of the economic environment over the last few years had a negative impact on the bank's earnings, which were strongly affected by the already referred to write-offs/downs on the derivatives portfolio (€35.6 million) and higher level of provisions and impairment (€26.5 million). The latter include the recognition of losses in subsidiaries which were particularly affected by the strong slowdown felt in the Brazilian capital market over the last few years (€10.2 million).

CaixaBI earns net income of €4 million

Net income for the year totalled €4.0 million with a cost-to-income ratio of 34.8%. This would have been 23.1% if adjusted for the write-offs/downs on the derivatives portfolio, but remains clearly lower than that of its peers.

CaixaBI's operating performance in 2014, 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 rewarded by international analysts' distinctions, as shown in its leading positions in the main sector rankings.

Cost-to-income ratio of 34.8% (adjusted from 23.1%)


*M&A League Table*

CaixaBI came 1st in the M&A ranking in Portugal, according to Bloomberg data for operations completed in 2014.

*Bookrunner League Table*

Completion of diverse project finance operations with CaixaBI advisory services

The bank also came 1st in the Bloomberg ranking for bookrunners of euro-denominated domestic bond issuances for the seventh time in the last eight years.

*ECM Portugal League Table*

On an equities level in Portugal, CaixaBI was the best placed domestic financial institution in the ECM Portugal league table for 2014 and the only one in the top 5.

CaixaBI participated in various emblematic deals, consolidating its leading position in the investment banking area. The following are the main business area highlights.

## *Project Finance*

Several project finance operations with CaixaBI's advisory services were completed in 2014, particularly:

- Indaqua Santo Tirso/Trofa: economic-financial rebalancing of the public service municipal water supply concession for the municipal districts of Santo Tirso and Trofa.
- Lusovento: structuring and organisation of refinancing for Lusovento's 214 MW wind portfolio in Portugal.
- Castellón airport: renegotiation of the Castellón airport concession in Spain, culminating in the early repayment of the respective finance.

## *Structured Finance*

Structured finance operations on a corporate basis, in 2014, particularly included:

- SUMA: structuring of €70 million in corporate finance for SUMA, in the context of the acquisition of EGF – Empresa Geral do Fomento.
- Efacec: completion of advisory services on the financial reorganisation of Efacec Group involving liabilities of €368 million.
- Spain: advisory services for the financial restructuring processes of FCC, Azincourt, Gallardo and Pretersa (with overall structured amounts of €5.7 billion) and financial advisory services for the disposal of a global amount of €160 million owed to CGD – Spain branch.

## *Corporate Finance –* Advisory

CaixaBI maintained its lead in the Portuguese ranking of advisory service for M&A operations, based on its involvement in operations with an aggregate value of around €7.6 billion in 2014.

Financial advisory services for the sale of CGD Group's insurance sector business units

CaixaBI's completions, this year, particularly included:

- CGD: financial advisory services for the disposal of CGD's insurance company to the Fosun Group, in a €1.6 billion deal which was the largest transaction in the insurance sector in Europe in the last year and the largest ever deal in the European financial sector involving a private Chinese entity.
- CTT: financial advisory services to Parpública for the disposal of a 31.5% equity stake in CTT, in the sphere of the successful completion of this company's privatisation process.
- REN: financial advisory services for the disposal of an 11% equity stake in REN, owned by Parpública and CGD, in due completion of its reprivatisation process.
- Sumol + Compal: financial advisory services to Caixa Capital for the disposal of a 10.5% equity investment in Sumol + Compal to Refrigor.
- Portucel Soporcel Group: financial advisory services for the disposal of a 20% equity stake in Portucel Moçambique to IFC - International Finance Corporation.

## *Debt Capital Market*

CaixaBI comes first in the global bookrunners' ranking for bond issuances for the seventh time out of the last eight years

CaixaBI continued to be the benchmark operator in the debt capital market in Portugal, namely in the bond and commercial paper sectors, coming first in the Bloomberg ranking for bookrunners of euro-denominated bonds issued by domestic entities for the seventh time out of the last eight years.

The primary bond market particularly included the following operations:

- Republic of Portugal:
  - Joint lead manager and bookrunner for the tap issuance on T-bonds 2019 (current 5 year benchmark), in an operation for €3,250 million which marked the Portuguese Republic's first access to the markets in 2014.
  - Joint lead manager and bookrunner for the syndicated placement of the Portuguese Republic's new 15 year benchmark issuance for the amount of €3,500 million, maturing in 2030, which issuance was the Portuguese Republic's first syndicated placement since Portugal's exit from the Economic and Financial Assistance Programme and the first syndicated placement with a 15 year maturity since 2008.
  - Co-lead manager for the tap T-bonds 2024 issuance, in an operation involving an amount of €3,000 million.
  - Sole lead manager and bookrunner for a €1,267 million notes issuance maturing in 2022, comprising a private placement.
- Parpública: joint lead manager and bookrunner for the €600 million notes issuance maturing in 2021 and organisation and lead of a €750 million bond loan maturing in 2019.
- CGD: joint lead manager and bookrunner for the €750 million covered bonds issuance, maturing in 2019.
- Brisa: joint lead manager and bookrunner for the €300 million notes issuance, maturing in 2021, comprising the first Euromarket issuance by a Portuguese corporate in 2014.
- EDP: joint lead manager and bookrunner for the €650 million notes issuance maturing in 2019.
- Sonae Indústria: organisation and lead of a €150 million bond loan maturing in 2020.

CaixaBI's lead strengthened by its active role in the capital market and participation in major projects

- Altri/Celbi: sole lead manager and bookrunner for a €70 million bond issuance, maturing in 2018, in the form of a private placement.
- Visabeira: organisation and lead of a €70 million bond loan maturing in 2019.
- Sonae SGPS: organisation and lead of a €60 million bond loan maturing in 2018.
- Colep: joint lead manager and bookrunner for a €45 million bond issuance, maturing in 2017.
- Sonae Capital: sole lead manager and bookrunner for a €42.5 million bond issuance, maturing in 2019.
- Cin: organisation and lead of a €15 million bond loan maturing in 2019.
- FCP: joint lead in a €20 million public subscription for Futebol Clube do Porto bonds maturing in 2017.

- BPCE SFH: co-lead manager for the tap issuance on mortgage covered bonds maturing in 2023.
- Santander Totta: co-lead manager for the covered bonds issuance maturing in 2019.

CaixaBI also organised and led 21 new commercial paper programmes for a global amount of more than €1 billion.

### *Equity capital market*

CaixaBI consolidated its leading position in Portugal's capital market, across 2014, as the best positioned domestic financial institution in the ECM - Portugal League Table's Top 10 for the year and as the national and international entity with the highest number of capital market operation completions in the year (five).

The bank developed and successfully completed the following capital market operations in 2014:

- CTT: advisor and bookrunner for Parpública's disposal of its remaining (31.5%) equity stake in CTT in an accelerated bookbuilding process exclusively geared to national and international institutional investors.
- REN: global coordinator and bookrunner for the reprivatisation of 11% of REN's equity capital in a secondary public offering on Parpública's (9.9%) and CGD's (1.1%) remaining equity stakes.
- José de Mello Energia: bookrunner for the accelerated bookbuilding process on a block of 94.8 million EDP shares for 2.59% of its equity capital belonging to the shareholder José de Mello Energia S.A.
- Espírito Santo Saúde: co-lead in the initial public offering, completed in February, for an overall amount of around €149.8 million.
- Sonae: co-lead manager for the issuance of Sonae SGPS, S.A. convertible bonds involving an overall amount of €210.5 million
- Mota-Engil*:* bookrunner for the disposal of a 16.8% stake in the share capital of Mota-Engil, comprising a Mota Gestão e Participações, SGPS, S.A. (23.2 million shares) equity stake and treasury shares (11.1 million) in an accelerated bookbuilding process.
- Sonae Indústria: global coordinator and bookrunner for Sonae Indústria's capital increase for an amount of around €112.1 million.
- Fidelidade: financial advisor in the public offer for sale of Fidelidade shares reserved for workers, determined in the sphere of the privatisation process of the insurance companies owned by CGD Group.

### *Brokerage*

According to CMVM data for 2014, CGD Group came third in the brokers' ranking with an accumulated market share of 12.4% and growth of 4.8% in the volume of trading over 2013.

Third place in the financial brokerage ranking (CMVM)

This year was marked by intense commercial activity, with CaixaBI participating in seven market operations:

- Espírito Santo Saúde IPO: the first primary market operation for the year in Portugal, with CaixaBI's involvement as co-lead manager.
- REN public offer for sale: privatisation of 11% of capital, with CaixaBI as the global coordinator and bookrunner.

- Mota-Engil ABB: accelerated bookbuilding process on around 16.8% of the capital, with CaixaBI as bookrunner.
- EDP ABB: accelerated bookbuilding process on 2.59% of the capital, with CaixaBI as bookrunner.
- CTT ABB: accelerated bookbuilding process on 31.5% of CTT's capital, with CaixaBI as global coordinator and bookrunner.
- Other: participation in Sonae Indústria's capital increase and collaboration with ESN on the Iberdrola ABB and Euronext IPO.

*Financial and structuring area*

CaixaBI's performance as a liquidity provider continued to be positive, with the bank continuing to operate on a collection of Euronext Lisbon listed securities, with Euronext having awarded its maximum "A" rating on all securities and categories. Reference should also be made to the bank's pioneering activity in Euronext's creation of a new segment to promote the liquidity of retail investors, i.e. the Retail Matching Facility.

Maximum "A" rating as a liquidity provider on all securities (Euronext)

*Syndication and sales*

CaixaBI was joint lead manager for six primary market issuances, namely the Portuguese Republic's T-bond issuances maturing in 2019 and 2030, Parpública's issuance of 7 year bonds, CGD's issuance of covered bonds with a maturity of 5 years and the Brisa and EDP issuances.

It was also co-lead in the reopening of the Portuguese Republic's 10 year syndicated issuance, sole lead manager and bookrunner for the Altri/Celbi and Sonae Capital's private placements and bookrunner for the inaugural placement of Colep bonds.

It was also responsible for 167 commercial paper issuances totalling of €1.7 billion.

*Venture capital*

CaixaBI's venture capital area is responsible for managing four (*Caixa Empreender+, CGD Group, Caixa Crescimento* and *Caixa Fundos)* venture capital funds.

A total number of 107 projects was considered in 2014, with 37 having been approved in the period, corresponding to a potential investment of around €161.8 million. 21 investments proceeded (12 new and 9 increases in already existing participations) for an amount of around €13.9 million. There were also 14 disinvestments at a realisation price of €13.1 million.

### 1.5.2.5. ASSET MANAGEMENT

In 2014 the amount of assets under management increased to €28,163 million, comprising year-on-year growth of 12.3%. This increase derived from the renewal of individual customers' interest in open-ended pension funds and unit trust investment funds.

## AMOUNTS UNDER MANAGEMENT AND ADVISORY

(EUR million)

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Unit trust funds | 3,071 | 3,249 | 3,663 |
| Wealth management | 17,524 | 17,432 | 19,129 |
| Wealth advisory | 392 | 467 | 872 |
| Property funds | 1,516 | 1,455 | 1,327 |
| Pension funds | 2,267 | 2,464 | 3,172 |
| **Total** | **24,770** | **25,067** | **28,163** |

Income from asset management up more than 8.9%

The revenue stream from CGD Group's asset management business totalled €51.6 million, in 2014, up by a year-on-year 8.9%. Special reference should be made to the significant increase in commissions from pension and unit trust funds which more than offset the slight decline in commissions from the property funds business.

## COMMISSIONS

(EUR million)

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Unit trust funds | 16.3 | 18.3 | 22.5 |
| Wealth management | 10.2 | 10.2 | 10.1 |
| Property funds | 18.0 | 15.4 | 14.2 |
| Pension funds | 3.1 | 3.4 | 4.8 |
| **Total** | **47.6** | **47.4** | **51.6** |

### *Unit trust funds - Caixagest*

Unit trust funds were up 12.7%

Unit trust funds were up 12.7% by a net €413 million over the preceding year. Contributory factors to this balance were customers' high level of receptiveness of money market and mixed funds and, in terms of an innovative commitment, to a leading global share fund promoted by Caixagest, in campaigns articulated with the branch office network and CGD marketing.

Caixagest managed 32 unit trust funds for the amount of €3,663 million, invested in different international financial markets, at the end of December.

## FUNDS UNDER MANAGEMENT

(EUR million)

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Treasury funds | 1,011 | 1,738 | 1,938 |
| Bond funds | 318 | 311 | 414 |
| Funds of funds and mixed funds | 71 | 155 | 268 |
| Share funds | 181 | 221 | 281 |
| Special investment funds | 507 | 498 | 514 |
| Protected capital funds | 983 | 326 | 248 |
| **Total** | **3,071** | **3,249** | **3,663** |

Annual commissions were up 22.9% year-on-year to €22.5 million.

### *Wealth management - Caixagest*

Portfolios under management and advisory services up 14.0%

Caixagest continued to develop its wealth management service, based on a proximity approach to CGD's branch office network and its respective portfolio customers. Service proposals were in line with the country's economic environment, with the aim of finding new customers.

2014 saw an 14.0% increase in portfolios under management and advisory services to €22,868 million at the end of the year.

## PORTFOLIOS UNDER MANAGEMENT

(EUR million)

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Insurance portfolios | 11,935 | 11,778 | 12,504 |
| Institutional | 5,425 | 5,497 | 6,399 |
| Pension funds | 1,945 | 2,157 | 2,867 |
| Individual and corporate customers | 165 | 157 | 226 |
| Advisory | 392 | 467 | 872 |
| **Total** | **19,862** | **20,056** | **22,868** |

Commissions from this service, at €10.1 million, were down 1.4% over 2013.

### *Property funds – Fundger*

The 27 property funds managed by Fundger were down 8.8% at the end of December to €1,327 million, solely on account of the Fundimo open-ended fund with a negative level of subscriptions across the year owing to the declining appeal of investment in property products in the current economic environment.

There was a certain slowdown in the activity of closed-end funds managed by Fundger which are mainly allocated to property development and promotion, operating primarily in wealth restructuring and financing structures.

## PROPERTY FUNDS MANAGEMENT

(EUR million)

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Fundimo open-ended fund | 914 | 781 | 660 |
| Closed end funds | 603 | 674 | 667 |
| **Total** | **1,517** | **1,455** | **1,327** |

Commissions from property funds were down 7.7% year-on-year to almost €14.2 million, owing to a decline in commissions from the Fundimo fund.

### *Pension Funds - CGD Pensões*

The net worth of the funds managed by CGD Pensões at the end of 2014 was up 28.7% year-on-year to €3,172 million. Special reference should be made to the placement of open-ended pension funds with individual customers on the branch office network, with an expressive growth of €268 million.

## FUNDS UNDER MANAGEMENT

(EUR million)

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Open-ended funds | 112 | 162 | 430 |
| Closed end funds | 2,155 | 2,298 | 2,742 |
| **Total** | **2,267** | **2,460** | **3,172** |

Commissions earned from pension funds were up 39.7% year-on-year to €4.8 million.

# 1.6. Results, Balance Sheet, Liquidity and Solvency

## 1.6.1. CONSOLIDATED OPERATIONS

CGD's consolidated negative net income of €348 million in 2014, was an improvement of around 40% on the preceding year's negative net income of €578.9 million. This improvement occurred in a context of reinforced liquidity and favourable levels of own capital adequacy.

CGD's losses of €348.0 million show an improvement of €230.8 million over 2013

Gross operating income was up by around 32% to €410.8 million with special reference to the contributions made by international activity and investment banking which were up 59% and 40.1% in the year respectively.

Gross operating income up 32% to €410.8 million

In 2014 CGD successfully disposed of 80% of its insurance operation in another important stage of its strategy of concentrating on its banking activity. With this operation the requirements for 2014 as set out in the Economic and Financial Assistance Plan were met in full and the provisions of the Restructuring Plan agreed by the Portuguese state and the European competition authorities were complied with. The disposal resulted in a 0.74 pp phased-in and 2.33 pp fully implemented growth of CET 1.

Disposal of 80% of equity stakes in insurance units

In October CGD successfully completed the European Central Bank's (ECB's) comprehensive assessment. The result of this comprehensive assessment confirms the resilience of CGD's balance sheet to highly demanding asset valuation criteria, as well as the effects of the hypothetical scenario of a new sovereign debt crisis.

CGD returned to the market in 2015 with a covered bonds issuance of €1 billion and a maturity of 7 years with a spread of 64 bp over the mid-swaps rate (1% coupon). This operation follows two other covered bonds issuances, one in January 2014 and one in January 2013, with a maturity of 5 years for the amount of €750 million, which achieved spreads of 188 bp and 285 bp on the mid-swaps rate, respectively.

CGD returns to the market in January 2015 with a €1 billion covered bonds issuance with a maturity of 7 years at a historically low coupon rate of 1%

### 1.6.1.1. RESULTS

Following positive levels of profitability over the first three quarters of 2014 as a whole, various extraordinary factors had a penalising effect on CGD's results which, albeit negative in amount of €348 million in 2014, represent a year-on-year improvement of around 40% (negative net income of €578.9 million).

Higher profitability negatively impacted by recognition of impairment costs

The improved profitability was, however, negatively affected, in the second and third quarters by the recognition of impairment costs on the exposure to Espírito Santo Group (GES) and by the higher level of individual provisioning on several customers with more relevant exposure as well as the net impact of the cancellation of deferred taxes deriving from the reduction of the IRC rate (€85 million).

## INCOME STATEMENT (CONSOLIDATED)

(EUR thousand)

| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| Interest and similar income | 3,611,765 | 3,339,246 | -272,519 | -7.5% |
| Interest and similar costs | 2,756,916 | 2,350,511 | -406,406 | -14.7% |
| Net interest income | 854,849 | 988,735 | 133,887 | 15.7% |
| Income from equity instruments | 68,970 | 49,554 | -19,416 | -28.2% |
| **Net interest inc. incl. inc. from eq. investm.** | **923,818** | **1,038,289** | **114,470** | **12.4%** |
| Income from services and commissions | 673,050 | 659,055 | -13,994 | -2.1% |
| Costs of services and commissions | 159,582 | 144,039 | -15,543 | -9.7% |
| Commissions (net) | 513,468 | 515,016 | 1,549 | 0.3% |
| Income from financial operations | 263,166 | 201,657 | -61,509 | -23.4% |
| Other net operating income | 14,414 | -16,545 | -30,959 | -214.8% |
| **Non-interest income** | **791,048** | **700,128** | **-90,919** | **-11.5%** |
| **Net operating income** | **1,714,866** | **1,738,417** | **23,551** | **1.4%** |
| Employee costs | 792,993 | 729,580 | -63,414 | -8.0% |
| Other administrative expenses | 476,309 | 487,393 | 11,084 | 2.3% |
| Depreciation and amortisation | 133,903 | 110,690 | -23,212 | -17.3% |
| Operating costs and depreciation | 1,403,205 | 1,327,663 | -75,542 | -5.4% |
| **Gross operating income** | **311,661** | **410,754** | **99,094** | **31.8%** |
| Provisions and impairment of other assets (net) | 307,733 | 95,477 | -212,255 | -69.0% |
| Credit impairment net of reversals | 817,759 | 854,123 | 36,363 | 4.4% |
| **Provisions and impairment** | **1,125,492** | **949,600** | **-175,892** | **-15.6%** |
| **Income from subsidiaries held for sale** | **135,459** | **285,935** | **150,476** | **111.1%** |
| **Income from associated companies** | **5,203** | **19,396** | **14,194** | **272.8%** |
| **Inc. before tax and non-controlling interest** | **-673,170** | **-233,515** | **439,655** | **-** |
| **Tax** | **-153,947** | **29,780** | **183,726** | **-** |
| Current and deferred | -179,071 | -8 | 179,063 | - |
| Extraordinary contrib. on the banking sector | 25,125 | 29,788 | 4,663 | 18.6% |
| **Consolidated net income for period** | **-519,223** | **-263,295** | **255,929** | **-** |
| of which: | | | | |
| Non-controlling interest | 59,667 | 84,749 | 25,082 | 42.0% |
| **Net income attrib. to CGD shareholder** | **-578,890** | **-348,044** | **230,846** | **-** |

(*)The 2013 consolidated values have been restated, following the implementation of IFRS 10 that led to the inclusion in the consolidation perimeter, by the full integration method, of IMOBCI (Mozambique), Fundimo and Fundiestamo.

Recovery of net interest income:

- Net interest income (up 15.7%)

- Net interest income including income from equity instruments (up 12.4%)

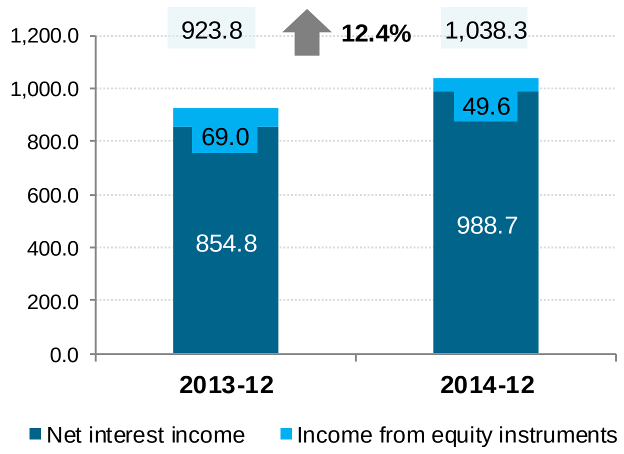
Reference should be made to the recovery of net interest income which recorded a year-on-year growth of 15.7% (net interest income) and 12.4% (net interest income including income from equity instruments).

Active management of net interest income

Active net interest income management, in a context of a continuous decline of Euribor rates, effectively comprises an important instrument for laying the groundwork for CGD's convergence to a sustained trajectory of profitability.

## NET INTEREST INCOME INCLUDING INCOME FROM EQUITY INSTRUMENTS

(EUR million)




Revision of interest on a relevant proportion of the deposits portfolio

This approach is visible in the case borrowing operations, reference should be made to the marked contribution made by the repricing of interest on a relevant part of the deposits portfolio.

Interest rates on lending operations continued to reflect the evolution of financial markets in an environment of an improved perception of country risk.

Income of €49.6 million from equity instruments, down €19.4 million over 2013, translated the impact of the disposal of Portugal Telecom shares in 2013.

## INCOME FROM EQUITY INSTRUMENTS

(EUR million)

| | 2013-12 | 2014-12 |
|---|---|---|
| ADP - Águas de Portugal S.A. | 4.5 | 6.0 |
| EDP - Energias de Portugal S.A. | 7.6 | 5.2 |
| Portugal Telecom, SGPS S.A. | 20.9 | 0.0 |
| Income distrib. by unit trust investment funds | 30.6 | 30.9 |
| Other | 5.5 | 7.4 |
| **Total** | **69.0** | **49.6** |

Net commissions of €515.0 million

Net commissions were 0.3% up over 2013 to €515.0 million.

## NET COMMISSIONS – BY BUSINESS AREAS

(EUR million)

| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| CGD Portugal | 316.4 | 307.0 | -9.4 | -3.0% |
| International operations | 129.4 | 143.8 | 14.4 | 11.1% |
| Investment banking | 44.3 | 37.6 | -6.8 | -15.3% |
| Asset management | 26.8 | 31.1 | 4.3 | 16.2% |
| Other | -3.4 | -4.4 | -1.0 | - |
| **Total** | **513.5** | **515.0** | **1.5** | **0.3%** |

By type, commissions from international activity (up 11.1% by €14.4 million) and asset management (up 16.2% by €4.3 million) should be highlighted.

Favourable performance of financial operations

The performance of financial operations whose respective results totalled €201.7 million, remained highly positive. The gains achieved in 2014 essentially reflected the good performance of regular trading and asset portfolio management activities, taking advantage of their respective appreciation, particularly in respect of the Portuguese public debt component.

As a result of the above described evolution, net operating income from banking was up 1.4% over 2013 to €1,738.4 million.

Cost control and operational rationalisation have been crucially strategic thrusts to achieve the objective of optimising efficiency. As a corollary to this policy, operating costs trended to negative across the year to a year-on-year decrease of 5.4% in December. Special mention should be made of the 8% reduction of €63.4 million in employee costs over the preceding year, of which around €40 million from the operation in Spain.

Sharp 5.4% reduction of costs

## OPERATING COSTS

(EUR million)

| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| Employee costs | 793.0 | 729.6 | -63.4 | -8.0% |
| Other administrative expenses | 476.3 | 487.4 | 11.1 | 2.3% |
| Depreciation and amortisation | 133.9 | 110.7 | -23.2 | -17.3% |
| **Total** | **1,403.2** | **1,327.7** | **-75.5** | **-5.4%** |

Information on the main external supplies and services costs and respective changes is set out below:

## EXTERNAL SUPPLIES AND SERVICES

(EUR million)

| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| **Total** | **476.3** | **487.4** | **11.1** | **2.3%** |
| Of which: | | | | |
| Water, energy and fuel | 22.9 | 23.1 | 0.2 | 1.0% |
| Rents and leases | 79.5 | 77.7 | -1.8 | -2.3% |
| Communications | 42.1 | 40.0 | -2.2 | -5.1% |
| Advertising and publications | 32.9 | 34.0 | 1.1 | 3.4% |
| Maintenance and repair | 36.6 | 36.0 | -0.6 | -1.5% |
| IT | 87.0 | 85.8 | -1.2 | -1.4% |
| Transport of cash and other values | 12.6 | 12.4 | -0.2 | -1.8% |
| Safety and security | 10.8 | 11.9 | 1.1 | 10.2% |

Improved cost-to-income ratio

The improvement in the cost-to-income ratio from 81.6% in December 2013 to 75.5% in December 2014, reflected both the 1.4% increase in net operating income and the already referred to reduction of structural costs.

## EFFICIENCY RATIOS

| | 2013-12 | 2014-12 |
|---|---|---|
| *Cost-to-income* (consolidated operations) (1) | 81.6% | 75.5% |
| Employee costs / net operating income (1) | 46.1% | 41.5% |
| Extern. supplies and serv. / net operat. income | 27.8% | 28.0% |
| Operating costs / average net assets | 1.2% | 1.3% |

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

Gross operating income up 32%

The combination of these factors as a whole took the form of an expressive increase in gross operating income (€410.8 million) which was up 31.8% over the end of 2013. Reference should be made to the performance of international activity and, albeit to a lesser extent, investment banking, which contributions increased 59.0% and 40.1%, respectively.

## PROVISIONS AND IMPAIRMENT FOR PERIOD

International activity makes a major contribution to gross operating income

(EUR million)

| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| **Provisions (net)** | **-1.8** | **-62.8** | **-61.1** | **-** |
| **Credit impairment** | **817.8** | **854.1** | **36.4** | **4.4%** |
| Impairment losses net of reversals | 852.4 | 884.2 | 31.9 | 3.7% |
| Credit recovery | 34.6 | 30.1 | -4.5 | -12.9% |
| **Impairment of other assets** | **309.5** | **158.3** | **-151.2** | **-48.8%** |
| Securities | 56.7 | 60.2 | 3.5 | 6.3% |
| Non-current assets held for sale | 119.8 | 63.8 | -56.0 | -46.8% |
| Non-financial and other assets | 133.0 | 34.3 | -98.7 | -74.2% |
| **Provisions and impairment for period** | **1,125.5** | **949.6** | **-175.9** | **-15.6%** |

In spite of trending downwards against the preceding year, consolidated net income is penalised by provisions and impairment costs associated with the exposure to GES

Provisions and impairment were down 15.6% in 2014 against the preceding year to €949.6 million. Credit impairment, net of reversals was 4.4% up over 2013 to €854.1 million and impairment on other assets was down €309.5 million in 2013 to €158.3 million in 2014.

The cost of credit risk was 1.18% in December 2014, against 1.06% in December 2013.

The increase of impairment costs, in 2014, owing to the exposure to GES, conditioned the Group's consolidated net income to a negative amount of €348.0 million. This translated into an improvement of around 40% in the Group's profitability (negative net income of €578.9 million, in 2013).

## 1.6.1.2. BALANCE SHEET

Asset reductions, particularly on the disposal of the insurance companies and reduction of credit balance

The Group's consolidated net assets were down 11.8% by €13,343 million to €100,152 million at the end of 2014, over the preceding December. This expressive reduction particularly derived from the sale of 80% of the capital of the Group's insurance businesses.

Albeit at a slower rate than in the preceding year, credit balances were also down 3.3% (gross) and 4.5% (net).

These were not across-the-board decreases in the different sectors of activity but reflected the significant reduction of credit to the state's business sector following a strong flow of early repayments as opposed to a greater dynamism in credit flows to non-financial private corporations, excluding construction and real estate activities.

## CONSOLIDATED BALANCE SHEET

(AT 31 DECEMBER)

(EUR million)

| | | | Change | |
|---|---|---|---|---|
| Assets | 2013-12 | 2014-12 | Total | (%) |
| Cash and cash equivalents with central banks | 1,545 | 2,118 | 573 | 37.1% |
| Loans and advances to credit institutions | 2,811 | 3,012 | 201 | 7.1% |
| Loans and advances to customers | 70,018 | 66,864 | -3,154 | -4.5% |
| Securities investments | 18,329 | 18,972 | 643 | 3.5% |
| Assets with repurchase agreement | 706 | 1,281 | 575 | 81.6% |
| Non-current assets held for sale | 13,445 | 804 | -12,641 | -94.0% |
| Investm. in subsid. and associated companies | 42 | 319 | 276 | 652.5% |
| Intangible and tangible assets | 869 | 828 | -41 | -4.7% |
| Current tax assets | 129 | 55 | -74 | -57.3% |
| Deferred tax assets | 1,375 | 1,425 | 50 | 3.6% |
| Other assets | 4,225 | 4,474 | 249 | 5.9% |
| **Total assets** | **113,495** | **100,152** | **-13,343** | **-11.8%** |
| Liabilities | | | | |
| Central banks' and credit institutions' resources | 9,735 | 6,002 | -3,733 | -38.3% |
| Customer resources | 67,843 | 71,134 | 3,291 | 4.9% |
| Financial liabilities | 1,645 | 2,121 | 476 | 29.0% |
| Debt securities | 8,791 | 7,174 | -1,617 | -18.4% |
| Non-current liabilities held for sale | 11,591 | 2 | -11,589 | -100.0% |
| Provisions | 881 | 842 | -40 | -4.5% |
| Subordinated liabilities | 2,524 | 2,428 | -96 | -3.8% |
| Other liabilities | 3,810 | 3,956 | 147 | 3.9% |
| **Sub-total** | 106,819 | 93,659 | -13,160 | -12.3% |
| **Shareholders' equity** | **6,676** | **6,493** | **-183** | **-2.7%** |
| **Total** | **113,495** | **100,152** | **-13,343** | **-11.8%** |

(*)The 2013 consolidated values have been restated, following the implementation of IFRS 10 that led to the inclusion in the consolidation perimeter, by the full integration method, of IMOBCI (Mozambique), Fundimo and Fundiestamo.

## CGD'S GROUP CONSOLIDATED NET ASSET

(AT 31 DECEMBER)

(EUR million)

| CGD'S GROUP | 2013-12 | | 2014-12 | |
|---|---|---|---|---|
| | Total | Structure | Total | Structure |
| Caixa Geral de Depósitos (1) | 73,899 | 65.1% | 71,574 | 71.5% |
| Caixa Seguros e Saúde | 12,771 | 11.3% | 271 | 0.3% |
| Banco Caixa Geral (Spain) | 4,874 | 4.3% | 4,433 | 4.4% |
| Banco Nacional Ultramarino, SA (Macau) | 3,263 | 2.9% | 4,202 | 4.2% |
| Caixa Banco de Investimento | 1,732 | 1.5% | 1,760 | 1.8% |
| Caixa Leasing e Factoring | 2,333 | 2.1% | 2,219 | 2.2% |
| Banco Comercial Investimento (Mozambique) | 1,929 | 1.7% | 2,279 | 2.3% |
| Banco Comercial do Atlântico (Cape Verde) | 628 | 0.6% | 670 | 0.7% |
| Mercantile Lisbon Bank Holdings (South Africa) | 519 | 0.5% | 624 | 0.6% |
| BCG Totta Angola | 1,318 | 1.2% | 1,824 | 1.8% |
| Other companies (2) | 10,229 | 9.0% | 10,297 | 10.3% |
| **Consolidated net assets** | **113,495** | **100.0%** | **100,152** | **100.0%** |

(1) Separate activity.

(2) Includes units registered by the equity accounting method.

The sale of the insurance operation was also reflected in the evolution of liabilities, which were down 12.3% over December 2013. Another contributory factor was the continued decline of resources obtained from the European Central Bank (down €3.2 million) and the early repayment of €3.6 billion in state-backed own debt.

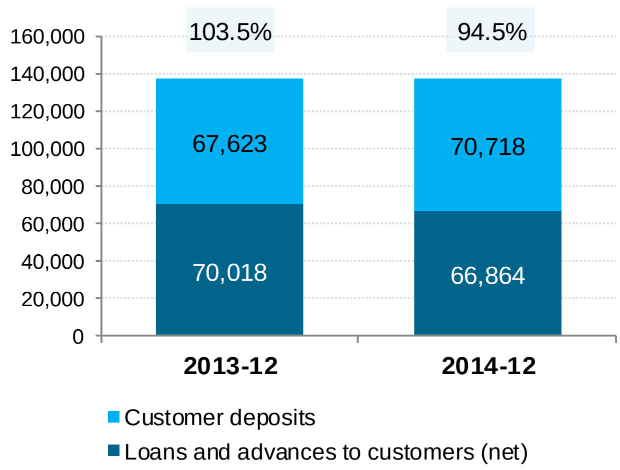
Growth of customer resources in spite of the downwards revision of their respective interest rates

This was offset, however, by customer resources that, in a context of the downwards revision of their respective interest rates recorded an expressive positive 4.9% annual change of €3,291 million to €71,134 million, in December.

There was another reduction of the loans-to-deposits rate to 94.5%, as a consequence of the already referred to increase in customer deposits and reduction of loans and advances to customers (net).

## LOANS-TO-DEPOSITS RATIO

(EUR million)




Credit ovedue more than 90 days stabilises over the last quarter

Higher provisions and impairment coverage

The credit overdue more than 90 days ratio was 7.1%, having stabilised in comparison to the 7.2% in September last, in spite of being higher than the preceding year's ratio of 6.1%. The respective impairment cover was increased from 99.9% in December 2013 to 102.3%.

## ASSET QUALITY

(EUR million)

| | 2013-12 | 2014-12 |
|---|---|---|
| **Total credit** | **74,530** | **72,094** |
| Loans and adv. to customers (outstanding) | 69,572 | 66,546 |
| Overdue credit and interest | 4,958 | 5,548 |
| Of which: more than 90 days overdue | 4,518 | 5,111 |
| **Credit impairment** | **4,512** | **5,230** |
| **Credit net of impairment** | **70,018** | **66,864** |
| **Ratios** | | |
| Non-performing credit ratio [a] | 7.5% | 8.9% |
| Non-performing credit net / Total credit net [a] | 1.6% | 1.8% |
| Credit at risk ratio [a] | 11.3% | 12.2% |
| Credit at risk ratio net / Total credit net [a] | 5.6% | 5.3% |
| Overdue credit / Total credit | 6.7% | 7.7% |
| Cr. overdue for more than 90 days / Total cred. | 6.1% | 7.1% |
| Accumulated impairm. / Non-performing cred. | 80.1% | 81.0% |
| Accumulated impairment / Overdue credit | 91.0% | 94.3% |
| Acc. imp. / Cr. overdue for more than 90 days | 99.9% | 102.3% |
| Credit impairment (IS) / Total credit (average) | 1.06% | 1.18% |

(a) Indicators calculated under Bank of Portugal Instruction 23/2012

The credit at risk ratio, calculated in conformity with Bank of Portugal criteria, was 12.2% (11.3% at the end of 2013). Reference should be made to the penalising effect of the reduction of the average portfolio balance on these indicators.

The value of securities investments (including assets with repurchase agreements) was up 2.8% by €527 million.

## SECURITIES INVESTMENTS (CONSOLIDATED) [a]

### OUTSTANDING BALANCES AT 31 DECEMBER

(EUR million)

| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| Fin. assets at fair value through profit or loss | 2,786 | 3,074 | 288 | 10.3% |
| Available for sale financial assets | 16,249 | 16,489 | 240 | 1.5% |
| **Total** | **19,035** | **19,562** | **527** | **2.8%** |

(a) After impairment and includes assets with repo agreements and trading derivatives.

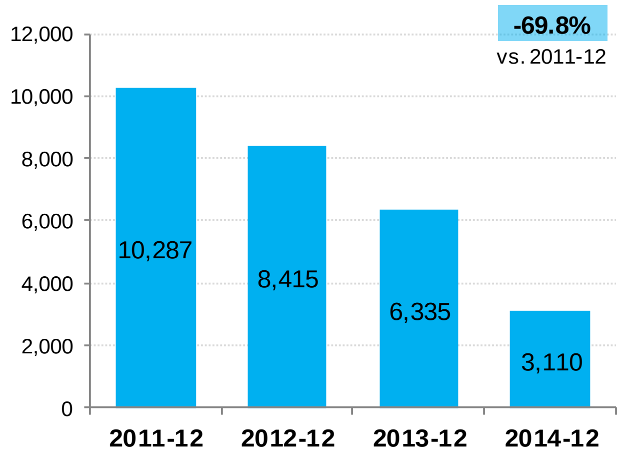
## 1.6.1.3. LIQUIDITY

Sustained reduction of ECB funding at €3,110 million in December against €6,335 million at the end of 2013

CGD's continued to enjoy a favourable liquidity situation, in 2014, as expressed in the consistent decline in resources obtained from the ECB, in which CGD's liabilities to the ECB were down €3.2 billion over the preceding year to €1.5 billion at the end of the year. On a CGD Group level, total resources obtained from the ECB also reflected this reduction from €6.3 billion at the end of 2013 to €3.1 billion in December 2014.

## ECB FUNDING

(EUR million)




In December, CGD decided to substitute a part of this financing by new Targeted Longer-Term Refinancing Operations (TLTROs), created by the ECB to boost the credit market.

Early repayments of state-backed debt with consequent cost reductions

CGD's highly comfortable liquidity situation also enabled it, based on a cost reduction approach, to make an early repayment of the remaining €3.6 billion in state-backed bonds in its portfolio.

Management of the available assets pool allocated to operations with the Eurosystem, on a CGD Group level, led to a decline in its respective value to €12 billion in December, against more than €17 billion at the end of 2013. It should, however, be noted that the value of the available (i.e. unused) assets, remained relatively stable at €9 billion at the end of 2014. This amount is substantially in excess of the amount of the whole of the outstanding debt placed in the institutional market.

There was a substantial decrease in the own debt balance during the course of the year, with the maturity of two public issuances for more than €2 billion, including the repayment of all bonds on the public sector.

Covered bonds issuance of €750 million with a maturity of 5 years and coupon rate of 3% in January 2014

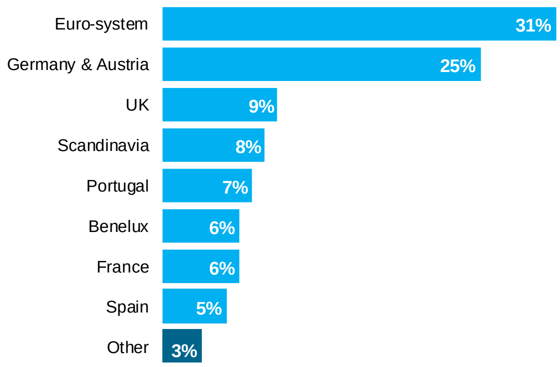
As in January 2013, CGD successfully issued an amount of €750 million in covered bonds with a maturity of 5 years and a coupon rate of 3% at the start of 2014. The spread of 188 bp on these bonds' mid-swaps rate translated into a reduction of around 100 bp in financing costs within a one year period.

New covered bonds issuance of €1 billion with a maturity of 7 years at a historically low coupon rate of 1% in January 2015

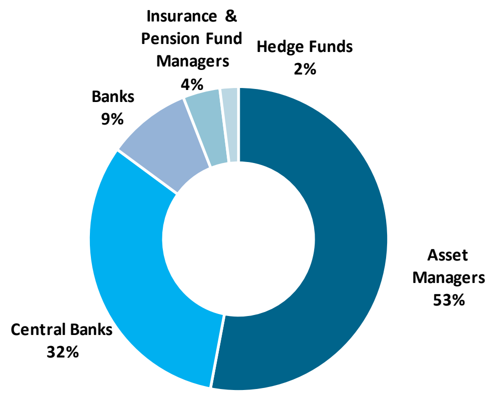
In January 2015, with the aim of strengthening its financing capacity to the Portuguese economy, CGD returned to the markets with a €1 billion covered bonds issuance with a maturity of 7 years. Investors' interest in these securities and their respective recognition of the quality of CGD's credit were clearly visible in the order books, with an increase in the participation of traditionally more demanding and selective investor segments having been noted. Such good results made it possible to pay a final coupon rate of 1%, representing a historically low level for bonds issued by a Portuguese entity with this maturity.

## ISSUE OF MORTAGGE BONDS - JANUARY 2015

### ALLOCATION BY GEOGRAPHY




### ALLOCATION BY TYPE OF INVESTOR




## 1.6.1.4. SOLVENCY

Shareholders' equity totalled €6,492.8 million at the end of December 2014, down by a slight 2.7% over the preceding year and particularly influenced by the evolution of "Other reserves and retained earnings".

### SHAREHOLDERS' EQUITY

(EUR million)

| | 2013-12 | 2014-12 |
|---|---|---|
| Share capital | 5,900.0 | 5,900.0 |
| Fair value reserves | 63.9 | 411.8 |
| Other reserves and retained earnings | 409.6 | -437.9 |
| Non-controlling interests | 880.9 | 966.9 |
| Net income | -578.9 | -348.0 |
| **Total** | **6,675.6** | **6,492.8** |

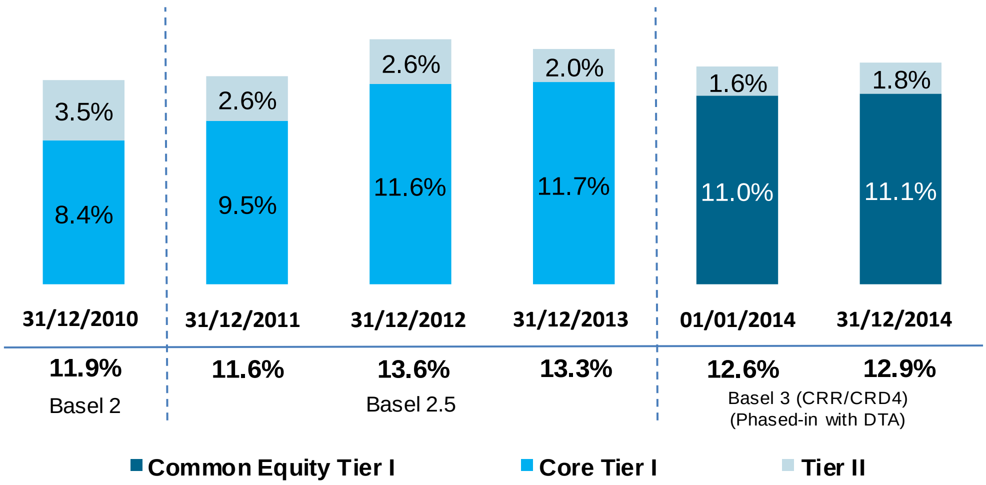
CET 1 fully implemented ratio of 9.8%

CET 1 phased-in ratio of 10.9%

The Common Equity Tier 1 (CET 1) ratios, in consolidated basis, calculated in accordance with CRD IV / CRR "phased-in" and "fully implemented" rules, were 10.9% and 9.8%, respectively, against 10.9% and 7.6% on 1 January 2014.

### SOLVENCY RATIOS

(%)



Considering the Special Regime applicable to DTA – Deferred Tax Assets, the referred to ratios would be 11.1% ("phased-in") and 10.2% ("fully implemented").

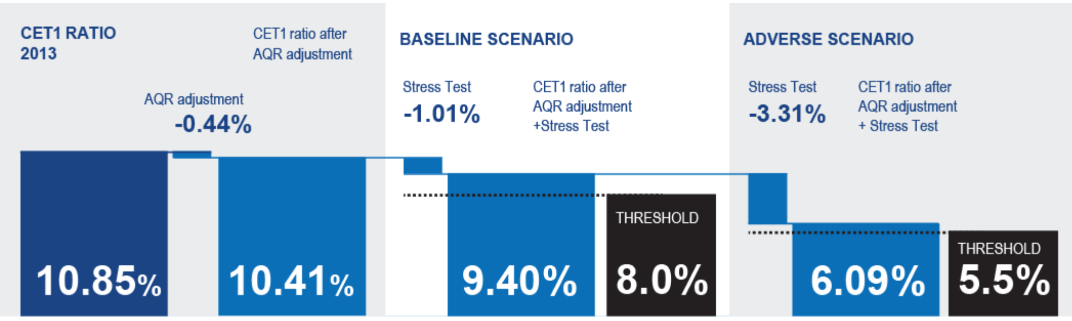
CGD passes ECB's comprehensive assessment

CGD successfully completed the European Central Bank's (ECB's) Comprehensive Assessment on 130 European banks, whose results were announced on 26 October 2014.

The referred to assessment which included the Asset Quality Review (AQR) and Stress Test, confirmed CGD's balance sheet's capacity to cope with very stringent asset valuation criteria, in addition to the effects of a hypothetical new sovereign debt crisis scenario.

The projection for the CGD's CET1 (transitional dispositions) ratio, in 2016, was 9.40% for the base and 6.09% for the adverse scenario, i.e. in both cases higher than the minimum thresholds of 8% for the baseline scenario and 5.5% for the adverse scenario established in the exercise.

## COMPREHENSIVE ASSESSMENT RESULTS




Caixa Geral de Depósitos reaffirms its strength as the leading institution in the Portuguese banking system

Caixa Geral de Depósitos has therefore reaffirmed its strength as the Portuguese banking system leader, in its capacity, in accordance with its mandate, of contributing to national economic development on behalf of its customers.

## SOLVENCY RATIOS (a)

(EUR million)

| | CRD IV / CRR Regulation | CRD IV / CRR Regulation | Aplying DTA special regime |
|---|---|---|---|
| | Phased-in | Phased-in | |
| | 2014-01-01 | 2014-12 | 2014-12 |
| **Own funds** | | | |
| Common equity tier I (CET I) | 6,933 | 6,674 | 6,674 |
| Tier I | 6,933 | 6,674 | 6,674 |
| Tier II | 974 | 1,108 | 1,108 |
| Total | 7,907 | 7,782 | 7,782 |
| **Weighted assets** | **63,869** | **61,077** | **60,173** |
| **Solvency ratios** | | | |
| CET I | 10.9% | 10.9% | 11.1% |
| Tier I | 10.9% | 10.9% | 11.1% |
| Total | 12.4% | 12.7% | 12.9% |
| | Fully Implemented | Fully Implemented | |
| | 2014-01-01 | 2014-12 | 2014-12 |
| Common equity tier I (CET I) | 4,818 | 5,998 | 6,114 |
| **Weighted assets** | **62,979** | **60,952** | **60,212** |
| CET I ratio | 7.6% | 9.8% | 10.2% |

(a) Including results for period.

## 1.6.1.5. CGD STAFF'S PENSION FUND AND MEDICAL CARE PLAN

Retirement pensions liabilities for CGD employees up €499.4 million

Retirement pension liabilities for CGD employees at 31 December 2013 and 2014 were up €499.4 million from €1,712.2 million and €2,211.6 million respectively. At the end of 2013 the liabilities were fully funded by the pension fund as opposed to a financing level of 96.95% in 2014. The fact that the pension fund's effective yield was higher than the discount rate led to a positive actuarial deviation which partly offset the deviations occurring from changes in actuarial premises. The actuarial deviations associated with pension fund liabilities at the end of the year were around €516 million.

Reduction of 1.5 pp in discount rate from 4.0% in 2013 to 2.5% in 2014

Liabilities associated with CGD employees' post-employment medical benefits were fully provisioned, for the amounts of €466.9 million and €500.6 million, respectively at 31 December 2013 and 2014. Actuarial deviations associated with the medical plan at the end of the year were around €96.4 million.

At the end of December 2014, CGD adjusted its wage evolution premises to 0.3% between 2015 and 2017 and 1.0% for the following years, in addition to the evolution of its pensions growth to 0% between 2015 and 2017 and 0.5% for the following years. CGD also reduced its discount rate by 1.5 pp. (from 4.0% to 2.5%) and revised its mortality tables for men and women, increasing life expectancy by more than a year.

### PENSION FUNDS IN 2014- FUND MOVEMENTS

(EUR million)

| | |
|---|---|
| **Value of Fund at 31.12.2013** | **1,712.2** |
| Employees' contributions | 23.1 |
| Company contributions | 355.4 |
| Pensions paid | -44.3 |
| Net yield of Fund | 97.6 |
| **Value of Fund at 31.12.2014** | **2,144.0** |

CGD pension fund yield of 5.73%

At 31 December 2014, the Fund covered 100% of current pension liabilities and around 96% of the liabilities for the past services of active workers. 97.0% of liabilities were funded by the pension fund at the end of the year.

Around €59.7 million in respect of the normal cost for the period and around €1.8 million for the increased liabilities for retirements taken before the standard retirement age were posted to profit and loss for the year. Actuarial and financial deviations at the end of the year were around €516 million.

The yield on CGD's pension fund was 5.73%.

The following table shows that liabilities of €500.6 million and €466.9 million for CGD employees' post employment medical benefits at 31 December 2014 and 2013, respectively, have been fully provisioned.

### HEALTHCARE PLAN IN 2014 - EVOLUTION OF PROVISION

(EUR million)

| | |
|---|---|
| **Value of provision at 31.12.2013** | **466.9** |
| (+) Current cost for period | 26.6 |
| (-) Contrib. for healthcare serv. (SS and SAMS) | 21.9 |
| (-) Actuarial losses | 29.0 |
| **Value of provision at 31.12.2014** | **500.6** |

Accumulated actuarial deviations of €96.4 million at the end of 2014

The actuarial losses for the year, referred to in the table essentially derived from changes in the premises used and were penalised by the change in the discount rate. The accumulated actuarial deviations balance at 31 December 2014 totalled €96.4 million.

## 1.6.2. SEPARATE OPERATIONS

### 1.6.2.1. RESULTS

Negative net income of €1,139.3 million on CGD's separate banking activities largely translated the year's high provisioning costs.

#### INCOME STATEMENT (SEPARATE) [(a)]

(EUR thousand)

| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| Interest and similar income | 2,994,444 | 2,694,400 | -300,044 | -10.0% |
| Interest and similar costs | 2,551,729 | 2,135,904 | -415,825 | -16.3% |
| Net interest income | 442,714 | 558,496 | 115,782 | 26.2% |
| Income from equity instruments | 82,356 | 116,791 | 34,435 | 41.8% |
| **Net interest income including income from equity instruments** | **525,070** | **675,287** | **150,216** | **28.6%** |
| Income from services and commissions | 476,609 | 451,703 | -24,907 | -5.2% |
| Costs of services and commissions | 111,679 | 97,675 | -14,005 | -12.5% |
| Comissions (net) | 364,930 | 354,028 | -10,902 | -3.0% |
| Income from financial operations | 128,605 | 71,329 | -57,276 | -44.5% |
| Other operating income | 15,457 | 20,387 | 4,930 | 31.9% |
| **Non interest income** | **508,992** | **445,744** | **-63,248** | **-12.4%** |
| **Net operating income** | **1,034,062** | **1,121,031** | **86,968** | **8.4%** |
| Employee costs | 535,929 | 514,176 | -21,753 | -4.1% |
| External supplies and services | 360,209 | 359,454 | -755 | -0.2% |
| Depreciation and amortisation | 93,077 | 75,407 | -17,670 | -19.0% |
| Operating costs and amortisation | 989,216 | 949,038 | -40,178 | -4.1% |
| **Gross operating income** | **44,847** | **171,993** | **127,147** | **283.5%** |
| Provisions and impairment of other assets (net) | 118,856 | 193,811 | 74,955 | 63.1% |
| Correction of the amount of loans and advances to customers and receivables from other debtors, (net) | 1,370,639 | 1,350,127 | -20,511 | -1.5% |
| **Provisions and impairment** | **1,489,495** | **1,543,938** | **54,444** | **3.7%** |
| **Income before tax** | **-1,444,648** | **-1,371,945** | **72,703** | **-** |
| **Tax** | **-354,133** | **-232,625** | **121,508** | **-** |
| Current | -63,507 | -7,915 | 55,592 | - |
| Deferred | -313,824 | -252,066 | 61,758 | - |
| Extraordinary contribution on the banking sector | 23,198 | 27,355 | 4,158 | 17.9% |
| **Net income for year** | **-1,090,515** | **-1,139,320** | **-48,805** | **-** |

(a) Including the activity of the France, London, Spain, Luxembourg, New York, Grand Cayman, Timor, Macau and Zhuhai branches.

Net interest income, including income from equity instruments was up 28.6% over the preceding year to €675.3 million owing to the positive evolution of both net interest income and income from equity instruments, up 26.2% by €115.8 million and 41.8% by €34.4 million respectively.

Net interest income including income from equity instruments up 26.8% to €675.3 million

Positive evolution of operating costs over 2013 (down 4.1%)

Net assets from CGD's separate activity down 3.2% to €90,858

Non-interest income, on the other hand, was an unfavourable €63.2 million down over the amount recorded in 2013, particularly owing to the €57.3 million reduction of income from financial operations.

As regards operating costs with a positive evolution (down 4.1% over December 2013), reference should be made to the 4.1% decrease of €21.8 million in employee costs. Other administrative expenditure and depreciation and amortisation were also down across the period.

Annual provisions totalled €1,543.9 million, with an amount of €1,350.1 million allocated to credit (down €20.5 million over 2013).

### 1.6.2.2. BALANCE SHEET

Net assets from Caixa Geral de Depósitos's separate activity were down 3.2% to €90,858 million. This was particularly visible in the loans and advances to customers portfolio, which was down 7.3% by €4,357 million.

Reference should be made, on the liabilities side, to the 40.3% reductions of €4,068 million in central banks' and credit institutions' resources of which a negative amount of €3,250 million resulting from less use of funding from the ECB and debt securities of €1,505 million (down 17.5%).

### BALANCE SHEET (SEPARATE)

(EUR million)

| | | | Change | |
|---|---|---|---|---|
| **Assets** | 2013-12 | 2014-12 | Total | (%) |
| Cash and cash equivalents with central banks | 758 | 1,202 | 444 | 58.5% |
| Loans and advances to credit institutions | 4,284 | 4,066 | -218 | -5.1% |
| Loans and advances to customers | 59,557 | 55,201 | -4,357 | -7.3% |
| Securities investments | 20,215 | 20,688 | 474 | 2.3% |
| Assets with repo agreements | 706 | 1,094 | 389 | 55.1% |
| Inv. in subsidiaries and associated companies | 3,352 | 3,321 | -31 | -0.9% |
| Intangible and tangible assets | 509 | 464 | -45 | -8.8% |
| Deferred tax assets | 1,394 | 1,603 | 209 | 15.0% |
| Other assets | 3,061 | 3,218 | 157 | 5.1% |
| **Total** | **93,836** | **90,858** | **-2,978** | **-3.2%** |
| **Liabilities** | | | | |
| Central banks' and credit institutions' resources | 10,088 | 6,020 | -4,068 | -40.3% |
| Customer resources | 58,133 | 61,762 | 3,629 | 6.2% |
| Financial liabilities | 6,454 | 6,739 | 285 | 4.4% |
| Debt securities | 8,626 | 7,120 | -1,505 | -17.5% |
| Provisions | 986 | 962 | -23 | -2.4% |
| Subordinated liabilities | 2,596 | 2,606 | 10 | 0.4% |
| Other liabilities | 2,031 | 1,870 | -161 | -7.9% |
| **Total** | **88,914** | **87,080** | **-1,834** | **-2.1%** |
| **Shareholders' equity** | **4,922** | **3,777** | **-1,145** | **-23.3%** |
| **Liabilities total and equity** | **93,836** | **90,858** | **-2,978** | **-3.2%** |

## 1.6.2.3. CAPITAL MANAGEMENT

Shareholders' equity of €3,777 million for Caixa's separate activity at the end of 2014

Shareholders' equity was €1,145 million down over the end of 2013 to €3,777 million at the end of 2014. This evolution reflected the reduction of other reserves and retained earnings.

### SHAREHOLDERS' EQUITY (SEPARATE)

BALANCES AT 31 DECEMBER

(EUR million)

| | | | Change | |
|---|---|---|---|---|
| | 2013-12 | 2014-12 | Total | (%) |
| Capital | 5,900 | 5,900 | 0 | 0.0% |
| Revaluation reserves | 75 | 474 | 399 | 531.8% |
| Other reserves and retained earnings | 38 | -1,457 | -1,495 | - |
| Net income for the year | -1,091 | -1,139 | -49 | - |
| **Total** | **4,922** | **3,777** | **-1,145** | **-23.3%** |

# 1.7. Main risks and uncertainties in 2015

Evolution of world economy continues to be relatively inhomogenous

Several months after the start of 2015 suggest that the continuation of the world economic evolution will not be very homogenous and uncertainty in the economic, social, political and even geostrategic domains will remain high, notwithstanding their highly differentiated character and will certainly have mutual important influences.

As in 2014, this evolution will occur in a context of a certain economic recovery but once again with major asymmetries on a global level.

Uncertainties likely to remain in the economic, social, political and even geostrategic domains; major global asymmetries

The world economy failed to fulfil its initially expected progression in 2014, with the level of growth having been identical to last year's in accordance with the projections recently published by the International Monetary Fund (IMF).

Performance was weakest in the developed economies, particularly in the first half as a result of one-off factors, in respect of which reference should, for example, be made to the weather conditions in the US or the fiscal changes in Japan.

The activity rate intensified in the second half, particularly influenced by the acceleration of the US economy which benefited from lower oil prices.

The situation in the emerging and developing economies, continued to be highly asymmetrical, both between regions and countries.

Highly asymmetrical situation in the emerging and developing economies, both between regions and countries

The IMF has forecast an acceleration of the world economy in 2015, notwithstanding the recent downwards revision. Reference should be made to the US as the main exception in which growth has been revised upwards.

The expected improvement in 2015 is not likely to be homogenous, in regional terms, with several more evident areas of uncertainty in the emerging bloc having been identified.

Accordingly Brazil, in the Latin America space and Russia in the case of eastern Europe, exemplify several of the main risks in terms of GDP expansion, considering their respective regional importance. In the case of Asia, reference should also be made to the eventual effects of the expected slowdown of the Chinese economy.

China posts its lowest growth rate of the last 24 years in 2014. The economy is expected to slow once again in 2015

The rate of growth in China that in 2014, was its lowest of the last 24 years is likely to slow even further in 2015, partly owing to the authorities' attempts to resolve several structural imbalances although this could be mitigated by fiscal or monetary stimuli, with the aim of guaranteeing that short term growth objectives will be achieved.

The Chinese economy's growing importance means that greater moderation in economic activity will have a significant impact, both on a regional level and on the world economy, particularly in the case of the emerging countries as raw materials producers.

This impact started to make itself felt in 2014 and has affected various countries, particularly Russia which was already suffering from the effects of the sanctions imposed upon it following the conflict in east Ukraine. The possibility of a military escalation represents a risk for Russia and for the whole of the region and could negatively affect international investor sentiment and commercial and financial flows across the region as a whole.

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international investor sentiment and commercial and financial flows across the region as a whole.

Brazil's economy, in turn, once again disappointed in 2014, falling into technical recession in the first half with an anaemic rate of expansion in the subsequent period. Several of the country's structural imbalances such as its external account deficits and the budget balance were accentuated, with worsening inflation forcing the central bank to impose greater monetary policy restrictions. The effectiveness of the measures to correct the budget trajectory and inflation and their impact on a level of economic activity should be watched.

In the developed bloc the US economy is expected to post strong growth

During the course of last year, US growth was solid with a significant improvement in the labour market, enabling the Fed, as expected, to terminate its quantitative easing programme. More benign inflation levels led the US central bank to continue to remain patient regarding an eventual worsening of reference rates.

However, the drawing close of the time when the Fed may decree the first increase in rates since 2006 carries potentially adverse risks and probably represents one of the main factors of uncertainty facing investors in 2015.

Such risks are associated with an eventual impact on the level of the volatility of international financial markets and a certain deterioration in the confidence of economic agents, as well as a possible change of financial flows which were formerly geared to other countries or regions.

The emerging economies with significant current account deficits and those most reliant on external financing will be particularly subject to such risks. Impacts on developed economies may be felt in the form of upwards pressure on yield curves.

Another transmission channel for the potential effects of a change of posture by the Fed, in accentuating the divergence of current monetary policies comprises the foreign exchange flows it could induce and eventual actions which could be consequently triggered by the other central banks.

Some uncertainty over economic policy management in Japan

In Japan, the difficulties felt over the course of the last year in the implementation of the structural reforms policy and the more negative than expected impact from the fiscal reforms introduced, caused a certain disappointment and the postponement of a fresh VAT hike. Economic performance was worse than intended and the probability of inflation once again falling short of the defined objectives, also deriving from the fall in oil prices, introduced a level of uncertainty in terms of economic policy management, increasing the plausibility of a fresh reinforcement of the quantitative and qualitative easing programme by the Bank of Japan.

Economic recovery in the euro area will continue to be modest and asymmetric

Economic recovery in the euro area will remain modest and, as in past years, asymmetric. Although 2015 is likely to be the second consecutive year of growth, it is unlikely to be sufficient to significantly reduce the high levels of unemployment and to fully offset the economy's vulnerability to internal and external shocks.

Slow growth, with high levels of unemployment over a long period of time, also increase the risks of very low and prolonged expectations of inflation.

The ECB's decision to include sovereign bonds and European institutions in its quantitative easing programme may therefore prove to be an important response, signalling the authority's willingness and intention to bring in new measures needed to provide for the risks of deflation and combat financial fragmentation. However, the respective effectiveness of the decisions which have already been implemented needs to be evaluated.

Progress in fiscal situation and developments on a banking union level

Significant progress in fiscal terms and banking union developments continue to be observed, with visible positive effects on the across-the-board downwards fall in member states' funding costs, particularly those more affected by the crisis. Notwithstanding and in spite of a more positive perception of the situation in the euro area, the possibility of episodes of greater risk aversion is not to be entirely excluded. The context of the negotiations for a new agreement between Greece and its European partners will accordingly be an event of interest to investors.

Portuguese economy:

2015 is likely to witness higher economic growth as in the rest of the euro area

As regards the Portuguese economy, following 2014, the year in which the recovery, starting in 2013, was consolidated and in which the assistance programme was successfully completed, 2015 is expected to witness accelerating growth in line with euro area estimates.

Although the effects associated with the adjustment process on economic imbalances, namely fiscal consolidation endeavours, should continue to make themselves felt and although the private sector's level of indebtedness continues to be very high, domestic demand is expected to improve.

Expectations of a more favourable external environment, including an expressive reduction of oil prices, benefits deriving from the ECB's intervention, namely on credit flows and their costs as well as the progress achieved in terms of fiscal consolidation are factors which will drive greater economic activity. On the other hand, the eventual materialisation of negative scenarios on world growth, a less effective monetary policy or slower than expected developments regarding internal economic imbalances, represent several of the risks to growth expected in 2015.

Bank profitability will continue to be conditioned by historically low market interest rates

A more benign economic environment could be linked to an equally more favourable, albeit visibly moderate, evolution of several determinant variables for the financial sector such as the generating of new business or improvement of credit quality. Economic agents' higher confidence levels, expectations of faster growth and lower unemployment and prospects for better investment performance could materialise in greater demand for credit, also favoured by the reduction of financing costs.

Bank profitability, however, will continue to be conditioned by the historically low levels of market interest rates which will bring negative pressure to bear on net interest income. The ECB's performance across the year comprises an additional risk factor, if it decides to increase monetary stimuli. Given the structural improvement in the sector's liquidity situation and owing to a more competitive environment in new business generation terms, a mitigating factor could be the capacity to take action on financing costs

The significant impact of the measures implemented by the ECB on interest rate structures will also afford fewer opportunities to generate non-interest income, owing to the already noted considerable reduction of risk premia.

# 1.8. Group Rating

2014 witnessed an improvement in the Portuguese Republic's and CGD's ratings.

Fitch Ratings upgraded its outlook long term rating on the Portuguese Republic from "negative" to "positive", in April, and Standard & Poor's (S&P) and DBRS changed their ratings from "negative" to "stable" in May.

S&P takes CGD off credit watch negative in May 2014

Moody's, in turn, upgraded its long term rating on the Portuguese Republic to Ba2 in May and upgraded it once again to Ba1 with a stable outlook, in July.

Following S&P's above referred to action, CGD's ratings were reaffirmed, in May, having, been taken off credit watch negative.

## GROUP RATING

| | CGD | | | Portugal | | |
|---|---|---|---|---|---|---|
| | Short Term | Long Term | Date | Short Term | Long Term | Date |
| **Standard & Poor's** | B | BB- | 2014-05 | B | BB | 2014-11 |
| **FitchRatings** | B | BB+ | 2014-07 | B | BB+ | 2014-10 |
| **Moody's** | N/P | Ba3 | 2014-07 | N/P | Ba1 | 2014-07 |
| **DBRS** | R-2 (mid) | BBB (low) | 2014-12 | R-2 (mid) | BBB (low) | 2014-05 |

Fitch Ratings and Moody's reaffirmed their ratings on CGD in July.

DBRS revised its outlook on CGD's ratings from negative to stable, in December, with the recent above referred to stabilisation of CGD's fundamental financial variables. The movement in respect of the rating on the Portuguese Republic in May 2014, also contributed towards this improvement.

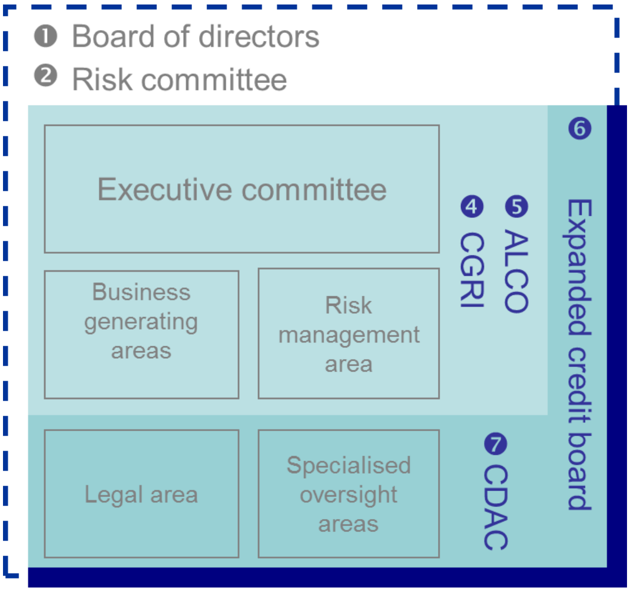
DBRS upgrades CGD's outlook from negative to stable in December

# 1.9. Risk Management

Risk management in CGD Group based on a governance model complying with best practice in this area

CGD Group's risk management is based on a governance model complying with best practice as set out in Community Directive 2013/36/EU. The board of directors (❶), with the support of the risk committee (❷), establishes Caixa's risk appetite, which is implemented by the executive committee with the support of several specific committees and control and business areas.

## PARTICIPATION OF THE DE RISK MANAGEMENT AREA




Financial risk management:
– centralised
– backed by a dedicated structure

Financial risks management is centralised and backed by the risk management division as a dedicated structure, encompassing the assessment and control of CGD Group's credit, market and liquidity risks, enshrining the principle of separation of functions between commercial and risk management areas.

The risk management area is part of the business support structure and is present:

Risk management area is present:
– at executive committee meetings
– in the general risk committee
– in the assets and liability management executive board
– in the expanded credit board
– in the credit oversight board

❸ at executive committee meetings when specifically called and monthly with its own item on the agenda for a description of the evolution of the main financial risks measurement indicators and respective essential concerns on this issue for the following periods.

❹ in the general risk committee (CGRI) in conjunction with the planning, accounting, control and audit areas. CGRI is an advisory body to the executive committee and is responsible for the control of the internal risk management function and main risk indicators. CGRI's main competencies include:

- The integrated oversight and assessment of the internal risk function;
- Defining operating plans and overseeing their implementation after approval;
- Reviewing processes and models for monitoring and managing risk exposures, as well as conformity with regulatory requirements;
- Guaranteeing the conformity of CGD Group's main risk exposures with defined concentration and limits.

❺ In the assets and liabilities management committee (ALCO), in conjunction with business generating areas, support areas and members of the executive committee. Under an executive committee resolution the committee was given the following attributions:

- Promotion of the assets and liabilities management (ALM) process and actions and procedures necessary for the consolidated implementation thereof and on a separate basis for diverse group entities;
- Assessment of and resolution on proposals for strategic guidelines on CGD Group's funding and liquidity policy;
- Assessment of and resolution on proposals for strategic guidelines on risk management policy, namely the group's balance sheet interest rate and market risks, defining indicators, limits and management rules;
- Analysis of and resolution on proposals for strategic guidelines on CGD Group's capital ratios.

❻ In the expanded credit committee (CAC) in conjunction with business generating areas, legal area, specialised oversight areas and executive committee. Under an executive committee resolution the committee was given the following attributions:

- Authorising operations, which being part of the internal regulatory framework require the board's assessment;
- Analysing non-performing loans;
- Defining the credit policies strategy and respective risk.

❼ In the credit oversight delegate board (CDAC) in conjunction with business generating areas (including the property business), specialised oversight, accounting and planning and control areas. CDAC is the executive committee body responsible for the assessment, discussion and resolution on the attribution of levels of credit impairment on CGD Group customers as well as guaranteeing the correct articulation of responsibility in the treatment of customers at risk between CGD's commercial structures and the areas specialising in credit oversight and recovery.

### *Risk profile and respective evolution*

CGD Group's risk appetite was fully revised during the course of 2014

CGD Group's risk appetite was comprehensively reviewed in 2014, and its public version may be viewed in detail at:

https://www.cgd.pt/Investor-Relations/Gestao-Riscos/Documents/CGD-Declaracao-de-Apetencia-pelo-Risco.pdf

### *Principles and policies*

As explained in CGD Group's declaration of risk appetite, four core principles have been defined:

- Solvency principle − commitment to maintain an adequate level of capital to enable a retail/commercial bank to provide for unexpected losses, including an adverse scenario, translating an image of CGD Group's financial strength;
- Profitability principle − commitment to provide an adequate return on risk-taking;
- Liquidity principle − commitment to maintain a stable financial structure and a sufficient liquidity level to ensure survival in adverse scenarios;
- Sustainability principle − strategic concern to ensure sustainable activity in line with the desired image, reputation and social contribution.

## *Main developments in 2014*

2014 was a particularly demanding year for the banking sector

As anticipated, 2014 was a particularly challenging year for the banking sector:

- The first quarter saw the inception of the effective application of Directive 2013/36/EU and Regulation (EU) no. 575/2013, comprising the transposition of the Basel III Capital Accord into European Union legislation;
- Work began on the reporting of all OTC (over-the-counter) and ETD (exchange-traded derivatives) in the sphere of the European Market Infrastructure Regulation (EMIR) including information on guarantees and valuations;
- The start of the second quarter saw the first regulatory and financial reports under COREP (Common Reporting) and FINREP (Financial Reporting) standard prudential disclosure requirements;
- At the start of November, the European Central Bank (ECB) assumed the supervision of around 130 credit institutions in 18 member states, including CGD, taking another step towards banking union following the implementation of the single supervisory mechanism - SSM.

In preparation for the inception of the single supervisory mechanism and across the year as a whole, the ECB, in articulation with the European Banking Authority (EBA) and National Competent Authorities — NCA, organised a comprehensive assessment on the status of banks coming under its direct supervision starting November 2014.

The exercise comprised three elements. The first comprised a risk assessment for supervision purposes, on a quantitative and qualitative assessment of credit institutions' main risks, including liquidity, leverage and funding.

The second consisted of an analysis of the quality of bank assets, as performed in the Portuguese banking sector between 2011 and 2013. This second analysis element aimed to increase transparency regarding the banks' exposures to asset quality, including the adequacy of their asset valuations and collateral assets and related provisions.

Lastly, a stress test was performed in the scenario of a significantly adverse macroeconomic environment, particularly as regards the situation of the banks revised on the basis of the results of former stages.

CGD successfully passed the three assessment stages.

Risk management division (DGR) was internally reorganised with the creation of the credit follow-up and policies area

There was an internal reorganisation of the credit risk division (DGR) with the creation of the follow-up and credit policies area with the main responsibilities of overseeing credit operations, assessing credit impairment and updating and disclosing information on policies and credit regulations in force, as a CDAC support structure. It also implements the corporative articulation model between DGR and group entities as regards the credit risk control component.

CGD continues to improve its risk rating process in articulation with the Bank of Portugal

A models validation unit, independent from the modelling area was also created as part of DGR's internal reorganisation, to ensure a continuous follow up of the performance of the risk models used in CGD Group.

## 1.9.1. CREDIT RISK

Credit risk is associated with the losses and level of uncertainty regarding a customer's/counterparty's capacity to meet its obligations.

Given the nature of banking activity, credit risk is particularly important, owing to its materiality, notwithstanding its interconnection with the remaining risks.

During the course of 2014 CGD continued to improve its credit risk rating process in articulation with the Bank of Portugal (essentially operational), endeavouring to cement compliance with the requirements for the use of internal models for calculating prudential own funds requirements for credit risk (using an Internal Ratings Based approach).

Separate impairment methodologies revised and updated and their respective results incorporated in the consolidated accounts for 2014

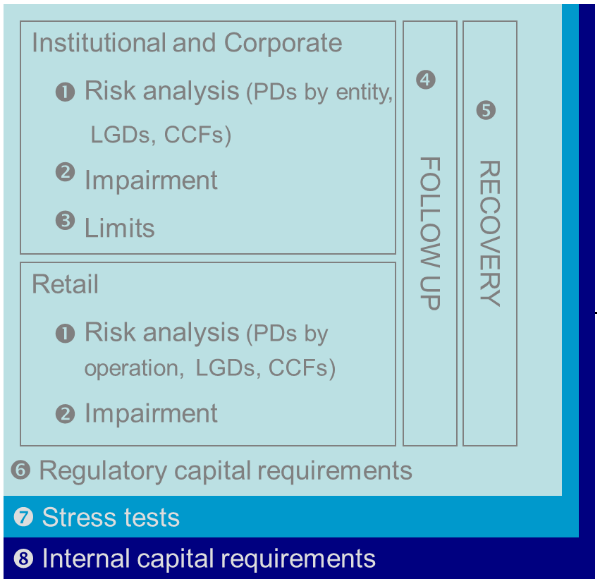
Following the Asset Quality Review − AQR, on the banks, in the sphere of the ECB's comprehensive assessment of the banks due to come under its direct supervision and in conformity with the guidelines received from the European supervisor, the assessment methodologies on separate impairment in line with the criteria set out in the Bank of Portugal's circular letter 2/2014/DSP were revised and updated, and their respective results included in the consolidated accounts at 31 December 2014.

Formation of the credit oversight management board (CDAC)

The credit oversight delegate board (CDAC), as stated above in❼, was also formalised in 2014.

*Methodology*

❶ Risk analysis – CGD Group has implemented a risk identification, assessment and control system on its credit portfolio, covering all customer segments, active when loans are made and in monitoring risk over the lifetime of the operations.




Credit impairment model to identify and monitor:

– Credit with objective evidence of impairment
– Credit with signs of impairment

- In the case of companies with more significant levels of exposure and financial institutions, credit risk assessment, in addition to the use of internal rating models (incorporating both financial information and qualitative elements) is subject to a separate risk analysis by a team of analysts which produces credit risk assessment reports and issues an independent opinion on the inherent credit risk. This analysis is performed periodically and whenever there are any changes to the relationship with the customer or endogenous or exogenous factors recommending a reassessment of the risk are identified.

- Credit risk assessment in the retail segment is based on the use of statistical risk assessment tools (PD – probability of default and LGD - loss given default models), a collection of internal regulations which establish objective criteria to be complied with in terms of lending operations and the delegation of competencies in accordance with the ratings attributed to customers.

❷ The credit impairment model developed by CGD Group, under IAS 39, enables credit with objective evidence of impairment and credit with signs of impairment to be identified and monitored.

The risk factors used in the impairment model are updated annually and backtested to assess whether they continue to adequately reflect market conditions.

The credit impairment model is used to analyse and process the credit portfolio which is subdivided in conformity with the following approaches:

Collective impairment analyses – impairment provisions per risk sub segments are set up for exposures which are not considered to be separately significant. They include assets with similar risk characteristics (credit segment, type of collateral, payments history, *inter alia*);

Separate impairment analyses – a separate assessment is made on a quarterly basis for customers with exposures considered to be individually significant. It involves CGD's commercial, credit recovery and risk management areas.

Separate assessments on customers with major exposure levels essentially focus on the following items:

- Compliance with the contractual terms agreed with CGD Group;
- An assessment of their economic-financial situation;
- Prospects for the evolution of the customer's activity;
- Verification of the existence of operations involving overdue credit and interest, with CGD Group and/or the financial system;
- Adequacy of guarantees and collateral to offset the amount of the loan;
- Analysis of historic information on the performance and good payment of customers.

Limits:

– To increase the flexibility of short term lending to companies

– To standardise the risk analysis of such operations

For significant exposures with no objective signs of impairment, a collective provision is determined (IBNR – incurred but not reported), in conformity with the risk factors assessed on credit with similar characteristics.

❸ Limits – to increase the flexibility of the short term loans process for companies and harmonise the risk analysis on these operations, CGD Group has developed and implemented a model for defining short term exposure limits for companies, parameterised on the basis of economic-financial and sectoral indicators and ratings providing guidelines on the recommended level of short term exposure to each customer. The model permits the use of the same collection of clear, objective rules for the calculation of reference limits, which are only indicative and used as a basis for a one-off analysis on the effective attribution of limits to the customer. The model is applied to companies both in the SME segment as in the case of small businesses and major enterprises.

Credit risk analysts continue to classify economic groups in portfolios in 2014

Internal limits are approved for each institution in the case of the financial institutions segment. The definition of such limits is based on the entity's status in the financial sector in comparison to its peers, rating, VaR, and other relevant elements.

Compliance with limits, credit exposures and counterparty and group risk profile is regularly monitored by credit risk analysts. In the sphere of such monitoring processes the bundling of economic groups by credit risk analysts was furthered in 2014.

❹ In the sphere of credit control risk the credit portfolio is monitored and analysed in terms of its composition and corresponding quality. A monthly report splitting up the portfolio by product, customer segment, sector of activity, geographical area, loan to value (LTV), debt to income ratio and portfolio rating is produced for the said purpose.

Monitoring of the performance of internally developed risk classification models

The monitoring of the performance of the internally developed risk classification models is also especially important. This monitoring exercise on the processing of the information from the use of the referred to models provides indications on their continued adequacy. The follow-up procedures are performed by a unit which is independent from the modelling area, enabling autonomous guidelines to be produced on any needs for the revision of models and information on their mode of use.

In 2014, the corporate oversight division (DAE), which was created in 2012 owing to the recognition of the need for a new approach to the corporate sector, to differentiate in terms of the treatment of non-performing loans, pursued its mission, intensifying its focus on its competencies and priority objectives:

- To oversee and recover loans to companies and their respective groups, having an involvement of more than €5 million with CGD, with impairment of 10% or more or notwithstanding the amount of impairment, when belonging to activity sectors at risk (e.g. construction/property development, hotels/tourism);
- To deleverage large amounts of exposure and activity sectors considered to be at risk;
- To increase guarantees;
- To promote management solutions with companies with the objective of making them solvent, avoiding, whenever possible, legal action;
- To promote the articulation between DAE and other Caixa divisions, incentivising greater procedural flexibility with the objective of achieving the implementation of a consensus for each case.

Commercial structure of companies oversight division (DAE): three offices, an administrative support area and a technical office

DAE's commercial structure continued to comprise:

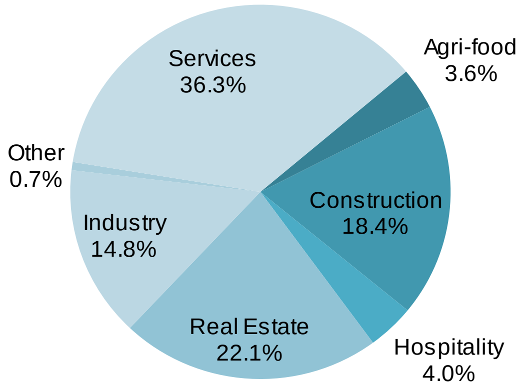
- Three offices – two in Lisbon and one in Porto – based on a geographical proximity approach to customers and incorporation of the Portuguese business environment's regional specificities;
- An administrative support area for controlling the allocation of case files, auditing their respective documentary support and computer records, operationalising the current management aspect of the customers' portfolio and helping to formalise the solutions found;
- A technical office monitoring the division's performance and operating as a mediator in terms of institutional relations with business restructuring funds (as relevant vehicles for corporate recovery purposes and representing a growing proportion of the economy, promoting the oversight and control of the evolution of portfolios in which CGD has a participation and centralising the issue of reports helping the division's management of the structural body.

DAE manages a credit portfolio of around €4.3 billion at the end of 2014

At the end of 2014 DAE managed a credit portfolio of around €4.3 million and a volume of deposits of €35 million, split up across a total number of 1,069 companies, many of which members of 147 economic groups, with impairment of around €1,246 million or 28% of the credit portfolio.

## PORTFOLIO ASSESSMENT BY SECTORS OF ACTIVITY

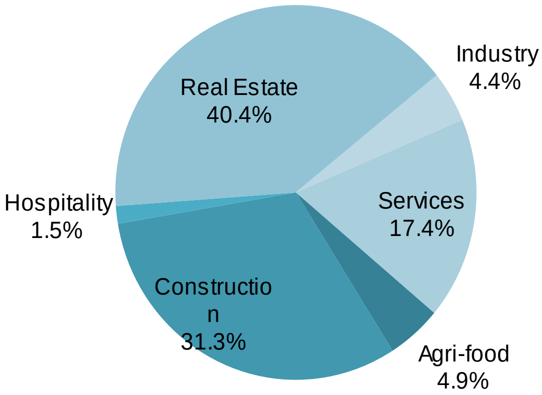
(%)




2014 reinforced the trend towards risk dispersion across activity sectors other than those initially identified in the model approved by DAE - hotels, construction and property (which, in December 2013 accounted for 46% and fell to 44% in 2014) – increasing the relevance of other sectors, namely services (36.3%) and industry (14.8%), which, as a whole, already account for a preponderant proportion of the portfolio under consideration (51.2%).

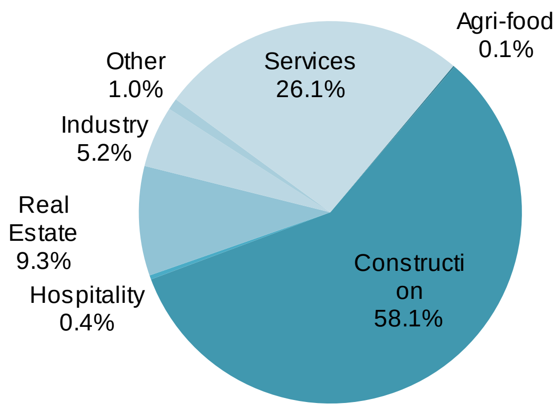
## OVERDUE CREDIT

(%)




## OFF-BALANCE SHEET

(%)




In spite of portfolio diversification, the activity sectors initially considered to be at greater risk still account for 73.2% of the division's total overdue credit (€815 million in - 761 active customers), identical to 2013.

Continuation of endeavours to cancel or reduce bank guarantees issued in the sphere of added risk activity sectors

In continuing to endeavour to cancel or reduce bank guarantees on activity sectors of greater risk, the off-balance sheet liabilities of companies overseen by DAE which belong to the "services" sector already represent more than 26% of the portfolio's bank guarantees.

73% of the 147 corporate groups allocated to DAE in 2014, received proposals for the formalisation of operations (108 case files), comprising €553 million when coming under the aegis of DAE. Special reference should be made, by amount, to €317 million in restructured operations (57%). A reduction of €151.5 million in customer liabilities was also achieved on the basis of respective settlements/liquidations.

Trending to market, asset assignment operations to recovery and property funds encompassing 7 corporate groups involving credit of €81.5 million were negotiated in 2014.

Asset lending activities to property recovery funds involving credit of €81.5 million negotiated during the course of the year

Reference should also be made to DAE's active, growing participation in the negotiations of corporates applying to PERs ("special rehousing programmes"), with 28 applications having been analysed during the year, of which 3 resulted in insolvencies with the prospect of liquidation (representing around €4.2 million). 15 case files totalling €58.7 million were successfully concluded. Nine additional PER applications were received in 2014.

❻ Regulatory capital requirements – for derivatives instruments, repos operations, loans contracted for or issued on securities or property or goods, long term settlement operations and loan operations with the imposition of a margin, the mark-to-market assessment method is used as defined in Section 3 of chapter 6 of European Parliament and Council Regulation 575/2013 which consists of adding to the operation's market value, when positive, its future valuation potential, resulting from the multiplication of the notional amount by a prudential factor based on the type of contract. The standard method described in Regulation (EU) is applied to loans and receivables.

The "Market Discipline 2014" document, scheduled for publication in first half 2015 will provide detailed information on regulatory requirements for CGD Group's capital.

❼ Stress tests aim to provide an analytical vision of CGD Group's position in terms of solvency when subject to extreme scenarios. From a credit risk viewpoint, in 2014, in addition to sensitivity analyses for internal management purposes, stress tests required by the supervisor to complement the capital funding plan and the exercise requested by the European Central Bank, in articulation with the European Banking Authority (EBA), were carried out in the sphere of the comprehensive assessment preceding the effective inception of the single supervisory mechanism (SSM).

Performance of stress tests to obtain an analytic overview of CGD Group's solvency position

❽ Internal capital requirements per operation result from the use of credit risk factors (probabilities of default - PDs, loss given faults – LGDs and conversion factors into credit equivalents - CCFs) estimated internally.

## 1.9.2. MARKET RISK

This translates into potentially negative impacts on an institution's income or capital, deriving from unfavourable price movements of portfolio assets based on their transaction levels.

This is on account of the uncertainty of price fluctuations and market rates, such as the prices of shares and indices or interest or currency rates and on correlations between them.

Complete separation between functions involving the executing of market operations and respective risk control

Market risk exists on instruments such as shares, funds, commercial paper, bonds, borrowing and lending operations, spot or forward foreign currency operations, interest rate derivatives, foreign exchange derivatives, shares/indices/baskets, commodities and credit. Exposure to this type of risk is therefore across-the-board to various categories: price, interest rate, foreign exchange rate, volatility and commodities.

Executory functions on market operations and their associated risk control are completely separate.

## *Limits*

Establishing of various types of limits and respective monitoring

The practice of setting diverse limits and the monitoring thereof, is an extremely important factor in mitigating market risk. These global limits are submitted to the executive committee by the risk management area for discussion and approval. Management rules established for each portfolio or business unit, include, *inter alia*, market risk limits and limits on the type of instruments authorised and maximum acceptable loss levels. There are also specific management rules governing the foreign exchange risk position for CGD Group units.

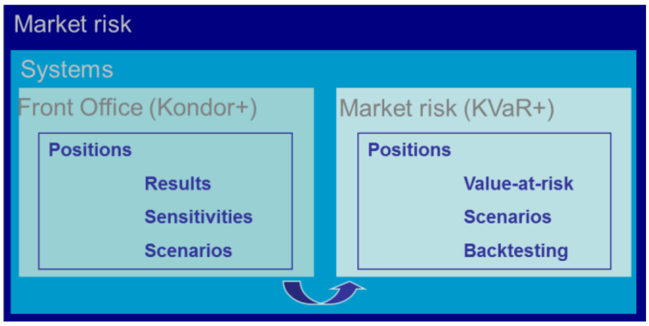
Market risk hedge operations are decided by portfolio or business unit managers, on the basis of risk limits and authorised instruments, with the risk management division collaborating on an assessment of the impact of hedges on the total risk incurred or change in authorised market risk levels, if recommended by the circumstances.

VaR amounts and limits are calculated on CGD Group's foreign exchange position and its total open position per currency.

## *Methodology*

Value at Risk (VaR) measures future potential loss and is used to monitor the Group's market risk

Value at Risk (VaR) is a measure of the loss of potential future value that, in normal market conditions, will be the upper limit assuming a certain level of confidence and a determined investment timespan. The risk management area has, since 2002, used the VaR measure to monitor the group's market risk with market risk limits being based on this measure and, in several cases, complemented by tolerance to changes in risk factors - basis point value (bpv) for interest rates and other sensitivity indicators commonly applied to options portfolios (referred to as Greeks). VaR is assessed for all types of market risk (interest rates, shares, exchange rates and volatility), using the historic simulation method, whose confidence levels are contingent upon the reasons for holding the portfolios.




VaR is calculated on all types of market risk (interest rate, equities, exchange rate and volatilty)

Stress tests are also performed on results to assess the impact of extreme scenarios (stress testing).

Market risk management calculates and monitors such measures on a daily basis, having designed a comprehensive VaR report, sensitivity analysis, profitability indicators, compliance with limits and stress tests structure, for all entities with market risk exposure in their balance sheet trading and currency portfolios.

Foreign exchange risk control and assessment are performed separately on a daily level in the case of domestic activity and for each of the branches and subsidiaries, and fortnightly on a consolidated level for the group as a whole.

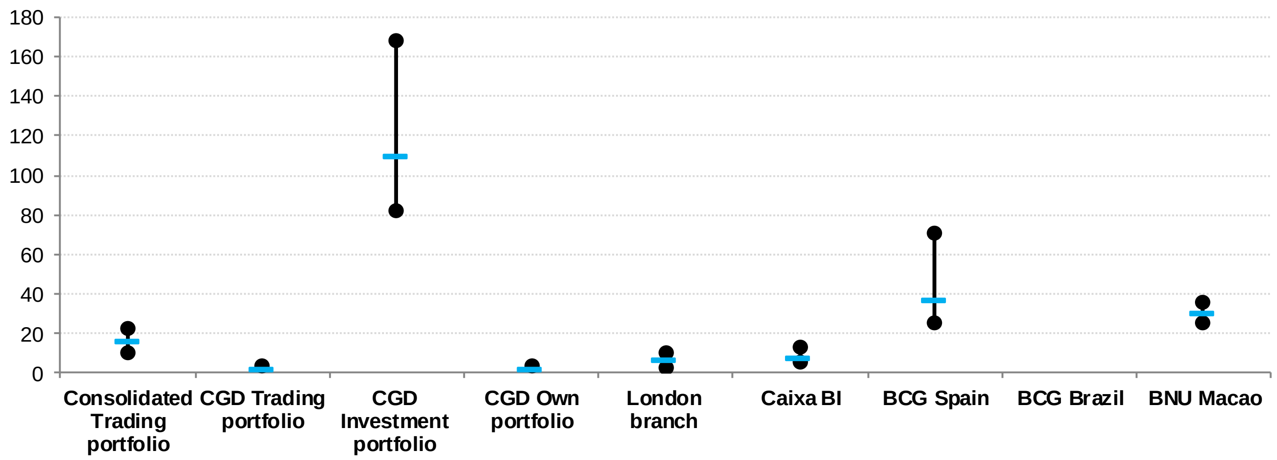
The VaR model is continuously put to the test either through its day-to-day use or theoretical daily backtesting exercises, as well as the real monthly determining of backtesting values on several portfolios.

The number of exceptions obtained i.e. the number of times theoretical or real losses exceed VaR, enable the method's accuracy to be assessed and any necessary adjustments made.

The following measures for the principal market risk indicators (minimum, average and maximum) for the most relevant perimeters have been extracted for 2014:

### MARKET RISK INDICATORS

(EUR million)




## 1.9.3. INTEREST RATE RISK IN BALANCE SHEET

This is the risk incurred by a financial institution whenever, during the course of its *operations, it contracts for operations whose financial flows are sensitive to interest rate* changes, i.e. it is the risk of the occurrence of a change in the associated interest rate, mismatching of maturities and refixing of interest rates between assets and liabilities held, with a decrease in yield or increase in financial cost.

*Methodology*

To measure this type of risk, the methodology used by CGD comprises the aggregation of all assets and liabilities sensitive to change into residual interest rate bands to obtain the corresponding interest rate gaps.

An analysis of the interest rate risk dimension also involves a monthly calculation of the duration of sensitive assets and liabilities, in addition to the respective duration gap.

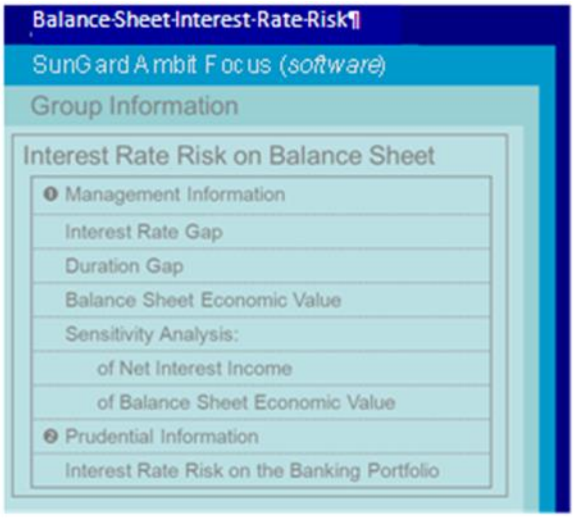
It should be emphasised that the duration measurement has been restructured and is expected to come into use in 2015 in accordance with the new calculation method. To accompany the effect of interest rate gaps on net interest income a quarterly simulation is made on the monthly evolution of sensitive assets and liabilities in addition to the different market rates and expectations reflected in the yield curves, in articulation with the group's capital funding plan and its respective budget.

Balance sheet and banking portfolio interest rate risk management and control based on guidelines which include the fixing of limits for variables considered to be significant on a level of exposure to this type of risk

The management and control of balance sheet and banking portfolio interest rate risk are based on a set of guidelines which include the fixing of limits for variables considered significant on a level of exposure to this type of risk. The objective in complying with these guidelines is to ensure that CGD has the means of managing the risk/return trade-off, in balance sheet management terms and is in a position to define the most adequate level of exposure and control the results of the different risk policies and positions assumed at any time.

## BALANCE SHEET INTEREST RATE RISK

Supporting information for the monthly measurement and monitoring of balance sheet and banking portfolio interest rate risk




The collection of supporting information for measuring and monitoring balance sheet and banking portfolio interest rate is considered monthly by the executive committee dealing with risk in addition to ALCO meetings.

Information on CGD Group's balance sheet interest rate gap, at the end of 2014, is set out in the following table.

### INTEREST RATE GAP AT 31 OF DECEMBER 2014 (*)

(EUR million)

| | 7D | 1M | 3M | 6M | 12M | 3Y | >3Y |
|---|---|---|---|---|---|---|---|
| Total assets | 4,652 | 14,196 | 26,861 | 19,097 | 7,578 | 1,742 | 4,360 |
| Total liabilities + capital | 2,985 | 8,833 | 14,069 | 16,197 | 10,034 | 23,939 | 4,883 |
| Total interest rate swaps | 4,378 | 74 | -1,360 | -1,100 | -1,094 | 182 | -1,386 |
| Gap for period | 6,044 | 5,436 | 11,432 | 1,800 | -3,550 | -22,015 | -1,909 |
| Accumulated gap | 6,044 | 11,481 | 22,913 | 24,713 | 21,163 | -852 | -2,760 |

(*) Perimeter: CGD and Cayman Islands, Macau, New York, France, London and Spain branches and Banco Caixa Geral, Caixa Banco de Investimento, CGD Finance, Caixa Geral Finance and CGD North America.

In the context of its regulatory interest rate risk reporting commitments, Caixa sends detailed information on its level of exposure to interest rate risk on its banking portfolio as established in BdP Instruction 19/2005, every six months to the Bank of Portugal.

## 1.9.4. LIQUIDITY RISK

This involves the possibility of the occurrence of a time-lag or mismatch between a bank's payment and receipt of monetary flows, creating a situation in which a bank is unable to satisfy its commitments, i.e. in this kind of situation an institution's reserves and cash assets are insufficient to meet its obligations when they occur.

Liquidity risk in the banking business area can occur in the event of:

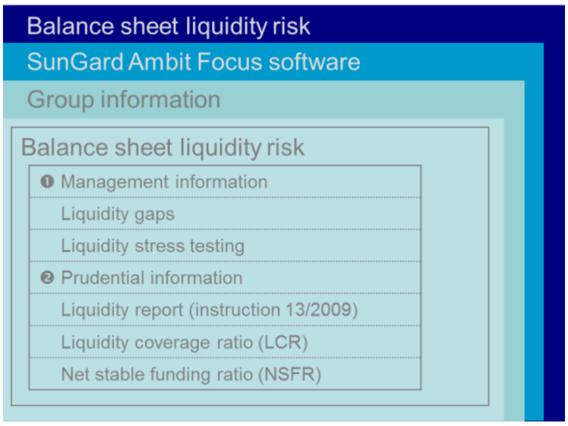
- Difficulties in resource-taking to finance assets, normally leading to higher costs in securing such finance but which may also imply a restriction on asset growth;
- Difficulties in promptly meeting obligations to third parties caused by significant mismatches between residual periods on assets and liabilities.

*Methodology*

The origin of liquidity risk management in CGD lies in an analysis of the periods to maturity of different balance sheet assets and liabilities. The volumes of cash inflows and cash outflows are set out in time-bands on the basis of their residual period of occurrence with the respective liquidity gaps thereafter calculated both for the period and accumulated.

The structural liquidity concept is used for the analysis and definition of exposure limits, aiming to incorporate the historic performance of depositors on a level of the management of their current, term and savings accounts, distributing their balances among the different time bands considered in accordance with internally developed studies and models.

## BALANCE SHEET LIQUIDITY RISK




Monthly calculation of liquidity gaps

Liquidity gaps are calculated monthly and are subject to compliance with three exposure limits (two short and one long term) defined by the ALCO committee.

Liquidity gap values, at the end of 2014, were as follows:

### LIQUIDITY GAP AT 31 OF DECEMBER 2014 (*)

(EUR million)

| | 1M | 3M | 6M | 12M | 3Y | 5Y | 10Y | >10Y |
|---|---|---|---|---|---|---|---|---|
| Total assets | 16,329 | 4,163 | 4,768 | 3,651 | 9,922 | 9,320 | 11,039 | 21,269 |
| Total liabilities + capital | 5,040 | 6,082 | 5,132 | 10,402 | 22,969 | 11,821 | 5,136 | 14,357 |
| Total swaps | 0 | 1 | 3 | 7 | 6 | 6 | 24 | -5 |
| Gap for period | 11,288 | -1,919 | -361 | -6,745 | -13,041 | -2,495 | 5,927 | 6,907 |
| Accumulated gap | 11,288 | 9,370 | 9,009 | 2,264 | -10,777 | -13,272 | -7,346 | -439 |

(*) Perimeter: CGD and Cayman Islands, Macau, New York, France, London and Spain branches and Banco Caixa Geral, Caixa Banco de Investimento, CGD Finance, Caixa Geral Finance and CGD North America.

The management of liquidity risk also incorporates stress tests in articulation with the existing liquidity contingency plan in conformity with the principles and recommendations announced by the BCBS - Basel Committee on Banking Supervision and CEBS - Committee of European Banking Supervisors (currently EBA (European Banking Authority).

Liquidity risk management incorporates the performance of stress tests in articulation with the existing contingency plan

The internally developed methodology for assessing Caixa's resilience to eventual liquidity difficulties encompasses the measuring and monitoring of the "survival period" (time remaining up until the occurrence of liquidity difficulties if corrective measures have not been implemented), based on three stress scenarios on a market and funding level. A fourth scenario - base scenario - is also considered, based on the assumption that Caixa will perform its activity according to its budget and consequent funding plan.

The current model also includes a set of minimum values for survival periods defined for each of the referred to scenarios. An eventual non-compliance with any of the existing limits presupposes the implementation of the contingency measures provided for in Caixa's liquidity contingency plan, in accordance with the priority levels therein defined regarding the use of different funding instruments.

With the coming into force of the CRD IV (Capital Requirements Directive) in 2014, the EBA defined a set of new accounting (FINREP - Financial Reporting) and prudential (COREP - Common Reporting) reports with the objective of harmonising and guaranteeing the comparability of information in the European context, namely prudential liquidity reports on a level of the new minimum standards set out in Basel III – the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Accordingly, CGD's regular oversight of the referred to ratios, since 2010 now also includes a regular prudential dimension in 2014, monthly for the LCR and quarterly for the NSFR.

Also in the context of its regulatory liquidity risk reporting commitments, Caixa continued to comply with the conditions set out in BdP Instruction 13/2009, which includes a collection of detailed, permanent information on credit institutions' liquidity levels, including their forecast treasury planning over a one year timeframe.

2014 further consolidated the trend towards the stabilisation of confidence levels in the financial system, already felt in 2013

Notwithstanding the problems noted in the money and capital markets since 2008, 2014 saw a growing trend towards the stabilisation of levels of confidence in the financial system, already felt in 2013, providing Caixa with a more favourable funding environment. Over the course of the year, Caixa furthered a resource-taking policy which endeavoured to guarantee a sustainable funding structure for its activity, based on the characteristics of liquidity and period to maturity of its off-balance-sheet assets and exposures.

### *Objectives for 2015*

2015 will be a particularly challenging year for CGD Group (and most European banks), owing to the need to consolidate and internalise a series of structural changes on banking activity. The following are particularly important to CGD:

2015 will be a particularly challenging year for CGD Group

- The final implementation stage of the transversal structuring project to improve the whole of the credit follow-up and recovery process is expected to be completed and will, *inter alia*, enable the resolution of issues deriving from the special assessment programme (SAP) on distressed loans management assessments;
- An across-the-board implementation to CGD Group of new default definitions (to ensure conformity with the Capital Requirements Directive IV and the Capital Requirements Regulation and Non Performing Exposure (as in the EBA's Final Draft Implementing Technical Standards On Supervisory Reporting on Forbearance and Non-Performing Exposures document) under Article 99(4) of Regulation (EU) 575/2013);
- Inception of the application of the internal standard which makes it compulsory for the credit risk division to issue a credit risk opinion, for institutionals whose exposure to CGD Group is higher than certain defined limits, as in the case of companies, financial institutions and economic groups. Similarly, institutionals will be included in the process for the definition of internal short term (up to 18 months) limits;

- Notwithstanding the implementation, at the end of 2013 of a credit valuation adjustment (CVA) and debt valuation adjustment (DVA) accounting assessment, as a challenge set out in the Asset Quality Review of the beginning of 2014 and which showed itsel to generate satisfactory results, this model is expected to be optimised in 2015;
- Development of the Internal Liquidity Adequacy Assessment Process (ILAAP), as a systemised process for the identification, measurement and monitoring of the group's liquidity situation under article 86 of CRD IV.

This is complemented by the internal challenge of concluding the process for the authorisation of the use of the internal models approach for the calculation of capital requirements for credit risk, with the implementation of any recommendations resulting from ECB sponsored inspection continuing to be a priority.

Improvements to the internal capital adequacy assessment process (ICAAP) for risk aggregation and the production of stress test exercises will also continue to be introduced.

The aim is, lastly, to continue to evolve the whole of the risk management support structure based on the governance model which was revised in 2013, in line with the CRD IV and best sector practice. The best corporative governance practices will also continue to be the subject of special dynamics, with major emphasis on the continuous development of the group's vision and the implementation of mechanisms for its consolidation.

Internal challenge of completing the authorisation process for the use of the internal model approach to calculate credit risk capital requirements

Priority will continue to be afforded to the implementation of any recommendations resulting from ECB inspections

Evolution of the whole of the risk management support structure based on the governance model revised in 2013, in line with CRD IV dispositions and best sector practice

## 1.9.5. OPERATIONAL RISK

Operational risk management in CGD Group is based on an end-to-end process and supported by a collection of guidelines, methodologies and regulations recognised as good practice on a national and international level, namely originating in the Basel Committee, COSO (Committee of Sponsoring Organizations of the Treadway Commission) and the risk assessment model implemented by the Bank of Portugal.

Operational risk management in CGD Group based on end-to end processes

In terms of the calculation of own funds requirements to cover operational risk, CGD Group has adopted, on a consolidated basis, the standard method, which also includes Caixa Geral de Depósitos, Caixa Banco de Investimento, Caixa Leasing e Factoring, Banco Caixa Geral (Spain) and Mercantile Bank (South Africa) on a separate basis.

The application of the Standard method on a consolidated basis at 31.12.2014 requires own funds of €245.2 million to cover operational risk.

The methodology adopted by the group for its operational risk management is part of the assessment of the internal control system and incorporates a collection of components, namely:

- The definition and oversight of tolerance and risk appetite limits;
- The definition of a process catalogue and documentation on the activities performed, potential operational risks, control and mitigating activities;
- The decentralised collection of operational risk events, losses and recoveries, including near-misses, reinforced and supported by control procedures;
- Self-assessment questionnaires on potential operational risks;
- Assessment of controls based on tests for the assessment of the respective design, implementation and operationality of self-assessment questionnaires and analysis of other sources of information;
- Definition and oversight of KRI – key risk indicators;

- Disclosure of information using an internal reporting system with special reference to the regular holding of committees and disclosure of periodic reports for the diverse structural bodies;
- Promotion and monitoring of the implementation of action plans as a corollary to the remaining methodological components.

On an organisational level, CGD's operational risk management is performed by the following structures and functions which have specific responsibilities in this process:

- An Operational Risk and Internal Control Management Committee responsible for verifying conformity with operational risk and internal control strategy and policies, overseeing the management thereof and proposing action plans;
- An area exclusively dedicated to operational risk and internal control management, responsible for developing and implementing strategy and policies, ensuring that operational risk is being adequately managed and that controls are operating efficiently, in articulation with other structural bodies, branches and subsidiaries, in order to ensure harmonisation between practices on a group entity level;
- Process owners, who are responsible for facilitating and promoting the operational risk and internal control process, within their respective spheres.
- The following structures are also parties thereto:
    - Executive committee, risk and general risk committee (Comissão de Risco e Comité Geral de Risco);
    - Electronic channels safety committee (frauds committed on electronic channels);
    - Consultancy and organisation division (management and process documentation, the group's processes catalogue and business continuity plan);
    - Compliance office (compliance management);
    - Accounting, consolidation and financial information office (calculation and reporting on own funds requirements);
    - Safety, risk and continuity management division, Sogrupo Sistemas de Informação (information system risks management and assessment of the internal control of information systems using the Cobit methodology);
    - Internal audit division (tests of controls and revision of measurement system and management process).

Implementation of business continuity management system to increase the organisation's resilience and its effective risk response capacity

This methodology has been adopted by CGD and its respective branches, domestic subsidiaries (Caixa Gestão de Activos, Caixa Banco de Investimento and Caixa Leasing e Factoring) and subsidiaries abroad (Banco Caixa Geral, Mercantile Bank, Banco Nacional Ultramarino, Banco Comercial e de Investimentos, Banco Comercial do Atlântico, Banco Interatlântico, Banco Caixa Geral Brasil, Banco Caixa Geral Totta de Angola and CGD Investimentos - Corretora de Valores e Câmbios).

In addition to the referred to operational risk management methodology and with the objective of guaranteeing the continuous functioning of activity, CGD is implementing a business continuity management system (SGCN) as a holistic management process which identifies the potential threats to an organisation and the impacts such threats could have on its business, if they materialise, strengthening an organisation's resilience and its effective capacity to respond.

The operationalisation of this system to ensure that business continuity actions are executed in an articulated manner, is achieved by producing manuals and operating plans indentifying procedures and specific teams in CGD's different structures. Caixa is therefore responding to a series of requirements defined in the Bank of Portugal's circular letter 75/2010/DSB, on business continuity management recommendations for the financial sector, in addition to the international reference standard for an effective business continuity management model, ISO 22301:2012 – Requirements for a Business Continuity Management System.

Development of support/execution projects to strengthen the continuity management of structures abroad

To guarantee compliance with regulatory requirements for group institutions, Caixa is also developing projects for the support/execution of this good framework practice to strengthen continuity management in its structures abroad with a business continuity plan expected to be developed in its Timor branch in 2015. The monitoring of the implementation works in entities in which CGD has already been involved, namely Mozambique (Banco Comercial e de Investimentos), Cape Verde (Banco Comercial do Atlântico and Banco Interatlântico), Angola (Banco Caixa Geral Totta de Angola), France (branch) and Luxembourg (branch) is also expected).

# 1.10. Subsequent Events

Caixa returned to the capital markets with a new €1 billion covered bonds issuance with a maturity of 7 years and a final coupon rate of 1% (historically low level for bonds issued by a Portuguese entity over this maturity) in January 2015.

As provided for in the Fidelidade sales contract, the public offer for sale on 5% of Fidelidade's share capital to the company's workers took place on 15 October 2014. The operation resulted in the sale of 16,860 shares, with Fosun Group having acquired the remaining shares for 5% of the capital on 8 January 2015.

# 1.11. Concluding remarks

Board member Jorge Telmo Maria Freire Cardoso requested a suspension of his mandate on 16 September 2014, under the terms of the unanimous written resolution of 23 October 2014.

# 1.12. Proposal for the appropriation of net income

Pursuant to the terms of articles 66 no. 5, sub-paragraph f) of article 376 of the Commercial Companies Code and article 26 of Caixa Geral de Depósitos's articles of association, it is proposed that CGD's separate net losses of €1,139,320,250 for the year be fully integrated into the "Other Reserves and Retained Earnings" balance sheet account.

Lisbon, 31 March 2015

## Board of Directors

**Chairman:**

Prof. Doutor Álvaro José Barrigas do Nascimento

**Deputy Chairman:**

Dr. José Agostinho Martins de Matos

**Members:**

Dr. Nuno Maria Pinto de Magalhães Fernandes Thomaz

Dr. João Nuno de Oliveira Jorge Palma

Dr. José Pedro Cabral dos Santos

Dr.ª Ana Cristina de Sousa Leal

Dr.ª Maria João Borges Carioca Rodrigues

Prof. Doutor Pedro Miguel Valente Pires Bela Pimentel

Prof. Doutor José Luís Mexia Fraústo Crespo de Carvalho

Dr. José Ernst Henzler Vieira Branco

Prof. Doutor Eduardo Manuel Hintze da Paz Ferreira

Prof. Doutor Daniel Abel Monteiro Palhares Traça

Prof. Doutor Pedro Miguel Ribeiro de Almeida Fontes Falcão

# 1.13. Declarations on the conformity of the financial information presented

## 1.13.1. BOARD OF DIRECTORS

Under the terms of sub-paragraph c) of no. 1 of article 245 of the Securities Market Code we declare that the financial statements for 2014 and other accounting documents have, to the best of our knowledge been produced in conformity with the applicable accounting standards and provide a true and appropriate image of the assets and liabilities, financial situation and results of Caixa Geral de Depósitos, SA and the companies included in its consolidation perimeter and that the board of directors' report gives an accurate account of its business evolution and the performance and position of the referred to entities and contains a description of the principal risks and uncertainties they face.

Lisbon, 31 March 2015

### Board of Directors

**Chairman:**

Prof. Doutor Álvaro José Barrigas do Nascimento

**Deputy Chairman:**

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**Members:**

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Prof. Doutor Daniel Abel Monteiro Palhares Traça

Prof. Doutor Pedro Miguel Ribeiro de Almeida Fontes Falcão

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

(ARTICLE 447 OF COMMERCIAL COMPANIES CODE)

| Bondholders Members of the Board of Directors: | Security | Number of bonds at 31/12/14 |
|---|---|---|
| João Nuno Palma | Subordinated bonds CGD – 2009/2019 – Anniversary | 50 |
| José Pedro Cabral dos Santos | Cash bonds July 2015 | 15,000 |

## 1.13.3. INDICATION OF CGD'S SHAREHOLDERS

(ARTICLE 448 OF COMMERCIAL COMPANIES CODE)

| Shareholders | Share Capital at 31/12/14 | % equity stake at 31/12/14 |
|---|---|---|
| Portuguese State | € 5,900,000,000 | 100% |

# 1.14. Separate and Consolidated Financial Statements

## *CAIXA GERAL DE DEPÓSITOS, S.A.*

## BALANCE SHEET (SEPARATE)

(EUR)

| ASSETS | 31/12/2014 Amounts before impairment, amortisation and depreciation | 31/12/2014 Provisions, impairment and amortisation and depreciation | 31/12/2014 Net assets | 31/12/2013 Net assets | LIABILITIES AND EQUITY | 31/12/2014 | 31/12/2013 |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents at central banks | 1,201,671,351 | - | 1,201,671,351 | 758,127,349 | Resources of central banks | 1,606,621,700 | 4,893,185,593 |
| Cash balances at other credit institutions | 419,994,761 | - | 419,994,761 | 465,338,021 | Financial liabilities held for trading | 2,171,879,513 | 1,701,221,406 |
| Financial assets held for trading | 2,225,763,404 | - | 2,225,763,404 | 1,887,436,570 | Resources of other credit institutions | 4,413,264,954 | 5,194,605,213 |
| Other financial assets at fair value through profit or loss | 584,021,929 | - | 584,021,929 | 630,677,816 | Customer resources | 61,761,688,823 | 58,132,642,947 |
| Available-for-sale financial assets | 18,247,827,128 | (369,172,910) | 17,878,654,218 | 17,696,749,328 | Debt securities | 7,120,411,742 | 8,625,578,949 |
| Financial assets with repurchase agreement | 1,094,405,815 | - | 1,094,405,815 | 705,635,975 | | | |
| Loans and advances to credit institutions | 3,659,568,875 | (13,973,446) | 3,645,595,429 | 3,818,365,125 | Financial liabilities associated with transferred assets | 4,567,390,845 | 4,752,967,546 |
| Loans and advances to customers | 60,920,982,545 | (5,720,378,337) | 55,200,604,208 | 59,557,428,434 | Hedging derivatives | 20,040,095 | 64,900,299 |
| Hedging derivatives | 80,307,888 | - | 80,307,888 | 43,399,039 | Provisions | 962,363,275 | 985,799,604 |
| Non-current assets held for sale | 509,923,023 | (132,182,810) | 377,740,213 | 296,318,048 | Current tax liabilities | 2,378,843 | 2,585,669 |
| Investment property | 2,950,623 | - | 2,950,623 | 3,500,156 | Deferred tax liabilities | 155,470,227 | 57,164,712 |
| Other tangible assets | 1,238,041,487 | (859,691,972) | 378,349,515 | 412,742,478 | Other subordinated liabilities | 2,606,273,352 | 2,596,350,307 |
| Intangible assets | 661,315,669 | (575,788,428) | 85,527,241 | 96,116,314 | Other liabilities | 1,692,318,353 | 1,906,756,880 |
| Investments in associates, subsidiaries and joint ventures | 3,804,765,241 | (483,545,481) | 3,321,219,760 | 3,352,133,949 | **Total Liabilities** | **87,080,101,722** | **88,913,759,125** |
| Current tax assets | 22,763,497 | - | 22,763,497 | 97,923,129 | | | |
| Deferred tax assets | 1,603,350,530 | - | 1,603,350,530 | 1,394,227,963 | Share capital | 5,900,000,000 | 5,900,000,000 |
| Other assets | 3,099,250,672 | (364,626,878) | 2,734,623,794 | 2,619,873,625 | Revaluation reserves | 473,928,811 | 75,018,024 |
| | | | | | Other reserves and retained earnings | (1,457,166,107) | 37,731,160 |
| | | | | | Net income for the year | (1,139,320,250) | (1,090,514,990) |
| | | | | | **Total Equity** | **3,777,442,454** | **4,922,234,194** |
| **Total Assets** | **99,376,904,438** | **(8,519,360,262)** | **90,857,544,176** | **93,835,993,319** | **Total Liabilities and Equity** | **90,857,544,176** | **93,835,993,319** |

**Certified Public Accountant**

Andreia Júlia Meneses Alves

**Board of Directors**

*Chairman:* Álvaro José Barrigas do Nascimento

*Deputy - Chairmain:* José Agostinho Martins de Matos

*Members:* Nuno Maria Pinto de Magalhães Fernandes Thomaz

João Nuno de Oliveira Jorge Palma

José Pedro Cabral dos Santos

Ana Cristina de Sousa Leal

Maria João Borges Carioca Rodrigues

Pedro Miguel Valente Pires Bela Pimentel

José Luís Mexia Fraústo Crespo de Carvalho

José Ernst Henzler Vieira Branco

Eduardo Manuel Hintze da Paz Ferreira

Daniel Abel Monteiro Palhares Traça

Pedro Miguel Ribeiro de Almeida Fontes Falcão

# CAIXA GERAL DE DEPÓSITOS, S.A.

## INCOME STATEMENT (SEPARATE)

(EUR)

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Interest and similar income | 2,694,399,815 | 2,994,443,618 |
| Interest and similar costs | (2,135,903,930) | (2,551,729,293) |
| NET INTEREST INCOME | 558,495,885 | 442,714,325 |
| Income from equity instruments | 116,791,075 | 82,356,149 |
| Income from services and commissions | 451,702,815 | 476,609,472 |
| Costs of services and commissions | (97,674,909) | (111,679,435) |
| Net results of assets and liabilities measured at fair value through profit or loss | (239,638,297) | (439,889) |
| Net gain on available-for-sale financial assets | 317,509,715 | 118,109,956 |
| Net foreign exchange revaluation gain | (6,542,204) | 10,935,127 |
| Net gain on the sale of other assets | (25,784,586) | (49,972,368) |
| Other operating income | 46,171,240 | 65,429,010 |
| NET OPERATING INCOME | 1,121,030,734 | 1,034,062,347 |
| Staff costs | (514,176,250) | (535,929,100) |
| Other administrative costs | (359,454,254) | (360,209,388) |
| Depreciation and amortisation | (75,407,162) | (93,077,331) |
| Provisions net of reversals | 26,270,529 | 170,313,667 |
| Correction of the amount of loans and advances to customers and receivables from other debtors, net of reversals | (1,350,127,413) | (1,370,638,637) |
| Impairment of other financial assets net of reversals | (53,315,959) | (102,891,636) |
| Impairment of other assets net of reversals | (166,765,556) | (186,278,030) |
| INCOME BEFORE TAX | (1,371,945,331) | (1,444,648,108) |
| Income tax | - | - |
| Current | (19,440,710) | 40,309,004 |
| Deferred | 252,065,791 | 313,824,114 |
| | 232,625,081 | 354,133,118 |
| Net income for the year | (1,139,320,250) | (1,090,514,990) |
| Average number of ordinary shares outstanding | 1,180,000,000 | 1,180,000,000 |
| Earnings per share (in Euros) | (0.97) | (0.92) |

**Certified Public Accountant**

Andreia Júlia Meneses Alves

**Board of Directors**

*Chairman:* Álvaro José Barrigas do Nascimento

*Deputy - Chairmain:* José Agostinho Martins de Matos

*Members:* Nuno Maria Pinto de Magalhães Fernandes Thomaz

João Nuno de Oliveira Jorge Palma

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Eduardo Manuel Hintze da Paz Ferreira

Daniel Abel Monteiro Palhares Traça

Pedro Miguel Ribeiro de Almeida Fontes Falcão

*CAIXA GERAL DE DEPÓSITOS, S.A.*

## STATEMENT OF COMPREHENSIVE INCOME (SEPARATE)

(EUR Thousand)

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| *Balances subject to reclassification to profit or loss* | | |
| Adjustments to fair value of available-for-sale financial assets | | |
| Gains / (losses) arising during the year | 814,300 | 216,821 |
| Adjustments of fair value reserves reclassification to results | | |
| Recognition of impairment for the year | 53,453 | 106,138 |
| Disposal of available-for-sale financial assets | (317,510) | (118,110) |
| Tax effect | (151,332) | (62,099) |
| Currency changes in Branches | (6,658) | 2,614 |
| Other | 128 | 105 |
| *Subtotal* | 392,381 | 145,468 |
| *Balances not subject to reclassification to profit or loss* | | |
| Benefits to employees - amortisation of transition impact | | |
| Change in period | (22,491) | (22,491) |
| Tax effect | 6,151 | 7,068 |
| Benefits to employees - actuarial gains and losses | | |
| Change in period | (390,354) | (54,971) |
| Tax effect | 8,842 | 8,416 |
| *Subtotal* | (397,852) | (61,979) |
| Total comprehensive net income for the year recognised in reserves | (5,471) | 83,489 |
| Net income for the year | (1,139,320) | (1,090,515) |
| Total comprehensive net income for the year | (1,144,792) | (1,007,026) |

# *CAIXA GERAL DE DEPÓSITOS, S.A.*

## CASH FLOW STATEMENTS (SEPARATE)

(EUR Thousand)

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| **Cash flows from operating activities before changes in assets and liabilities** | | |
| Interest, commissions and similar income received | 3,144,482 | 3,508,197 |
| Interest, commissions and similar costs paid | (2,032,017) | (2,098,848) |
| Recovery of principal and interest | 24,450 | 29,444 |
| Payments to employees and suppliers | (799,485) | (800,613) |
| Payments and contributions to pensions funds and other benefits | (378,054) | (108,572) |
| Other results | 19,924 | 48,999 |
| | (20,700) | 578,607 |
| **(Increases) decreases in operating assets:** | | |
| Loans and advances to credit institutions and customers | 2,481,143 | 5,859,449 |
| Assets held for trade and other assets at fair value through profit or loss | (55,364) | 109,967 |
| Other assets | (330,423) | (58,067) |
| | 2,095,356 | 5,911,350 |
| **Increases (decreases) in operating liabilities:** | | |
| Resources of central banks and other credit institutions | (3,996,424) | (2,983,190) |
| Customer resources | 3,758,387 | (74,952) |
| Other liabilities | (266,126) | 102,899 |
| | (504,164) | (2,955,244) |
| **Net cash from operating activities before taxation** | 1,570,491 | 3,534,713 |
| Income tax | 60,430 | (38,909) |
| **Net cash from operating activities** | 1,630,922 | 3,495,804 |
| **INVESTING ACTIVITIES** | | |
| Capital gains from subsidiary and associated companies | 88,782 | 39,811 |
| Capital gains from available-for-sale financial assets | 28,616 | 44,087 |
| Acquisition of investments in subsidiary and associated companies, net of disposals | (66,936) | 383,478 |
| Acquisition of available-for-sale financial assets, net of disposals | 715,034 | (137,125) |
| Acquisition of tangible and intangible assets, net of disposals | (39,120) | (51,701) |
| **Net cash from investing activities** | 726,376 | 278,549 |
| **FINANCING ACTIVITIES** | | |
| Interest on subordinated liabilities | (116,051) | (142,349) |
| Interest on debt securities | (345,314) | (505,066) |
| Issue of subordinated liabilities, net of repayments | - | (400,128) |
| Issue of debt securities, net of repayments | (1,500,428) | (2,851,552) |
| Share capital increase | - | - |
| **Net cash from financing activities** | (1,961,794) | (3,899,095) |
| **Increase (decrease) in cash and cash equivalents** | 395,504 | (124,742) |
| Cash and cash equivalents at beginning of year | 1,223,465 | 1,348,605 |
| Effects of the exchange rate change on cash and cash equivalents | 2,697 | (399) |
| Net change of cash and cash equivalents | 395,504 | (124,742) |
| **Cash and cash equivalents at end of year** | **1,621,666** | **1,223,465** |

# CAIXA GERAL DE DEPÓSITOS, S.A.

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

(EUR Thousand)

| | Share capital | Revaluation reserves | | | | Other reserves and retained earnings | | | | Net income for the year | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Fair value reserves | Reserves for deferred tax | Fixed assets | Total | Legal reserve | Other reserves | Retained earnings | Total | | |
| Balances at 31 December 2012 | 5,900,000 | (254,742) | 76,586 | 110,425 | (67,731) | 862,906 | 279,038 | (365,886) | 776,058 | (679,067) | 5,929,260 |
| Appropriation of net income for 2012: | | | | | | | | | | | |
| Transfer to reserves and retained earnings | - | - | - | - | - | - | - | (679,067) | (679,067) | 679,067 | - |
| Other entries directly recorded in equity: | | | | | | | | | | | |
| Measurement gain/(losses) on available-for-sale financial assets | - | 204,849 | (62,099) | - | 142,749 | - | - | - | - | - | 142,749 |
| Amortisation of the impact of the transition to the NCA relative to post-employment benefits | - | - | - | - | - | - | - | (15,423) | (15,423) | - | (15,423) |
| Actuarial gains and losses recognition associated with post-employment benefits | - | - | - | - | - | - | (46,555) | - | (46,555) | - | (46,555) |
| Currency changes in Branches | - | - | - | - | - | - | 2,614 | - | 2,614 | - | 2,614 |
| Reclassification between reserves and retained earnings | - | - | - | - | - | - | (4,275) | 4,275 | - | - | - |
| Other | - | - | - | - | - | - | 105 | - | 105 | - | 105 |
| *Total gains and losses for the year recognised in equity* | - | 204,849 | (62,099) | - | 142,749 | - | (48,112) | (11,148) | (59,260) | - | 83,489 |
| Net income for the year | - | - | - | - | - | - | - | - | - | (1,090,515) | (1,090,515) |
| Balances at 31 December 2013 | 5,900,000 | (49,893) | 14,486 | 110,425 | 75,018 | 862,906 | 230,926 | (1,056,101) | 37,731 | (1,090,515) | 4,922,234 |
| Appropriation of net income for 2013: | | | | | | | | | | | |
| Transfer to reserves and retained earnings | - | - | - | - | - | - | - | (1,090,515) | (1,090,515) | 1,090,515 | - |
| Other entries directly recorded in equity: | | | | | | | | | | | |
| Measurement gain/(losses) on available-for-sale financial assets | - | 550,243 | (151,332) | - | 398,911 | - | - | - | - | - | 398,911 |
| Amortisation of the impact of the transition to the NCA relative to post-employment benefits | - | - | - | - | - | - | - | (16,340) | (16,340) | - | (16,340) |
| Actuarial gains and losses recognition associated with post-employment benefits | - | - | - | - | - | - | (381,512) | - | (381,512) | - | (381,512) |
| Currency changes in Branches | - | - | - | - | - | - | (6,658) | - | (6,658) | - | (6,658) |
| Reclassification between reserves and retained earnings | - | - | - | - | - | - | 28,408 | (28,408) | - | - | - |
| Other | - | - | - | - | - | - | 128 | - | 128 | - | 128 |
| *Total gains and losses for the year recognised in equity* | - | 550,243 | (151,332) | - | 398,911 | - | (359,635) | (44,748) | (404,382) | - | (5,471) |
| Net income for the year | - | - | - | - | - | - | - | - | - | (1,139,320) | (1,139,320) |
| Balances at 31 December 2014 | 5,900,000 | 500,349 | (136,846) | 110,425 | 473,929 | 862,906 | (128,709) | (2,191,364) | (1,457,166) | (1,139,320) | 3,777,443 |

# *CAIXA GERAL DE DEPÓSITOS, S.A.*

## CONSOLIDATED BALANCE SHEET

(EUR)

| ASSETS | Notes | 31-12-2014 Amounts before impairment, amortisation and depreciation | 31-12-2014 Impairment and amortisation and depreciation | 31-12-2014 Net assets | Restatement 31-12-2013 Net assets | Restatement 01-01-2013 Net assets |
|---|---|---|---|---|---|---|
| Cash and cash equivalents at central banks | 4 | 2,118,027,822 | - | 2,118,027,822 | 1,545,339,400 | 1,603,281,326 |
| Cash balances at other credit institutions | 5 | 878,298,322 | - | 878,298,322 | 1,036,583,292 | 1,302,011,713 |
| Loans and advances to credit institutions | 6 | 2,145,482,269 | (11,817,310) | 2,133,664,959 | 1,774,802,263 | 2,517,399,809 |
| | | 5,141,808,413 | (11,817,310) | 5,129,991,103 | 4,356,724,955 | 5,422,692,848 |
| Financial assets at fair value through profit or loss | 7 | 3,073,575,571 | - | 3,073,575,571 | 2,785,864,397 | 3,588,001,840 |
| Available-for-sale financial assets | 8 | 16,212,014,960 | (313,622,695) | 15,898,392,265 | 15,543,446,219 | 20,531,503,531 |
| Financial assets with repurchase agreement | 9 | 1,281,125,939 | - | 1,281,125,939 | 705,635,975 | 504,159,727 |
| Unit-linked investments | | - | - | - | - | 1,148,224,882 |
| Hedging derivatives | 10 | 78,007,840 | - | 78,007,840 | 45,458,045 | 98,725,204 |
| Held-to-maturity investments | | - | - | - | - | 2,469,277,441 |
| | | 20,644,724,310 | (313,622,695) | 20,331,101,615 | 19,080,404,636 | 28,339,892,625 |
| Loans and advances to customers | 11 | 72,093,863,516 | (5,230,291,790) | 66,863,571,726 | 70,017,510,890 | 74,641,533,297 |
| Non-current assets held for sale | 12 | 1,180,538,367 | (376,097,988) | 804,440,379 | 13,445,112,774 | 677,623,425 |
| Investment property | 13 | 1,189,246,257 | - | 1,189,246,257 | 1,308,252,546 | 1,562,534,198 |
| Other tangible assets | 14 | 1,683,251,301 | (1,016,944,157) | 666,307,144 | 675,044,821 | 941,155,879 |
| Intangible assets | 15 | 827,748,308 | (666,031,026) | 161,717,282 | 193,683,899 | 412,882,775 |
| Investments in associates and jointly controlled entities | 16 | 318,845,536 | - | 318,845,536 | 42,373,388 | 217,603,386 |
| Current tax assets | 17 | 54,947,327 | - | 54,947,327 | 128,719,533 | 61,157,690 |
| Deferred tax assets | 17 | 1,425,181,533 | - | 1,425,181,533 | 1,375,247,768 | 1,465,566,666 |
| Technical provisions for outwards reinsurance | | - | - | - | 5,547,290 | 197,427,457 |
| Other assets | 18 | 3,442,140,562 | (235,456,011) | 3,206,684,551 | 2,865,944,424 | 3,534,598,574 |
| **Total Assets** | | **108,002,295,430** | **(7,850,260,977)** | **100,152,034,453** | **113,494,566,924** | **117,474,668,820** |

| LIABILITIES AND EQUITY | Notes | 31-12-2014 | Restatement 31-12-2013 | Restatement 01-01-2013 |
|---|---|---|---|---|
| Resources of central banks and other credit institutions | 19 | 6,001,686,647 | 9,734,649,064 | 12,226,705,289 |
| | | - | - | - |
| Customer resources and other loans | 20 | 71,134,176,003 | 67,842,924,653 | 71,355,037,433 |
| Liability of unit-linked products | | - | - | 1,148,224,882 |
| Debt securities | 21 | 7,174,477,669 | 8,791,386,907 | 10,590,627,336 |
| | | 78,308,653,672 | 76,634,311,560 | 83,093,889,651 |
| | | - | - | - |
| Financial liabilities at fair value through profit or loss | 10 | 2,121,126,901 | 1,644,831,602 | 2,217,043,052 |
| Hedging derivatives | 10 | 20,040,095 | 65,109,513 | 84,478,780 |
| Non-current liabilities held for sale | 12 | 1,916,688 | 11,590,700,040 | 100,745,748 |
| Provisions for employee benefits | 22 and 34 | 572,386,256 | 539,437,537 | 549,949,797 |
| Provisions for other risks | 22 | 269,271,739 | 341,807,018 | 422,853,716 |
| Technical provisions for insurance contracts | | - | 10,108,361 | 4,224,143,023 |
| Current tax liabilities | 17 | 38,533,175 | 70,123,050 | 190,247,382 |
| Deferred tax liabilities | 17 | 370,362,213 | 180,574,120 | 194,020,677 |
| Other subordinated liabilities | 23 | 2,427,905,103 | 2,523,699,879 | 2,889,067,239 |
| Other liabilities | 24 | 3,527,392,288 | 3,483,597,161 | 4,129,990,999 |
| Total liabilities | | 93,659,274,777 | 106,818,948,905 | 110,323,135,353 |
| Share capital | 25 | 5,900,000,000 | 5,900,000,000 | 5,900,000,000 |
| Fair value reserves | 26 | 411,809,630 | 63,946,565 | (189,399,505) |
| Other reserves and retained earnings | 26 | (437,936,995) | 409,637,651 | 587,837,068 |
| Net income attributable to the shareholder of CGD | 26 | (348,044,044) | (578,890,188) | - |
| Equity attributable to the shareholder of CGD | | 5,525,828,591 | 5,794,694,028 | 6,298,437,563 |
| Non controlling interests | 27 | 966,931,085 | 880,923,991 | 853,095,904 |
| Total equity | | 6,492,759,676 | 6,675,618,019 | 7,151,533,467 |
| **Total liabilities and equity** | | **100,152,034,453** | **113,494,566,924** | **117,474,668,820** |

**Certified Public Accountant**

Andreia Júlia Meneses Alves

**Board of Directors**

*Chairman:* Álvaro José Barrigas do Nascimento

*Deputy - Chairmain:* José Agostinho Martins de Matos

*Members:* Nuno Maria Pinto de Magalhães Fernandes Thomaz

João Nuno de Oliveira Jorge Palma

José Pedro Cabral dos Santos

Ana Cristina de Sousa Leal

Maria João Borges Carioca Rodrigues

Pedro Miguel Valente Pires Bela Pimentel

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Eduardo Manuel Hintze da Paz Ferreira

Daniel Abel Monteiro Palhares Traça

Pedro Miguel Ribeiro de Almeida Fontes Falcão

## *CAIXA GERAL DE DEPÓSITOS, S.A.*

# CONSOLIDATED INCOME STATEMENT

(EUR)

| | Notes | 31/12/2014 | Restatement 31/12/2013 |
|---|---|---|---|
| Interest and similar income | 28 | 3,339,245,588 | 3,611,764,644 |
| Interest and similar costs | 28 | (2,350,510,507) | (2,756,916,085) |
| Income from equity instruments | 29 | 49,553,771 | 68,969,877 |
| NET INTEREST INCOME | | 1,038,288,852 | 923,818,436 |
| Income from services rendered and commissions | 30 | 659,055,344 | 673,049,763 |
| Cost of services and commissions | 30 | (144,038,877) | (159,581,997) |
| Results from financial operations | 31 | 201,656,956 | 263,165,972 |
| Other net operating income | 32 | (16,544,967) | 14,414,012 |
| NET OPERATING INCOME | | 1,738,417,308 | 1,714,866,186 |
| Staff costs | 33 | (729,579,714) | (792,993,460) |
| Other administrative costs | 35 | (487,393,025) | (476,309,300) |
| Depreciation and amortisation | 14 and 15 | (110,690,188) | (133,902,571) |
| Provisions net of reversals | 22 | 62,848,580 | 1,756,756 |
| Loan impairment net of reversals and recovery | 36 | (854,122,795) | (817,759,426) |
| Other assets impairment net of reversals and recovery | 36 | (158,325,846) | (309,489,265) |
| Result of subsidiaries held for sale | 12 | 285,934,632 | 135,458,753 |
| Result of associated companies | | 19,396,205 | 5,202,539 |
| INCOME BEFORE TAX AND NON CONTROLLING INTEREST | | (233,514,843) | (673,169,788) |
| Income tax | | | |
| *Current* | 17 | (67,636,356) | 1,223,388 |
| *Deferred* | 17 | 37,856,509 | 152,723,124 |
| | | (29,779,847) | 153,946,512 |
| CONSOLIDATED NET INCOME FOR THE YEAR, of which: | | (263,294,690) | (519,223,276) |
| Non controlling interest | 27 | (84,749,354) | (59,666,912) |
| NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD | | (348,044,044) | (578,890,188) |
| | | | |
| Average number of ordinary shares outstanding | 25 | 1,180,000,000 | 1,180,000,000 |
| Earnings per share (in Euros) | | (0.29) | (0.49) |

**Certified Public Accountant**

Andreia Júlia Meneses Alves

**Board of Directors**

*Chairman:* Álvaro José Barrigas do Nascimento

*Deputy - Chairmain:* José Agostinho Martins de Matos

*Members:* Nuno Maria Pinto de Magalhães Fernandes Thomaz

João Nuno de Oliveira Jorge Palma

José Pedro Cabral dos Santos

Ana Cristina de Sousa Leal

Maria João Borges Carioca Rodrigues

Pedro Miguel Valente Pires Bela Pimentel

José Luís Mexia Fraústo Crespo de Carvalho

José Ernst Henzler Vieira Branco

Eduardo Manuel Hintze da Paz Ferreira

Daniel Abel Monteiro Palhares Traça

Pedro Miguel Ribeiro de Almeida Fontes Falcão

## *CAIXA GERAL DE DEPÓSITOS, S.A.*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR Thousand)

| | 31-12-2014 | | | Restatement 31-12-2013 | | |
|---|---|---|---|---|---|---|
| | Current activities | Non-current activities | Total | Current activities | Non-current activities | Total |
| *Balances subject to reclassification to results* | | | | | | |
| Adjustments to fair value of available-for-sale financial assets | | | | | | |
| Gains / (losses) arising during the year | 730,840 | 122,620 | 853,460 | 327,346 | 92,493 | 419,839 |
| Adjustments of fair value reserves reclassification to results | | | | | | |
| Recognition of impairment for the year | 60,227 | - | 60,227 | 56,702 | - | 56,702 |
| Disposal of available-for-sale financial assets | (231,818) | (112,516) | (344,334) | (133,742) | (1,017) | (134,759) |
| Tax effect | (156,882) | 609 | (156,273) | (90,944) | (23,134) | (114,078) |
| Currency changes | | | | | | |
| Change in period | 89,091 | - | 89,091 | (123,578) | - | (123,578) |
| Adjustments of exchange reserves reclassification to results | | | | | | |
| Recognition of impairment for the year of available-for-sale financial assets | | | | | | |
| - Investment units in foreign currency | (44) | - | (44) | 2,147 | - | 2,147 |
| Recognition of foreign exchange gains and losses in connection with the disposal | | | | | | |
| of subsidiaries | - | - | - | 2,695 | - | 2,695 |
| Tax effect | (3,593) | - | (3,593) | 615 | - | 615 |
| Other | (1,733) | - | (1,733) | 7,738 | - | 7,738 |
| | 486,089 | 10,714 | 496,803 | 48,979 | 68,342 | 117,321 |
| *Balances not subject to reclassification to results* | | | | | | |
| Benefits to employees - actuarial gains and losses | | | | | | |
| Change in period | (390,354) | - | (390,354) | (54,971) | (4,970) | (59,941) |
| Tax effect | 8,842 | - | 8,842 | 8,416 | 1,571 | 9,987 |
| | (381,512) | - | (381,512) | (46,555) | (3,399) | (49,954) |
| Total comprehensive net income for the year recognised in reserves | 104,577 | 10,714 | 115,290 | 2,424 | 64,943 | 67,367 |
| | | | | | | |
| Net income for the year | (549,229) | 285,935 | (263,295) | (655,033) | 135,810 | (519,223) |
| TOTAL COMPREHENSIVE NET INCOME FOR YEAR, of which: | (444,652) | 296,648 | (148,004) | (652,609) | 200,753 | (451,857) |
| Non controlling interest | (95,381) | - | (95,381) | (44,867) | (815) | (45,682) |
| TOTAL COMPREHENSIVE NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD | (540,034) | 296,648 | (243,385) | (697,476) | 199,938 | (497,539) |

# CAIXA GERAL DE DEPÓSITOS, S.A.

## CONSOLIDATED CASH FLOWS STATEMENTS

(EUR Thousand)

| | 31/12/2014 | Restatement 31/12/2013 Current activities | Non-current activities | Total |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| **Cash flows from operating activities before changes in assets and liabilities** | | | | |
| Interest, commissions and similar income received | 3,972,784 | 4,332,303 | 296,937 | 4,629,240 |
| Interest, commissions and similar costs paid | (2,296,410) | (2,309,162) | (325,099) | (2,634,261) |
| Premiums received (insurance) | - | 5,013 | 1,181,700 | 1,186,713 |
| Cost and claims paid (insurance) | - | (1,725) | (963,560) | (965,286) |
| Recovery of principal and interest | 30,124 | 34,596 | - | 34,596 |
| Payments to employees and suppliers | (1,152,352) | (1,110,091) | (305,392) | (1,415,482) |
| Payments and contributions to pension funds and other benefits | (379,468) | (115,504) | (3,576) | (119,080) |
| Other results | 143,067 | 150,167 | 144,288 | 294,454 |
| | 317,746 | 985,596 | 25,297 | 1,010,893 |
| **(Increases) decreases in operating assets** | | | | |
| Loans and advances to credit institutions and customers | 1,227,101 | 4,555,096 | (710,415) | 3,844,680 |
| Assets held for trade and other assets at fair value through profit or loss | (14,083) | 120,627 | 552,516 | 673,143 |
| Other assets | (279,209) | (61,376) | 297,536 | 236,160 |
| | 933,809 | 4,614,347 | 139,636 | 4,753,983 |
| **Increases (decreases) in operating liabilities** | | | | |
| Resources of central banks and other credit institutions | (3,667,459) | (2,495,777) | 2,500 | (2,493,277) |
| Customer resources | 3,431,739 | 869,396 | - | 869,396 |
| Other liabilities | (44,861) | 130,839 | (547,929) | (417,090) |
| | (280,581) | (1,495,542) | (545,429) | (2,040,971) |
| **Net cash from operating activities before taxation** | 970,973 | 4,104,401 | (380,495) | 3,723,906 |
| Income tax | (21,907) | (107,160) | (156,579) | (263,740) |
| **Net cash from operating activities** | 949,067 | 3,997,241 | (537,074) | 3,460,166 |
| **INVESTING ACTIVITIES** | | | | |
| Dividends received from equity instruments | 49,568 | 74,424 | - | 74,424 |
| Acquisition of investments in subsidiary and associated companies, net of disposals | 967,626 | (23,732) | 38,290 | 14,558 |
| Acquisition of available-for-sale financial assets, net of disposals | 657,437 | (200,487) | 76,871 | (123,616) |
| Acquisition of tangible and intangible assets and investment property, net of disposals | (93,692) | (69,721) | (10,867) | (80,588) |
| **Net cash from investing activities** | 1,580,939 | (219,516) | 104,294 | (115,222) |
| **FINANCING ACTIVITIES** | | | | |
| Interest on subordinated liabilities | (117,229) | (143,829) | - | (143,829) |
| Interest on debt securities | (347,450) | (505,173) | - | (505,173) |
| Issue of subordinated liabilities, net of repayments | (104,039) | (399,286) | - | (399,286) |
| Issue of debt securities, net of repayments | (1,615,070) | (2,935,683) | - | (2,935,683) |
| **Net cash from financing activities** | (2,183,787) | (3,983,971) | - | (3,983,971) |
| **Increase (decrease) in cash and cash equivalents** | 346,219 | (206,246) | (432,780) | (639,026) |
| Cash and cash equivalents at the beginning of the year | 2,581,923 | 2,905,293 | - | 2,905,293 |
| Balances written-off in the process of consolidation affects the "Non-current assets held for sale" | - | 565,048 | - | 565,048 |
| Balances reclassified to "Non-current assets held for sale" | - | (616,014) | 616,014 | - |
| Effects of the exchange rate change on cash and cash equivalents | 68,185 | (66,160) | - | (66,160) |
| Net change of cash and cash equivalents | 346,219 | (206,246) | (432,780) | (639,026) |
| **Cash and cash equivalents at the end of the year** | 2,996,326 | 2,581,923 | 183,233 | 2,765,156 |

## *CAIXA GERAL DE DEPÓSITOS, S.A.*

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR Thousand)

| | Share capital | Fair value reserve | Other reserves and retained earnings: Other reserves | Other reserves and retained earnings: Retained earnings | Other reserves and retained earnings: Total | Net income for the year | Subtotal | Non controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balances at 31 December 2012 | 5,900,000 | (189,664) | 1,423,524 | (444,414) | 979,109 | (394,715) | 6,294,730 | 985,316 | 7,280,046 |
| Impact of the adoption of accounting standards to the preparation | | | | | | | | | |
| of consolidated financial statements (Note 2.3) | - | 264 | 1,411 | - | 1,411 | 2,033 | 3,707 | (132,220) | (128,513) |
| Balances at 31 December 2012 | 5,900,000 | (189,400) | 1,424,934 | (444,414) | 980,520 | (392,683) | 6,298,438 | 853,096 | 7,151,533 |
| Appropriation of net income for 2012: | | | | | | | | | |
| Transfer to reserves and retained earnings | - | - | 286,384 | (679,067) | (392,683) | 392,683 | - | - | - |
| Other entries directly recorded in equity: | | | | | | | | | |
| Measurement gain/(losses) on available-for-sale financial assets | - | 253,346 | (30,442) | - | (30,442) | - | 222,904 | 4,799 | 227,703 |
| Actuarial gains and losses recognition associated with post-employment benefits (IAS 19) | - | - | (49,954) | - | (49,954) | - | (49,954) | - | (49,954) |
| Currency changes in subsidiaries and branches | - | - | (102,967) | - | (102,967) | - | (102,967) | (15,153) | (118,120) |
| Other | - | - | 11,369 | - | 11,369 | - | 11,369 | (3,631) | 7,738 |
| *Total gains and losses for the year recognised in equity* | - | 253,346 | (171,994) | - | (171,994) | - | 81,352 | (13,985) | 67,367 |
| Share capital increase | - | - | - | - | - | - | - | - | - |
| Changes in Group perimeter | - | - | - | - | - | - | - | 816 | 816 |
| Written-put over non controlling interests - Partang | - | - | (6,205) | - | (6,205) | - | (6,205) | - | (6,205) |
| Dividends paid on preference shares and other dividends paid to non controlling interest | - | - | - | - | - | - | - | (18,670) | (18,670) |
| Reclassification between reserves and retained earnings | - | - | (41,402) | 41,402 | - | - | - | - | - |
| Net income for the year | - | - | - | - | - | (578,890) | (578,890) | 59,667 | (519,223) |
| Balances at 31 December 2013 | 5,900,000 | 63,947 | 1,491,717 | (1,082,079) | 409,638 | (578,890) | 5,794,694 | 880,924 | 6,675,618 |
| Appropriation of net income for 2013: | | | | | | | | | |
| Transfer to reserves and retained earnings | - | - | 511,625 | (1,090,515) | (578,890) | 578,890 | - | - | - |
| Other entries directly recorded in equity: | | | | | | | | | |
| Measurement gain/(losses) on available-for-sale financial assets | - | 347,863 | 68,875 | - | 68,875 | - | 416,738 | (3,657) | 413,081 |
| Actuarial gains and losses recognition associated with post-employment benefits (IAS 19) | - | - | (381,512) | - | (381,512) | - | (381,512) | - | (381,512) |
| Currency changes in subsidiaries and branches | - | - | 69,484 | - | 69,484 | - | 69,484 | 15,971 | 85,455 |
| Other | - | - | (51) | - | (51) | - | (51) | (1,682) | (1,733) |
| *Total gains and losses for the year recognised in equity* | - | 347,863 | (243,204) | - | (243,204) | - | 104,659 | 10,632 | 115,290 |
| Changes in Group perimeter | - | - | - | - | - | - | - | 8,849 | 8,849 |
| Written-put over non controlling interests - Partang | - | - | (25,480) | - | (25,480) | - | (25,480) | - | (25,480) |
| Dividends paid to non controlling interest | - | - | - | - | - | - | - | (18,223) | (18,223) |
| Reclassification between reserves and retained earnings | - | - | 79,901 | (79,901) | - | - | - | - | - |
| Net income for the year | - | - | - | - | - | (348,044) | (348,044) | 84,749 | (263,295) |
| Balances at 31 December 2014 | 5,900,000 | 411,810 | 1,814,558 | (2,252,495) | (437,937) | (348,044) | 5,525,829 | 966,931 | 6,492,760 |

# 2. NOTES, REPORTS AND OPINIONS ON THE ACCOUNTS

## 2.1. Notes to the consolidated financial statements

(Amounts expressed in thousand euros – unless otherwise indicated)

### 1. INTRODUCTORY NOTE

Caixa Geral de Depósitos, S.A. (Caixa or CGD), founded in 1876, is an exclusively state-owned public liability limited company. Caixa became a state-owned company on 1 September 1993 under decree law 287/93 of 20 August, which also approved its respective articles of association. Banco Nacional Ultramarino, S.A. (BNU) was merged with Caixa on 23 July 2001.

At 31 December 2014, CGD operated a nationwide network of 786 branch offices, with a branch in France having 48 offices, a branch in Timor with 13 offices, a branch in Luxembourg with 2 offices and branches in Spain, London, New York, Cayman Islands, Zhuhai and Macau.

Caixa also has direct and indirect equity stakes in a significant number of domestic and foreign companies, in Spain, Cape Verde, Angola, Mozambique, South Africa, Brazil and Macau, in which it has controlling interests. These companies comprise Caixa Geral de Depósitos group (group). They are active in various sectors such as banking, investment banking, brokerage, venture capital, property, asset management, specialised credit, e-commerce and cultural activities. Caixa also has equity stakes in companies operating in non-financial sectors of the Portuguese economy.

The consolidated financial statements, at 31 December 2014, were approved by the board of directors on 31 March 2015.

CGD's financial statements, at 31 December 2014 and those of a part of its subsidiaries, associates and jointly controlled enterprises require the approval of their corresponding shareholders' meetings. Caixa's board of directors considers, however, that the financial statements used for the preparation of these consolidated accounts will be approved without any significant changes.

The European Commission approved CGD's restructuring plan, as submitted by the Portuguese state, under the respective recapitalisation process, in July 2013.

The recapitalisation was required in the context of the new regulatory requirements imposed by the European Banking Authority (EBA) which resulted in the need for €1,650 million in additional capital (€750 million in the form of a capital increase and €900 million in core tier 1 equity instruments (note 23)), subscribed for in June 2012 by its state shareholder but considered by the European Commission as state aid.

CGD's approved restructuring plan focuses on its role in strengthening companies and individual customers in Portugal and is based on three main thrusts, designed to reinforce the strategy which is already being implemented.

- The deleveraging of CGD group's balance sheet with the disposal of its insurance arm and its other non-strategic investments, in addition to its run-down of non-core assets. Caixa therefore disposed of its equity stake in Portugal Telecom, SGPS, S.A. in 2013 (note 8). Additionally and as described in note 12, the contracts for Caixa Seguros e Saúde's disposal of its equity investments in its insurance companies, effective, however, only after authorisation from the competition and supervisory authorities, were signed in 2014;

- Improved operational efficiency, providing continuity to the endeavours, already in progress, to reduce operating costs by optimising the number of branches and employees and renegotiating service agreements. This resulted in the closure of 18 and 43 CGD branches in Portugal across 2014 and 2013, respectively;
- Restructuring of activity and the streamlining of CGD's branch office in Spain with the objective of ensuring its long term feasibility and autonomy from CGD in funding terms, in addition to ensuring a positive contribution to the group's results. This restructuring, involving the streamlining of its branch office network and optimisation of services and processes, resulted in a downsizing of the number of employees and the concentration of CGD's non-core assets in its Spain branch which will manage the respective run-off. The group recognised restructuring costs of €49,633 thousand, including around €37 million in "employee costs" (note 33) in its financial statements for 2013. To avoid the need for additional measures, performance indicators for the restructuring plan have been defined, to be achieved by this operation by 2015.

CGD's and CGD group's operating commitments include:

a) Not to acquire any equity stakes or assets corresponding to the performance of an activity, in excess of certain limits. This undertaking, however, does not apply in various situations such as acquisitions related with the management of loans and advances to customers in distress, within the scope of CGD's current activities;

b) Not to pursue aggressive commercial strategies;

c) A reduction of proprietary trading to the minimum required for the treasury function;

d) Not to lay claim to state aid or benefits therefrom deriving for advertising purposes;

e) Not to pay any dividends, coupons or interest to holders of preference shares or subordinated debt, when such payments do not derive from a contractual or legal obligation. Such payments will, however, be permitted if it is shown that any failure to make them could prejudice the redemption of core tier 1 equity instruments issued by CGD and subscribed for by the state in June 2012;

f) An investment of €30 million per annum in a fund to invest in the equity of Portuguese SMEs and mid caps, under the recapitalisation plan agreed with the Portuguese state. Any investment in excess of this amount must be approved in advance by the European Commission;

g) The continued expansion of its oversight policy on operational risk and prudent, healthy commercial policies geared to sustainability;

h) The appointment of a monitoring trustee, to oversee the implementation and performance of the measures set out in the restructuring plan;

i) Not to set up new businesses outside the geographies in which CGD group was not previously present;

j) To comply with all regulations and legal requirements on remuneration polices.

# 2. ACCOUNTING POLICIES

### 2.1. Presentation bases

The consolidated financial statements, at 31 December 2014, have been prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted in the European Union, following European Council and Parliament regulation (EC) 1606/2002 of 19 July and decree law 35/2005 of 17 February.

The accounting policies described in this note have been consistently applied across all periods provided for in the financial statements, except for aspects deriving from the adoption of a normative package on the preparation of consolidated financial statements (referred to as the "package of five"), which is mandatory in the European space for the financial years starting on or after 1 January 2014, as described in more detail in note 2.2.

### 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

During the course of 2014 and in the preparation of its financial statements, Caixa adopted the standards and interpretations issued by the IASB and IFRIC, respectively, provided that they were approved by the European Union, for application in the financial years starting on or after 1 January 2014. The following changes were of relevance to CGD:

- The "package of five"

  The IASB issued a collection of five standards on the items to be complied with in the sphere of the preparation of consolidated financial statements and the accounting of operations between venturers, in May 2011. Amendments to IAS 27 – "Consolidated and separate financial statements" and 28 – "Investments in associates" as well as the new IFRS 10 - "Consolidated financial statements", IFRS 11 – "Joint arrangements" and IFRS 12 – "Disclosures of interests in other entities" standards were accordingly issued. Each of these standards must be applied in the fiscal years starting on or after 1 January 2014.

  - IFRS 10 – "Consolidated financial statements" and IAS 27 – "Separate financial statements" (amended) – IFRS 10 revokes SIC - 12 "Consolidation - special purpose entities" and is based on the wording of IAS 27 as regards the sphere of application and criteria for the preparation of consolidated financial statements. The new standard establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one of more entities. The definition of control is established as the sole basis for the consolidation and is always considered to exist whenever an entity is exposed or entitled to the variable income from an entity and also has the capacity to influence such income. IAS 27 (amended) retains only the accounting and disclosure requirements applicable to the preparation of separate financial statements.

  - IFRS 11 – "Joint arrangements" – IFRS 11 revokes and substitutes IAS 31 – "Interests in joint ventures" and SIC - 13 - "Jointly controlled entities – non-monetary contributions by venturers". The new standard establishes the criteria for the identification, classification and accounting of joint ventures based on the rights and obligations of the parties involved in the transaction.

  - IAS 28 – "Investments in associates" (amended) – The amended wording of IAS 28 regulates the accounting of investments in associates and establishes the requirements for the application of the equity accounting method when accounting for investments in associates and joint ventures, applicable to entities with joint control or having a significant influence over others.

  - IFRS 12 – "Disclosures of interests in other entities" – This standard establishes the disclosure requirements for investments in associates and jointly owned entities, with the objective of enabling the type of risks represented by investments in such entities on the financial position, performance and cash flows of the investing entity to be assessed.

The impacts of the adoption of these standards are described in detail in note 2.3.

- IAS 32 – "Financial instruments: presentation" (amended) – The amendments aim to clarify the requirements to be complied with by an entity for the netting of financial assets and liabilities in its balance sheet. The amended standard specifically explains the principles of the "current enforceable legal right as opposed to the netting" and the "realisation (of the asset) and simultaneous payment (of the liability)". The revised standard must be applied in the fiscal years starting on or after 1 January 2014. Its adoption did not have an impact on a level of Caixa's equity.

- "Investment entities" - amendments to IFRS 10, IFRS 12 and IAS 27

  In October 2012, the IASB published an amendment to IFRS 10 introducing an exception to the consolidation of the subsidiaries of investment entities, having clarified the classification criteria of an entity as an investment entity. Investment entities are accordingly exempted from the need to consolidate their subsidiaries, provided that the latter do not provide services related with the former's investment activity. The revised standard must be applied in the fiscal years starting on or after 1 January 2014. Its adoption did not have an impact on a level of Caixa's equity.

- "Transition guidance" - amendments to IFRS 10, IFRS 11 and IFRS 12

  In June 2012, the IASB published a document aiming to clarify aspects related with guidance on the adoption of IFRS 10 – "Consolidated financial statements", IFRS 11 – "Joint arrangements" and IFRS 12 – "Disclosures of interests in other entities", amending the wording of the referred to standards, limiting the need for the presentation of comparative information only to the immediately preceding period. The amended standards must be applied in the fiscal years starting on or after 1 January 2014. This amendment had an impact on the disclosure requirements but did not as such, affect Caixa's equity.

- IAS 39 – "Financial instruments: recognition and measurement" (amended) – The amendments to the wording of the standard, introduced in June 2013, aim to establish the exceptional nature of the discontinuation of the application of hedge accounting whenever a derivative is novated through a central counterparty (in lieu of the original counterparties) and when deriving from legal or regulatory impositions. The revised standard must be applied in the fiscal years starting on or after 1 January 2014. Its adoption did not have an impact on a level of Caixa's equity.

- IAS 36 – "Impairment of assets" (amended) – In June 2013 the IASB published changes to the wording of IAS 36 with the objective of restricting the need to disclose the recoverable value of an asset or cash generating unit to the years in which increases or reversals of the impairment allocated thereto have occurred. The extent of the disclosure requirements, which should be carried out whenever the recoverable value has been assessed on the basis of the respective fair value, net of the costs incurred on the sale, is also clarified. The amended standard must be applied in the fiscal years starting on or after 1 January 2014. Its adoption did not have an impact on a level of Caixa's equity.

The following standards and interpretation issued by the IASB and approved by the European Union were available for early adoption at 31 December 2014:

- IFRIC 21 – "Levies" – This interpretation published by the IFRIC in May 2013, defines requirements for the recognition of obligations imposed by a government (either directly or through bodies recognised by it) on the basis of regulation approved for the purpose, clarifying the principles of the identification and accounting recognition of the underlying liability. This standard must be applied in the European space for the fiscal years starting on or after 17 June 2014.

- IAS 19 – "Employee benefits" (amended) – The revision of the wording of this standard, published by the IASB in November 2013, clarifies the accounting of employees' contributions for services provided in the sphere of defined benefit plans. It establishes that the independently assessed contributions for the number of years of service provided may be recognised as a deduction from the current service costs of the year in which they are payable and in other cases processed in accordance with the formula used to assess the contributions of the plan which has been adopted by the entity in assessing the amount of liabilities, or, alternatively, in a linear manner based on the respective number of years of service. The accounting policy herein adopted should be applied in a consistent manner. This standard must be applied in the fiscal years starting on or after 1 July 2014.

- Annual improvements to the IFRS 2010-2012 cycle

The document published by the IASB in December 2013 aims to make a series of amendments to IFRS 2 – "Share based payments", IFRS 3 – "Business combinations", IFRS 8 - "Operating segments", IFRS 13 "Fair value measurement", IAS 16 – "Tangible fixed assets", IAS 24 – Related party disclosures" and IAS 38 – "Intangible assets". Although these amendments must be applied in the economic periods starting on or after 1 July 2014 they may be adopted in advance. Reference should be made to the following amendments:

- IFRS 3 – "Business combinations": The amendments to the wording of this standard aim to clarify that a contingent remuneration inherent to a business combination which is recognised as an asset or a liability should be accounted for at its fair value whether or not a financial instrument under IAS 39 or IFRS 9 or a non-financial asset. The change in the fair value of this asset or liability (that no measurement of adjustment during the period) should be recognised as a charge to profit and loss.
- IFRS 8 – "Operating segments": The amendments to the wording of this standard (i) determine the need to disclose criteria inherent to the aggregation of the operating segments which have been applied by management in its preparation of disclosures (including a description of the aggregated segments and relevant economic indicators in the assessment of their similarity); and (ii) clarify that the reconciliation of the entity's total assets clarify that reconciliation of total assets of the entity compared to assets of the reportable segment is only required if regularly prepared for internal management analysis.
- IAS 24 – "Related party disclosures": The amendments to the wording of this standard clarify that an entity providing management services comprising an assignment of the skills of key management employees is an entity which is related to the entity to which the service is provided and that the amounts of compensation paid for the referred to service (although this need not be split up by type) should, consequently, be disclosed.

- Annual improvements to the IFRS 2011-2013 cycle

The document published by the IASB in December 2013 aims to make a series of amendments to IFRS 1 – "First-time adoption of the International Financial Reporting Standards, IFRS 3 – "Business combinations", IFRS 13 "Fair value measurement" and IAS 40 – "Investment properties". Although the amendments must be applied in the fiscal years starting on or after 1 July 2014 they may be adopted in advance. Reference should be made to the following amendments.

- IFRS 13 – "Fair value measurement": The amendments made to the wording of the standard aim to clarify that the exceptions applied to the measurement of groups of financial assets and liabilities at their respective net amount encompass all of the contracts included or measured in accordance with IAS 39 or IFRS 9 requirements, whether or not complying with the classification criteria as a financial asset or liability established by IAS 32.

- IAS 40 – "Investment properties": The amendments made to the wording of the standard aim to clarify that the application of IAS 40 and IFRS 3 are not mutually exclusive, for which on the acquisition of property it should be necessary to assess whether it complies with the classification criteria as investment property and simultaneously if the acquisition's underlying transaction complies with the criteria of a business combination.

Up to the date of the approval of these financial statements, the following standards and interpretations which have not, as yet, been approved by the European Union were issued:

- IFRS 9 – "Financial instruments" (and subsequent amendments) – This standard, published by the IASB in November 2009 and latterly republished in July 2014 aims to replace the current wording of IAS 39 – "Financial instruments: classification and measurement" in stages. The current criteria for the classification and measurement of financial assets, recognition of impairment, application of hedge accounting (excluding macro hedges) and derecognition of financial instruments have been amended. Although this standard must be applied in the fiscal years starting on or after 1 January 2018 it may be adopted in advance subject to certain limitations.

- IFRS 15 – "Revenue from contracts with customers". This standard, published by the IASB in May 2014 specifies the form and timing of the recognition of revenue and also provides information on the disclosure requirements prescribed regarding the entities subject to its application. IFRS 15 provides for a recognition model based on five principles whose application should also include all contractual relationships established with customers. This standard must be applied in the fiscal years starting on or after 1 January 2017.

- IFRS 10 – "Consolidated financial statements", IFRS 12 – "Disclosure of interests in other entities" and IAS 28 – "Investments in subsidiaries" (amendments) – The amendments made to the wording of these standards in December 2014, aim to clarify a series of issues related with the application of the exception of the consolidation attributed to investment entities, namely as regards the extending of the referred to exception to consolidation sub-groups or entities providing services related with the group's investment activities. The amendments to these standards must be applied in the fiscal years starting on or after 1 January 2016.

- IAS 1 – "Presentation of financial statements" (amendment) – The amendments made to the wording of IAS 1 in December 2014 are based on the intention to ensure the evolution and, in parallel, simplification of the standard requirements inherent to the application of the IAS/IFRS. The amendment to this standard must be applied in the fiscal years starting on or after 1 January 2016.

- Annual improvements to the IFRS 2012-2014 cycle

  This document, published by the IASB in September 2014 aims to make a series of amendments to IFRS 5 – "Non-current assets held for sale and discontinued operations", IFRS 7 – "Financial instruments: disclosures", IAS 19 – "Employee benefits" and IAS 34 – Interim financial reporting". Although these amendments must be applied in the economic periods starting on or after 1 January 2016 they may be adopted in advance. Reference should be made to the following amendments:

  - IFRS 7 – "Financial instruments: disclosures": Adds specific guidelines to the classification of continuing servicing contracts in operations for the transfer of financial assets as well as the disclosure requirements with which they should comply.

- IAS 19 – “Employee benefits”: Clarifies that issuances of large amounts of debt, used as a reference for the assessment of the discount rate on benefits liabilities, should be denominated in the same currency in which the bonds will be settled.

- IFRS 10 – “Consolidated financial statements” and IAS 28 – “Investments in associates” (amendments) – The amendments to the wording of these standards in September 2014, derive from the existence of a conflict in the respective accounting provisions in the sphere of a sale or a contribution of assets between an investor and an associate or a jointly controlled entity. The amendments to these standards must be applied in the economic periods starting on or after 1 January 2016.

- IAS 27 – “Separate financial statements” (amendment) – As a result of the amendments to the wording of this standard in August 2014, the IASB permitted the reintroduction of the possibility of the use of the equity accounting method to assess the amount of investments in associates, joint investments and investments in subsidiaries in the separate financial statements of an entity submitting consolidated financial statements. The amendment to this standard must be applied in the economic periods starting on or after 1 January 2016.

- IAS 16 – “Tangible fixed assets” and IAS 38 – “Intangible assets” (amendments) – The amendments to the wording of these standards in June 2014, enabled what are considered to be acceptable methods for the depreciation of tangible fixed assets and intangible assets to be clarified. The amendments to these standards must be applied in the economic periods starting on or after 1 January 2016.

- IFRS 11 – “Joint arrangements” (amendment) – The amendment to the wording of this standard clarified that IFRS 3 applies to the initial accounting of joint interests (or latter reinforcements) whenever they constitute a business, pursuant to the designation provided for in this regulation. The amendment to this standard must be applied in the economic periods starting on or after 1 January 2016.

The board of directors considers that the adoption of the above referred to standards and interpretations, especially focusing on the requirements of IFRS 9 “Financial instruments” may cause changes of some significance on a level of the preparation and presentation of the group’s financial statements as well as on the extent and contents of the required disclosures. As, however, a detailed analysis of the implications involved in the application of these standards has still to be completed, they cannot be quantified.

**2.3. Change of accounting policy – preparation of consolidated financial statements**

In 2014, the group adopted the new rules regarding the scope, criteria and application principles on the process for the preparation of consolidated financial statements, in addition to their respective disclosure requirements, comprising amendments to IAS 27 - "Separate financial statements" and IAS 28 - "Investments in associates and joint ventures", as well as the following new standards:

- IFRS 10 - "Consolidated financial statements;
- IFRS 11 - "Joint arrangements"; and
- IFRS 12 - "Disclosure of interests in other entities".

This new package of standards revoked a part of the wording of IAS 27, IAS 31 and SIC 12 and 13.

In the sphere of the application of IFRS 10, the group revalued the composition of the perimeter of the entities considered in the consolidation process in light of the new control concept which determines the cumulative presence of the following items as critical factors in the analysis: (i) the capacity to manage the activities of the entity identified as being relevant; (ii) exposure or rights to the variable results generated in the sphere of the relationship maintained with the referred to entity; and (iii) the capacity to wield its power to influence the said results and distribution. As a result of the referred to analysis, *Fundo de Investimento Imobiliário Aberto Fundimo, Fundo Especial de Investimento Imobiliário Fechado Fundiestamo* and *Imobci, Lda*. (an entity which was already included in the consolidation perimeter as an investment in associates) were included in the group's consolidation perimeter.

In conformity with the transitional requirements defined for IFRS 10, the group applied the standard retrospectively, having re-expressed its consolidated financial statements for the comparative periods, submitted in accordance with the provisions of IAS 8. The main impacts on shareholders' equity and net results are set out below:

| | 01-01-2013 | | | 31-12-2013 | | |
|---|---|---|---|---|---|---|
| | Equity attributable to the shareholder of CGD | Non-controlling interests | Total | Equity attributable to the shareholder of CGD | Non-controlling interests | Total |
| Statutory capital before change in accounting policy | 6,294,730 | 985,316 | 7,280,046 | 5,797,028 | 1,024,139 | 6,821,167 |
| . Changes in the consolidation perimeter for the inclusion of new entities not previously considered | 3,707 | 32,044 | 35,751 | (2,334) | 27,906 | 25,572 |
| . Recognition as a liability of the responsibilities assigned to the equity component held by non-controlling interests when they hold an option to redeem the investment by the respective NAV (Net Asset Vaue) interests | - | (164,264) | (164,264) | - | (171,121) | (171,121) |
| Restated equity | 6,298,438 | 853,096 | 7,151,533 | 5,794,694 | 880,924 | 6,675,618 |

| | 31-12-2013 |
|---|---|
| Consolidated net income attributable to the shareholder of CGD (before change in accounting policy) | (575,785) |
| . Appropriation of the results of new integrated entities in consolidation perimeter | (3,105) |
| Consolidated net income attributable to the shareholder of CGD (after change in accounting policy) | (578,890) |
| Earnings per share before change in accounting policy | (0.49) |
| Earnings per share after change in accounting policy | (0.49) |

The reorganisation of the consolidation perimeter also had the following effects on the main balance sheet and financial statements aggregates:

| BALANCE SHEET | 31-12-2013 | | |
|---|---|---|---|
| ASSETS | Amounts before the change in the accounting policy | Restated amounts after the change in the accounting policy | Adjustments related to the change in the accounting policy |
| Cash and cash equivalents at central banks | 1,545,339 | 1,545,339 | - |
| Cash balances at other credit institutions | 1,036,504 | 1,036,583 | 79 |
| Loans and advances to credit institutions | 1,774,802 | 1,774,802 | - |
| | 4,356,646 | 4,356,725 | 79 |
| Financial assets at fair value through profit or loss | 3,213,751 | 2,785,864 | (427,887) |
| Available-for-sale financial assets | 15,582,154 | 15,543,446 | (38,708) |
| Financial assets with repurchase agreement | 705,636 | 705,636 | - |
| Hedging derivatives | 45,458 | 45,458 | - |
| | 19,547,000 | 19,080,405 | (466,595) |
| Loans and advances to customers | 70,074,462 | 70,017,511 | (56,951) |
| Non-current assets held for sale | 13,455,813 | 13,445,113 | (10,700) |
| Investment property | 340,055 | 1,308,253 | 968,198 |
| Other tangible assets | 621,816 | 675,045 | 53,229 |
| Intangible assets | 193,683 | 193,684 | 1 |
| Investments in associates and jointly controlled entities | 42,311 | 42,373 | 62 |
| Current tax assets | 128,238 | 128,720 | 481 |
| Deferred tax assets | 1,377,932 | 1,375,248 | (2,684) |
| Technical provisions for outwards reinsurance | 5,547 | 5,547 | - |
| Other assets | 2,819,339 | 2,865,944 | 46,606 |
| **Total assets** | 112,962,840 | 113,494,567 | 531,726 |

| LIABILITIES AND EQUITY | 31-12-2013 Amounts before the change in the accounting policy | 31-12-2013 Restated amounts after the change in the accounting policy | 31-12-2013 Adjustments related to the change in the accounting policy |
|---|---|---|---|
| Resources of central banks and other credit institutions | 9,734,649 | 9,734,649 | - |
| | | | |
| Customer resources | 67,824,469 | 67,842,925 | 18,455 |
| Debt securities | 8,791,387 | 8,791,387 | - |
| | 76,615,856 | 76,634,312 | 18,455 |
| | | | |
| Financial liabilities at fair value through profit or loss | 1,644,832 | 1,644,832 | - |
| Hedging derivatives with negative revaluation | 65,110 | 65,110 | - |
| Non-current liabilities held for sale | 11,590,700 | 11,590,700 | - |
| Provisions for employee benefits | 539,438 | 539,438 | - |
| Provisions for other risks | 341,807 | 341,807 | - |
| Technical provisions for insurance contracts | 10,108 | 10,108 | - |
| Current tax liabilities | 64,952 | 70,123 | 5,171 |
| Deferred tax liabilities | 178,715 | 180,574 | 1,859 |
| Other subordinated liabilities | 2,523,700 | 2,523,700 | - |
| Other liabilities | 2,831,807 | 3,483,597 | 651,790 |
| Total liabilities | 106,141,673 | 106,818,949 | 677,275 |
| | | | |
| Share capital | 5,900,000 | 5,900,000 | - |
| Fair value reserves | 63,074 | 63,947 | 872 |
| Other reserves and retained earnings | 409,739 | 409,638 | (101) |
| Net income attributable to the shareholder of CGD | (575,785) | (578,890) | (3,105) |
| Equity attributable to the shareholder of CGD | 5,797,028 | 5,794,694 | (2,334) |
| Non-controlling interests | 1,024,139 | 880,924 | (143,215) |
| Total equity | 6,821,167 | 6,675,618 | (145,549) |
| **Total liabilities and equity** | 112,962,840 | 113,494,567 | 531,726 |

| BALANCE SHEET<br>ASSETS | 01-01-2013 Amounts before the change in the accounting policy | 01-01-2013 Restated amounts after the change in the accounting policy | 01-01-2013 Adjustments related to the change in the accounting policy |
|---|---|---|---|
| Cash and cash equivalents at central banks | 1,603,281 | 1,603,281 | - |
| Cash balances at other credit institutions | 1,302,012 | 1,302,012 | - |
| Loans and advances to credit institutions | 2,517,400 | 2,517,400 | - |
| | 5,422,693 | 5,422,693 | - |
| Financial assets at fair value through profit or loss | 3,998,698 | 3,588,002 | (410,696) |
| Available-for-sale financial assets | 20,576,477 | 20,531,504 | (44,973) |
| Financial assets with repurchase agreement | 504,160 | 504,160 | - |
| Unit-linked investments | 1,148,225 | 1,148,225 | - |
| Hedging derivatives | 98,725 | 98,725 | - |
| Held-to-maturity investments | 2,469,277 | 2,469,277 | - |
| | 28,795,562 | 28,339,893 | (455,669) |
| Loans and advances to customers | 74,734,584 | 74,641,533 | (93,050) |
| Non-current assets held for sale | 677,623 | 677,623 | - |
| Investment property | 534,238 | 1,562,534 | 1,028,296 |
| Other tangible assets | 903,607 | 941,156 | 37,549 |
| Intangible assets | 412,883 | 412,883 | - |
| Investments in associates and jointly controlled entities | 217,603 | 217,603 | - |
| Current tax assets | 60,862 | 61,158 | 296 |
| Deferred tax assets | 1,467,789 | 1,465,567 | (2,222) |
| Technical provisions for outwards reinsurance | 197,427 | 197,427 | - |
| Other assets | 3,433,757 | 3,534,599 | 100,842 |
| **Total assets** | 116,858,628 | 117,474,669 | 616,041 |

| LIABILITIES AND EQUITY | 01-01-2013 Amounts before the change in the accounting policy | 01-01-2013 Restated amounts after the change in the accounting policy | 01-01-2013 Adjustments related to the change in the accounting policy |
|---|---|---|---|
| Resources of central banks and other credit institutions | 12,226,705 | 12,226,705 | - |
| | | | |
| Customer resources | 71,355,037 | 71,355,037 | - |
| Liability of unit-linked products | 1,148,225 | 1,148,225 | - |
| Debt securities | 10,590,627 | 10,590,627 | - |
| | 83,093,890 | 83,093,890 | - |
| | | | |
| Financial liabilities at fair value through profit or loss | 2,217,043 | 2,217,043 | - |
| Hedging derivatives with negative revaluation | 84,479 | 84,479 | - |
| | 100,746 | 100,746 | |
| Provisions for employee benefits | 549,950 | 549,950 | - |
| Provisions for other risks | 422,854 | 422,854 | - |
| Technical provisions for insurance contracts | 4,224,143 | 4,224,143 | - |
| Current tax liabilities | 184,063 | 190,247 | 6,185 |
| Deferred tax liabilities | 190,650 | 194,021 | 3,370 |
| Other subordinated liabilities | 2,889,067 | 2,889,067 | - |
| Other liabilities | 3,394,992 | 4,129,991 | 734,999 |
| Total liabilities | 109,578,582 | 110,323,135 | 744,554 |
| | | | |
| Share capital | 5,900,000 | 5,900,000 | - |
| Fair value reserves | (189,664) | (189,400) | 264 |
| Other reserves and retained earnings | 584,393 | 587,837 | 3,444 |
| Net income attributable to the shareholder of CGD | - | - | - |
| Equity attributable to the shareholder of CGD | 6,294,730 | 6,298,438 | 3,707 |
| Non-controlling interests | 985,316 | 853,096 | (132,220) |
| Total equity | 7,280,046 | 7,151,533 | (128,513) |
| **Total liabilities and equity** | 116,858,628 | 117,474,669 | 616,041 |

| INCOME STATEMENT | 31-12-2013 | | |
|---|---|---|---|
| | Amounts before the change in the accounting policy | Restated amounts after the change in the accounting policy | Adjustments related to the change in the accounting policy |
| Interest and similar income | 3,615,140 | 3,611,765 | (3,375) |
| Interest and similar costs | (2,756,879) | (2,756,916) | (37) |
| Income from equity instruments | 72,483 | 68,970 | (3,514) |
| NET INTEREST INCOME | 930,744 | 923,818 | (6,926) |
| Income from services rendered and commissions | 680,087 | 673,050 | (7,037) |
| Cost of services and commissions | (158,044) | (159,582) | (1,538) |
| Results from financial operations | 267,145 | 263,166 | (3,979) |
| Other net operating income | (15,507) | 14,414 | 29,921 |
| NET OPERATING INCOME | 1,704,426 | 1,714,866 | 10,440 |
| Staff costs | (792,879) | (792,993) | (114) |
| Other administrative costs | (469,401) | (476,309) | (6,908) |
| Depreciation and amortisation | (131,762) | (133,903) | (2,141) |
| Provisions net of reversals | 1,757 | 1,757 | - |
| Loan impairment net of reversals and recovery | (817,759) | (817,759) | - |
| Other assets impairment net of reversals and recovery | (309,484) | (309,489) | (6) |
| Results in subsidiaries held for sale | 135,810 | 135,459 | (351) |
| Results in associated companies and jointly controlled entities | 5,030 | 5,203 | 172 |
| INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS | (674,262) | (673,170) | 1,093 |
| Tax | | | |
| *Current* | 6,328 | 1,223 | (5,105) |
| *Deferred* | 156,887 | 152,723 | (4,164) |
| | 163,215 | 153,947 | (9,269) |
| Consolidated net income for the year, of which: | (511,047) | (519,223) | (8,176) |
| Non-controlling interests | (64,738) | (59,667) | 5,071 |
| CONSOLIDATED NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD | (575,785) | (578,890) | (3,105) |

The adoption of IFRS 11 did not have any impact on the re-measurement of the group's assets and liabilities, as the change in the form of recognising interests in joint arrangements in 2013 (henceforth recognised in accordance with the equity accounting method), enabled its main effects to be anticipated.

### 2.4. Consolidation principles

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

Under IFRS 10, the group considers that it wields control when it is exposed or has rights to the variable returns generated by a specific entity (referred to as a "subsidiary") and may, based on the application of the power retained by it and its relevant capacity to manage their activities, take control of them (*de facto* power).

The accounts of CGD group subsidiaries were consolidated by the global integration method in which significant transactions and balances between the consolidated companies have been eliminated. Consolidation adjustments are also made, when applicable, to ensure consistency in the application of the group's accounting principles.

The amount of third party investment in subsidiaries is recognised in "non-controlling interests" in equity. In the specific case of the investment funds included in the consolidation parameter, whenever the holders of non-controlling interests have redemption options on the investment at their equity value, they are entered in "Other liabilities" (note 24) and the corresponding changes recognised in profit and loss.

Consolidated profit comprises the aggregation of CGD's and its subsidiary entities' net results, in proportion to their effective percentage holding, following consolidation adjustments, i.e. the elimination of dividends received and capital gains and losses on transactions between companies included in the consolidation perimeter.

### 2.5. Concentrations of business activities and goodwill

Acquisitions of subsidiaries are recognised by the purchase method. The acquisition cost comprises the aggregate fair value of assets delivered, equity instruments issued and liabilities incurred or assumed in exchange for achieving control over the acquired entity. Costs incurred on the acquisition, when directly attributable to the operation, are recognised as costs for the period on the date of purchase. Upon the acquisition date, which is the date upon which the group achieves control over the subsidiary, identifiable assets, liabilities and contingent liabilities meeting the recognition requirements of IFRS 3 – "Business combinations" are recognised at their respective fair value.

Goodwill is the positive difference, upon the purchase date, between the cost of a subsidiary's acquisition and the fair value attributable to the acquisition of the respective assets, liabilities and contingent liabilities purchased. Goodwill is recognised as an asset and is not depreciated.

If the fair value of identifiable assets, liabilities and contingent liabilities acquired in the transaction exceeds the acquisition cost, the excess is recognised as income in profit and loss for the period.

The acquisition of non-controlling interests after control over a subsidiary has been achieved is recognised as a transaction with shareholders, with no additional goodwill being recognised. The difference between the value attributed to non-controlling interests and the respective acquisition cost at the transaction date is directly recognised as a charge to reserves. The impacts of disposals of non-controlling interests when not entailing a loss of control over a subsidiary are similarly recognised in reserves. Gains or losses on disposals of non-controlling interests, when entailing changes in control over the subsidiary, are recognised by the group as a charge to profit and loss on the transaction date.

The group performs impairment tests on balance sheet goodwill, at least once a year, in accordance with the requirements of IAS 36 – "Impairment of assets". For this purpose, goodwill is allocated to cash flow generating units whose respective recoverable value is based on cash flow projections at discount rates the group considers appropriate. Impairment losses on goodwill are recognised in its results for the year and cannot be reversed.

Up to 1 January 2004, as permitted by the accounting policies defined by the Bank of Portugal, goodwill was fully deducted from equity in the year of the acquisition of the subsidiaries. As permitted under IFRS 1 and as the group did not make any changes to this recognition procedure, goodwill, generated on operations, up to 1 January 2004, continued to be deducted from reserves.

*Accounting of written put options*

Liabilities resulting from written put options on non-controlling interests are initially recognised by the group as a charge to "Other reserves". Subsequent changes to the fair value of the put option measured on the basis of the agreed terms, are also recognised as a charge to "Other reserves", except for funding costs on the recognition of the liability, which are recognised in "Interest and similar costs" in profit and loss.

### 2.6. Investments in associates and joint arrangements

"Associates" are companies over which the group wields significant influence but whose management it does not effectively control. Significant influence is presumed to exist whenever the group has a direct or indirect equity stake or voting rights of 20%, unless it can be clearly shown that this is not the case. In parallel, no significant influence is considered to exist whenever the referred to investment is less than 20%, unless the opposite can also be clearly shown.

According to the requirements of IAS 28, a significant group influence usually takes one of the following forms:

- Membership of the board of directors or an equivalent management body;
- Participation in the process for defining policies, including resolutions on dividends or other appropriations;
- Material transactions between an associate and group;
- Interchange between managers;
- Supply of essential technical information.

There are also situations in which the group, together with other entities, wields joint control over the activity of a company in which the equity stake is held ("jointly controlled enterprises"), usually structured on a basis of shared voting rights and similar decisions.

Investments in associates and jointly controlled enterprises are recognised by the equity accounting method, pursuant to which investments are initially valued at their respective acquisition cost and subsequently adjusted on the basis of the group's effective percentage of changes in its associates' shareholders' equity (including results). The equity accounting method is applied up to the time when the accumulated losses incurred by the associate or jointly controlled enterprise, when recognised by the group, exceed the investment's respective balance sheet value from which time it is discontinued, unless any legal or constructive obligation requires a specific provision to be set up to recognise such losses.

In the case of materially relevant divergences, adjustments are made to the equity of the companies, used for the application of the equity accounting method, to comply with the group's accounting principles.

Goodwill, comprising the positive difference between the acquisition cost and fair value attributed to the acquisition of the respective assets, liabilities and contingent liabilities, continues to be recognised in the investment's carrying amount, whose full balance sheet amount is subject to annual impairment tests.

Unrealised gains or losses on transactions with associates and jointly controlled enterprises are eliminated to the extent of the group's effective stake in the said entities.

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

The separate accounts of each group entity included in the consolidation are prepared in accordance with the currency used in the economic area in which they operate (referred to as the "functional currency"). In the consolidated accounts, the results and financial position of each entity are expressed in euros as CGD group's functional currency.

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

Monetary assets and liabilities in foreign currency at each balance sheet date are translated into each entity's functional currency at the exchange rate in force. Non-monetary assets measured at fair value are translated on the basis of the exchange rate 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 results for the period, unless arising on non-monetary financial instruments recognised at fair value, such as shares classified as available-for-sale financial assets, which are recognised in a specific equity heading until disposal.

In the consolidated accounts, the assets and liabilities of entities with a functional currency other than the euro are translated at the closing exchange rate, as opposed to income and expenses which are translated at the average rates for the period. Under this method, translation differences are recognised in "Other reserves" in shareholders' equity and their respective balance is transferred to results at the time of the subsidiaries' respective disposals.

As permitted by IFRS 1, the group opted not to recalculate and therefore did not recognise the impact of the translation of the financial statements of its subsidiaries expressed in foreign currency up to 31 December 2003 in "Other reserves". In the case of the disposals of subsidiaries or associates after the said date, only exchange rate gains/losses originating from 1 January 2004 will therefore be reclassified to profit and loss.

### 2.8. Financial instruments

a) Financial assets

Financial assets are recognised at their respective fair value at the contract date. In the case of financial assets measured at fair value through profit or loss, the costs directly attributable to the transaction are recognised in the "Cost of services and commissions". In other cases, such costs are added to the asset's book value. Upon initial recognition, such 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, essentially comprising securities acquired for the purpose of realising gains on short term market price fluctuations. This category also includes derivatives, excluding derivatives complying with hedge accounting requirements; and
- Financial assets irrevocably designated at fair value through profit or loss ("fair value option") upon initial recognition. This designation is limited to situations in which their adoption results in the production of more relevant financial information, i.e.
  - If their application eliminates or significantly reduces an accounting mismatch which would otherwise have occurred as a result of measuring related assets and liabilities or an inconsistency in the recognition of gains and losses thereon.
  - Groups of financial assets, financial liabilities, or both, which are managed and whose performance is assessed on a fair value basis, in accordance with formally documented risk management and investment strategies and when information thereon is internally distributed to management bodies.
  - Financial instruments containing one or more embedded derivatives may also be classified herein, unless:
  - The embedded derivatives do not significantly modify the cash flows which would otherwise have been produced under the contract;
  - It is evident, with little or no analysis that the implicit derivatives should not be separated out.

Financial assets classified in this category are recognised at fair value whose gains and losses generated by their subsequent valuation are recognised in the income statement in the "Income from financial operations" account. Interest is recognised in the appropriate "Interest and similar income" accounts.

ii) Held-to-maturity investments

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

These financial assets are recognised at amortised cost. In accordance with this method, the financial instruments' carrying amount at each balance sheet date comprises their initial cost, net of repayments of principal and impairment losses and adjusted for amortisation, using the effective interest rate method on any difference between the initial cost and the amount of the repayment.

Interest is recognised by the effective interest rate method, which enables amortised cost to be calculated and interest to be split up over the period of the operations. The effective interest rate is the rate used to discount the cash flows projections associated with the financial instrument, enabling their present value to be matched to the value of the financial instrument on the initial recognition date.

iii) Loans and accounts receivable

These are financial assets with fixed or determinable payments which are not quoted in an active market. This category includes loans and advances to group customers (including securitised loans), amounts to be received from other credit institutions and for the provision of services or disposals of assets, recognised in "Other assets".

These assets are initially recognised at fair value, net of any commissions included in the effective interest rate, plus all incremental costs directly attributable to the transaction. The assets are subsequently recognised in the balance sheet at amortised cost, net of impairment losses. Interest is recognised by the effective interest rate method which enables amortised cost to be calculated and interest to be split up over the period of the operations. The effective interest rate is the rate used to discount the cash flow projections associated with the financial instrument, enabling their present value to be matched to the value of the financial instrument on the initial recognition date.

iv) Available-for-sale financial assets

This category includes the following financial instruments:

- Variable-income securities not classified as financial assets at fair value through profit or loss, including stable equity investments. It therefore also includes equity instruments held under the group's venture capital operations, without associated options;
- Bonds and other fixed-income securities;
- Investment units in unit trust 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 and which continue to be recognised at cost. Revaluation gains and losses are recognised directly in "Fair value reserves" in shareholder's equity. At the time of sale or if considered impaired, accumulated fair value gains or losses are transferred to income or costs for the year and recognised in "Results from financial operations" or "Other asset impairment, net of reversals and recoveries", respectively.

To assess the proceeds on sale, assets sales are measured at their average weighted acquisition cost.

Interest on debt instruments recognised in this category is calculated on the basis of the effective interest rate method in "Interest and similar income" in profit and loss.

Dividends from equity instruments recognised in this category are classified as income in "Income from equity instruments", when the group's right to receive them has been established.

Reclassification of financial assets

The entry into force of the amendment to IAS 39 on 13 October 2008 entitled the group to reclassify several financial assets recognised as "Financial assets held-for-trading" or "Available-for-sale financial assets" to other financial assets categories. Reclassifications to "Financial assets at fair value through profit or loss" categories continued to be prohibited. Under this standard, the reference date of reclassifications made by 1 November 2008 was accordingly 1 July 2008. Latter reclassifications had an impact on the referred to transfer between different categories of financial instruments as from the reference date.

Information on reclassifications made under the terms of the referred to amendment is set out in note 8.

Fair value

As referred to above, financial assets recognised in “Fair value through profit or loss” and “Available-for-sale financial assets” are measured at fair value.

A financial instrument’s fair value is the amount at which a financial asset or liability may be sold or settled between independent, knowledgeable parties in an arm’s length transaction.

The fair value of financial assets is assessed by a Caixa body which is independent from the trading function, based on:

- The closing price at the balance sheet date, for instruments traded on active markets;
- Measurement methods and techniques are used for debt instruments not traded in active markets (including unlisted securities or securities with low liquidity) and include the following:
    - Bid prices published by financial information services such as Bloomberg and Reuters, including market prices available on recent transactions;
    - Bid prices obtained from financial institutions operating as market-makers;
    - Internal valuation models based on market data which would be used to define a financial instrument’s price, reflecting market interest rates and volatility, in addition to the instrument’s associated liquidity and credit risk.
- Investment funds not traded in active markets are valued on their last available NAV (net asset value).
- The value of unlisted equity instruments allocated to venture capital activity is based on the following:
    - Prices of the materially relevant transactions of independent entities over the last six months;
    - Multiples of comparable companies in terms of sector of activity, size and profitability;
    - Discounted cash flows, whose discount rates are tailored to the risk attached to the assets held.

  Measurements incorporate discount factors reflecting the securities’ lack of liquidity. In the event of a right or contractual obligation to dispose of a specific asset, its respective valuation will also lie within a range between the values resulting from the above referred to measurement methods and the present value of the asset’s disposal price, adjusted, when applicable, to reflect counterparty credit risk.
- Other unlisted equity instruments whose fair value cannot be reliably measured (e.g. no recent transactions) continue to be recognised at cost net of any impairment losses.

Amortised cost

Financial instruments at amortised cost are initially recognised at fair value, net of the income or costs directly attributable to the transaction. Interest is recognised by the effective interest rate method.

Whenever estimated payments or collections associated with financial instruments measured at amortised cost are revised, their respective book value is adjusted to reflect the revised cash flows. The new amortised cost is calculated on the present value of cash flows projections discounted at the financial instrument's initial effective interest rate. The adjustment of the amortised cost is recognised in profit and loss.

b) Financial liabilities

Financial liabilities are recognised on their contract date, at their respective fair value net of 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

Financial liabilities at fair value through profit or loss include derivatives with negative fair value and the short selling of fixed and variable-income securities. These liabilities are recognised at fair value. Gains or losses resulting from their subsequent measurement are recognised in "Results from financial operations".

ii) Other financial liabilities

This category includes credit institutions' and customers' resources, bond issuances, subordinated liabilities and liabilities incurred on the payment of services or purchase of assets, recognised in "Other liabilities".

These financial liabilities are measured at amortised cost. Any interest thereon is recognised in accordance with the effective interest rate method.

c) Derivatives and hedge accounting

The group performs derivative operations as part of its activity to meet the needs of its customers and reduce its exposure to foreign exchange, interest rate and stock market fluctuations.

Derivatives are recognised at their fair value at the contract date. They are also recognised in off-balance sheet account headings at their respective notional value.

Derivatives are subsequently measured at their respective fair value. Fair value is assessed:

- On prices obtained in active markets (e.g. futures trading in organised markets);
- On models incorporating valuation techniques accepted in the market, including discounted cash flows and options valuation models.
- The assessment of the fair value of derivatives incorporates specific adjustments to reflect credit risk based on a market discount curve which reflects, in its opinion, the associated risk profile. The group simultaneously adopts an analogous methodology to reflect counterparty credit risk in its derivatives with a positive fair value.

Embedded derivatives

Derivatives embedded in other financial instruments are separated out from the host contract and processed separately under IAS 39, whenever:

- The embedded derivative's economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract as defined in IAS 39; and
- The total combined financial instrument is not recognised at fair value, with the respective changes being recognised in results.

The main impact of this procedure on the group's activity consists of the need to separate out and value the derivatives embedded in deposits and debt instruments, i.e. instruments whose returns do not comprise interest (e.g. returns indexed to share prices or indices, exchange rates, etc.). At the time of separation, the derivative is recognised at its respective fair value, with the initial amount of the host contract comprising the difference between the total value of the combined contract and the initial revaluation of the derivative. Therefore, no profit is recognised on the operation's initial recognition.

Hedge derivatives

These derivatives are contracted to hedge the group's exposure to the risks attached to its activity. Classification as a hedge derivative and the use of hedge accounting rules, as described below, are contingent upon compliance with IAS 39 requirements.

At 31 December 2014 and 2013, the group only hedged its exposure to changes in the fair value of financial instruments recognised in its balance sheet and referred to as "Fair value hedges".

The group prepares formal documentation when a hedge relationship is entered into, to include the following minimum aspects:

- Risk management objectives and strategy associated with the hedge operation, in accordance with defined risk hedging policies;
- Description of the respective risk(s);
- Identification and description of hedged and hedging financial instruments;
- Hedge effectiveness and periodicity assessment method.

Hedge effectiveness tests are performed and documented each month by comparing the change in fair value of the hedge instrument and hedged item (part attributable to the hedged risk). To enable the use of hedge accounting under IAS 39, the ratio should lie within a range of 80% to 125%. Prospective effectiveness tests are also performed to estimate the hedge's future effectiveness.

Hedge derivatives are recognised at fair value and their results are recognised daily in income and costs for the period. If the hedge is shown to be effective, i.e. an effectiveness ratio of between 80% and 125%, the group also recognises the change in fair value of the hedged item attributable to the hedged risk in "Results from financial operations" in profit and loss for the period. In the case of instruments with an interest component (e.g. interest rate swaps), accrued interest for the current period and realised cash flows are recognised in "Interest and similar income" and "Interest and similar costs" in net interest income.

Hedge accounting is discontinued whenever hedges cease to meet the hedge accounting requirements defined by the standard or if Caixa revokes this designation. In such situations the adjustments made to hedged items up to the date in which hedge accounting ceases to be effective or if a decision is made to revoke the designation, are recognised in profit and loss up to the financial asset's or liability's maturity, based on the effective interest rate method.

Positive and negative revaluations of hedge derivatives are recognised in specific asset and liability account headings.

Valuations of hedged items are posted to the balance sheet account headings in which the instruments are recognised.

Trading derivatives

Trading derivatives include all derivatives not associated with effective hedge ratios in accordance with IAS 39, i.e.

- Assets or liabilities hedge derivatives recognised at fair value through profit or loss, thus rendering hedge accounting unnecessary;
- Risk hedge derivatives which do not meet IAS 39 hedge accounting requirements, owing to the difficulty in specifically identifying the hedged items, in 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 recognised at fair value, with daily changes being recognised in income and costs for the period in “Results from financial operations”, except for the part relating to accrued and liquidated interest, which is recognised in “Interest and similar income” and “Interest and similar costs”. Positive and negative revaluations are recognised in “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss”, respectively.

d) <u>Impairment of financial assets</u>

<u>Financial assets at amortised cost</u>

The group periodically performs impairment tests on its financial assets at amortised cost, i.e. “Loans and advances to credit institutions”, “Loans and advances to customers” and amounts receivable recognised in “Other assets”.

Signs of impairment are assessed separately in the case of financial assets with significant exposure amounts and collectively in the case of like-for-like assets, whose debit balances are not individually relevant.

Under IAS 39, the following events are considered to be signs of impairment on financial assets at amortised cost:

- Breach of contract, such as overdue payments of interest or principal;
- A record of defaults in the financial system;
- Existence of credit restructuring operations in progress or respective negotiations;
- Difficulties in terms of the capacity of partners and management, notably when leading partners or key employees leave the company or in the event of disputes between partners;
- Significant financial difficulties of a debtor or debt issuing entity;
- Strong probability of a debtor’s or debt issuing entity’s bankruptcy;
- The worsening of a debtor’s competitive position;
- A track record of collections suggesting that the nominal value will not be fully recovered.

Whenever signs of impairment on separately assessed assets are identified, any impairment loss comprises the difference between the present value of cash flow projections (recoverable value), discounted at the asset’s effective original interest rate and book value at the time of analysis.

Impairment on loans collateralised by shares is calculated on the shares’ estimated realisation price within a period compatible with the maturity of the loans. Additional collateral received and a debtor’s financial capacity are also considered.

Assets which are not included in a specific analysis are included in a collective impairment analysis and classified in like-for-like groups (based on the characteristics of counterparties and credit type), with the operations being contaminated by the counterparty's most serious classification, which is assessed on the basis of the identification of the above referred to impairment indices. Cash flow projections are based on historical information on defaults and recoveries on assets with similar characteristics.

Separately analysed assets on which no objective signs of impairment have been identified are also included in collective impairment assessments, as described in the preceding paragraph.

Impairment losses, calculated in the collective analysis, include the time effect of the discounting of cash flow receipts projections on each operation at the balance sheet date.

The amount of impairment is recognised in “Loan impairment net of reversals and recoveries” and “Impairment of other assets net of reversals and recoveries”, in costs and recognised separately in the balance sheet as a deduction from the amount of the respective assets.

*Write-offs/downs of principal and interest*

The group periodically writes-off/down non-recoverable loans using the respective accumulated impairment loss following a specific analysis by the structural bodies responsible for monitoring and recovering loans and the approval of the board of directors of the various bodies involved. Any recoveries of written-off/down credit are recognised as a deduction from the impairment losses balance recognised in “Loan impairment net of reversals and recoveries” in profit and loss.

In accordance with the policies in force within the group, interest on overdue credit without a real guarantee is written-off three months from an operation’s due date or first overdue instalment. Unrecognised interest on the above referred to credit is only recognised in the year in which it is charged.

Interest on overdue credit on mortgage loans or other real guarantees is not written-off/down when the accumulated amount of outstanding principal and overdue interest is less than the amount of the collateral.

Recoveries of written-off/down interest are also credited to “Credit impairment, net of reversals and recoveries”.

<u>Available-for-sale financial assets</u>

As referred to in note 2.8. a), available-for-sale financial assets are recognised at fair value with changes in fair value being recognised in the “Fair value reserve” equity heading.

Whenever there is objective evidence of impairment, accumulated capital losses recognised in reserves are transferred to costs for the year in the form of impairment losses and recognised in “Other asset impairment net of reversals and recoveries”.

In addition to the above referred to signs of impairment on financial assets at amortised cost, IAS 39 also provides for the following specific evidence of impairment on equity instruments:

- Information on significant changes having an adverse effect on 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 market value below cost.

The group performs an impairment analysis on available-for-sale financial assets at each financial statement’s reference date, taking the referred to assets’ nature and specific, separate characteristics into consideration.

In addition to the results of the analysis, the following events were considered to be signs of objective evidence of impairment on equity instruments:

- Existence of unrealised capital losses of more than 50% of the respective acquisition cost;
- When the fair value of a financial instrument remains below its respective acquisition cost for a period of more than 24 months.

The existence of unrealised capital losses of more than 30% for a period of more than nine months was also considered to be objective evidence of impairment.

As impairment losses on equity instruments cannot be reversed, any unrealised capital gains arising after the recognition of impairment losses are recognised in the “Fair value reserve”. Impairment, recognised in results for the period, is always considered to exist on any additional capital losses.

The group also performs periodic impairment analyses on financial assets recognised at cost, i.e. unlisted equity instruments whose fair value cannot be reliably measured. The recoverable value, in this case, is the best estimate of the future cash flows receivable on the asset, discounted at a rate which adequately reflects the risk attached to holding the asset.

The amount of the impairment loss is recognised directly in profit and 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 for disposal

IFRS 5 – "Non-current assets held-for-sale and discontinued operations" applies to separate and groups of assets for disposal, either by sale or another aggregate means, in a single transaction in addition to all liabilities directly associated with such assets, which may be transferred in the transaction (referred to as "groups of assets and liabilities for disposal").

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

- There must be a strong probability of sale;
- The asset must be available for immediate sale in its present state;
- The sale should be expected to occur within a year from the asset's classification in this account heading.

Assets recognised in this account heading are not amortised and are measured at their acquisition cost or fair value, whichever less, net of the costs incurred on the sale. The assets' fair value is calculated by appraisers.

Impairment losses are recognised in "Impairment of other assets, net of reversals and recoveries" when the assets' book value exceeds their fair value, net of sales costs.

Property and other assets which have been auctioned for overdue credit recovery purposes are also recognised in this account heading at their bid price.

These assets are not depreciated. The value of property received in kind for credit recovery purposes is periodically assessed. Impairment losses are recognised when the amount of the valuation, net of the estimated costs to be incurred on the sale, is less than their book value.

Auctioned property is written-off/down from assets on sale and their respective gains or losses recognised in "Other operating costs".

At 31 December 2013, this account heading also included the assets and liabilities of Caixa group insurance companies in the framework of the referred to companies' privatisation process.

### 2.10 Investment properties

Investment properties are properties held by the group with the objective of obtaining income from rentals and/or appreciation in their value.

Investment properties are not depreciated and are recognised at fair value by appraisers. Fair value changes are recognised in "Other operating income" in profit and loss.

### 2.11 Other tangible assets

Other tangible assets are recognised at their acquisition cost which is revalued under the applicable legal conditions, net of their accumulated depreciation and impairment losses. The costs of repairs, maintenance and other expenses associated with their use are recognised as a cost for the period in "Other administrative expenditure".

Up to 1 January 2004, Caixa and several of its subsidiaries revalued their tangible assets under the terms of the applicable legislation. As permitted under IFRS 1, in the transition to IFRS, their book value, incorporating the effect of the referred to revaluations, was considered to be the cost, as their result, at the time of the revaluation generally corresponded to cost or depreciated cost under the IFRS, adjusted to reflect changes to price indices. In the case of entities headquartered in Portugal, as 40% of the increase in depreciation on these revaluations is not tax deductible, the corresponding deferred tax liabilities thereon have been recognised.

Depreciation is recognised on a straight line basis over the assets' estimated useful lives, comprising the periods in which they are expected to be available for use, i.e.

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

Land is not depreciated.

The cost of works on and improvements to property leased by the group under operating leases is capitalised in this account heading and depreciated over an average period of 10 years.

Depreciation is recognised as a cost for the period.

Tests are periodically performed to identify signs of impairment on other tangible assets. Impairment losses are recognised in results for the period in "Impairment of other assets net of reversals and recoveries" whenever the net book value of tangible assets is higher than their recoverable value (value in use or fair value whichever the higher). Impairment losses may be reversed and also have an impact on results in the event of a subsequent increase in an asset's recoverable value.

The group periodically assesses the adequacy of its tangible assets' useful lives.

### 2.12. Finance leases

Finance lease operations are recognised as follows:

<u>As lessee</u>

Assets purchased under finance lease agreements are recognised at their fair value in "Other tangible assets" and in liabilities, in line with their respective repayments.

Lease instalments are divided up in accordance with the respective financial schedule, whose liabilities are reduced by the repayments of principal. Interest payments are recognised in "Interest and similar costs".

As lessor

Leased assets are recognised in the balance sheet as “Loans and advances to customers” whose principal is repaid in accordance with the contract’s financial repayments schedule. Interest included in the instalments is recognised in “Interest and similar income”.

**2.13. Intangible assets**

This account heading essentially comprises the cost of acquiring, developing or preparing software used to further the group’s activities. In cases in which the requirements of IAS 38 – “Intangible assets” are met, the direct internal costs incurred on the development of software are capitalised as intangible assets. These costs essentially comprise employee costs.

Intangible assets are recognised at their acquisition cost net of accumulated amortisation and impairment losses.

Amortisation is recognised on a straight line basis over the assets’ estimated useful lives, 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*

CGD is subject to the fiscal regime set out in the IRC (corporate income tax) code and, starting 2012, was taxed under the special tax regime for corporate groupings of article 69 *et seq.* of the referred to code. The group perimeter covered by the referred to tax regime, of which CGD is the dominant entity, comprises all companies headquartered and effectively managed in Portugal whose total income is subject to the general IRC tax regime, at the highest standard rate, in whose equity capital it has either a direct or indirect equity stake of at least 90%, for a period of more than a year (with 1 January 2012 as the initial reference period) and when the equity stake entitles it to more than 50% of the voting rights. Owing to the amendments introduced by law 2/2014 of 16 January, the limit for assessing the direct or indirect equity investment percentage to be considered in the assessment of eligibility for inclusion in the group’s taxation perimeter declines, for years starting on or after 1 January 2014, from 90% to 75%.

The group’s taxable profit is calculated on the algebraic sum of the taxable profit and tax losses separately made by the companies in the perimeter. Branch accounts are accordingly included in the respective headquarters accounts under the principle of the taxation of global profit provided for in article 4 of the IRC code. In addition to being subject to IRC, in Portugal, branch net income may also be subject to local taxes in the countries/territories in which they are established. Local taxes are deductible from the group’s tax bill under article 91 of the respective code and double taxation agreements.

Current tax is calculated on taxable profit for the period, which differs from accounting income on account of adjustments resulting from expenses or income which is not relevant for fiscal purposes or only considered in future accounting periods.

*Adjustments to accounting results*

- *Income earned by non-resident subsidiaries benefiting from a more favourable tax regime*

  Under article 66 of the IRC code, profit made by non-resident companies benefiting from a clearly more favourable tax regime is imputed to Caixa, in proportion to its equity stake, notwithstanding its distribution, provided that Caixa has a direct or indirect equity stake of at least 25% or at least 10% if 50% of the non-resident company is either directly or indirectly owned 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 ministerial order 292/2011 of 8 November, or (ii) when it is not subject to local income taxes which are 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 payable if the company were resident in Portugal. Starting 2014, reference to the tax rate effectively paid is made under the terms of the code at the tax rate applicable to the scope of its activity.

In these cases, the profit is included in Caixa's taxable income for the year in which the end of the non-resident company's tax period is included and comprises its net profit in accordance with the equity held by Caixa. The amount of the profit included is deductible from the taxable profit for the year in which the referred to profits are eventually distributed to Caixa.

- *Provisions*

Caixa considered the effect of the following standards in its assessment of taxable income for 2014 and 2013:

- The dispositions of articles 28 C and the former article 37 of the IRC code according to which provisions for a specific credit risk on credit collateralised by real rights on property and country-risk provisions on loans to companies in which Caixa has a stake of more than 10%, are not tax deductible;
- The dispositions of article 28 A and the former article 35, both of the IRC code, in the sphere of which starting 1 January 2003 none of the provisions for general credit risks calculated under the terms of the Bank of Portugal's official notice 3/95 was tax deductible. In addition, under the terms of the same legislation, whenever provisions for general credit risk are restored, income is firstly considered to have been a fiscal cost in the period of its respective constitution.

Starting 2014 and on account of the amendments brought in under law 2/2014 of 16 January, these issues are now regulated by no. 2 of article 28- A and article 28-C.

- *Employee costs*

CGD has considered its payment of employee costs, processed and recognised in the accounts, including, inter alia, costs associated with pensions and other post-employment benefits to be tax deductible, up to the limit of the contributions effectively made. This procedure is in line with the respective understanding of the secretary of state for fiscal affairs of 19 January 2006, according to which, the amounts recognised in costs under the terms of the applicable accounting regulations, limited by the amount of the contribution effectively made to the pension fund in the same or past years, in conformity with the rules of article 43 of the IRC code, are tax deductible.

Also herein and as a result of the change in accounting policy on the recognition of actuarial gains and losses on pension plans and other post-employment benefits with reference to 31 December 2011, the deferred net liabilities balance recognised in Caixa's balance sheet at the said date was fully recognised as a charge to reserves. As the component relating to pensions liabilities for the amount of €60,837 thousand complied with the requirements of article 183 of law 64-B/2011 of 30 December, the negative changes in equity originating in 2011, which were not considered for fiscal purposes in the period will be recognised as a deduction from taxable profit, in equal parts, in the ten years starting on or after 1 January 2012.

- *Settlement results*

  According to article 92 of the IRC code, changed by the state budget law for 2011, taxable income, net of deductions for international double taxation and tax benefits, may not be less than 90% of the amount which would have been assessed if the taxpayer (i) had not enjoyed tax benefits, (ii) had not made accessory capital payments to pension funds and the like to cover retirement pension liabilities and (iii) had not taken advantage of the incorporated companies' carry-back of tax losses for the deduction of the taxable profit of the new company or incorporating company. Starting in 2014, on account of the amendments brought in by law 2/2014 of 16 January, the dispositions of the preceding sub-paragraph (iv) ceased to apply.

  The tax benefits referred to in no. 2 of the same article, are excluded from the settlement results.

  CGD did not make any adjustment to its assessment of taxable income for 2014 and 2013 as a result of the application of this article.

Deferred tax

Total income tax recognised in the income statement includes current and deferred taxes.

Deferred tax consists of the impact on tax recoverable/payable in future periods of temporary deductible or taxable differences between the book value of assets and liabilities and their fiscal basis, used to assess taxable profit.

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 profit allowing the use of the corresponding deductible tax differences or carry-back of tax losses is generated. Neither are deferred tax assets recognised in cases in which their recoverability may be questioned on account of other situations, including issues regarding the interpretation of current tax legislation.

In spite of this, no deferred tax is registered on the temporary differences originated on the initial recognition of assets and liabilities in transactions which do not affect accounting income or taxable profit.

The main situations originating temporary differences on a CGD level are temporarily non-tax deductible provisions and impairment.

Deferred taxes are calculated at the tax rates expected to apply on the temporary differences' reversal date, comprising the approved or substantially approved rates at the balance sheet date.

"Income tax (current or deferred) is recognised in results for the period, unless their originating transactions have been directly recognised in other equity headings (e.g. revaluations of available-for-sale financial assets and when related to changes in accounting policy on the recognition of pension fund liabilities and other post-employment benefits, as provided for in article 183 of Law 64-B/2011 of 30 December). In such cases the corresponding tax is also recognised as a charge to equity and does not affect the result for the period".

#### 2.15. Provisions and contingent liabilities

A provision is set up whenever there is a present (legal or constructive) obligation resulting from past events which are likely to entail a future outflow of resources and when this may be reliably assessed. The amount of the provision comprises the best estimate of the amount of the liability at the balance sheet date.

A contingent liability exists when the future outflow of resources is unlikely. Contingent liabilities need only be disclosed, unless the probability of their occurrence is remote.

Provisions for other risks are for:

- Liabilities for guarantees provided and other off-balance sheet commitments, based on a risk analysis on operations and respective customers;
- Legal, fiscal and other contingencies resulting from the group's activity.

### 2.16. Employee benefits

Liabilities for employee benefits are recognised under IAS 19 – Employee benefits principles. The main benefits granted by Caixa include retirement and survivors' pensions, healthcare costs and other long term benefits.

Pension and healthcare liabilities

CGD group has several pension plans, including defined benefit and in several situations, defined contribution plans. Caixa is therefore liable for the payment of the retirement, disability and survivors' pensions of its employees as described in note 34. Other group companies, such as Banco Comercial do Atlântico, Banco Caixa Geral and Banco Nacional Ultramarino (Macau) also have defined benefit plans liabilities.

Healthcare for CGD's (headquarters) current and retired employees is also provided by Caixa Geral de Depósitos's social services and funded by contributions from CGD (headquarters) and its employees. Caixa also has liabilities for contributions to SAMS (healthcare services) for former BNU employees who had retired prior to the 23 July 2001 merger between BNU and CGD.

The liability for defined benefit plans recognised in the balance sheet comprises the difference between the present value of liabilities and the fair value of pension funds' assets. Total liabilities are calculated annually by specialised actuaries, using the unit credit projected method and adequate actuarial premises (note 34). The rate used for liabilities discounting procedures is based on market interest rates on investment grade corporate bonds denominated in the currencies in which the liabilities are paid and with similar periods to maturity to the average settlement period on liabilities.

Gains and losses on differences between actuarial and financial premises and the effective amounts of liabilities and pension fund yield forecasts, as well as on changes in actuarial premises are recognised as a charge to "Other reserves".

The group does not usually assume any liability for defined contribution plans, other than its annual contributions and no additional costs are accordingly recognised.

Retirement pensions and healthcare costs for the period, including current servicing requirements and net interest costs, are aggregated and recognised in the appropriate "Employee costs" heading.

The impact of employees' early retirements, as defined in the actuarial study, is directly recognised in "Employee costs". Caixa also recognises a specific liability for the impact of the change to non-active status of employees with whom it has entered into voluntary redundancy agreements. This provision is also recognised as a charge to results in the "Employee costs" account heading.

Other long term benefits

The group also has liabilities for other long term benefits to its employees, including seniority bonuses and death grants prior to normal retirement age. Death grants after the normal retirement age are covered by the pension fund.

Liabilities for such benefits are also based on actuarial calculations. Actuarial gains and losses are fully recognised as a charge to profit and loss for the period under IAS 19, relative to the type of benefits identified.

Short term benefits

Short term benefits, including employees' productivity bonuses, are recognised on an accrual basis in "Employee costs" for the respective period.

### 2.17. Commissions

As referred to in note 2.8, commissions on credit operations and other financial instruments, i.e. commissions charged or paid on originating operations, are included in amortised cost and recognised over the course of the operation by the effective interest method, in "Interest and similar income".

Commissions for services provided are usually recognised as income over the period of the provision of the service or as a lump sum if resulting from isolated acts.

### 2.18. Issuance of equity instruments

The issuance of equity instruments is recognised at the fair value of the compensation received, net of the issuance's direct costs.

Preference shares issued by the group are classified in accordance with the criteria defined in IAS 32. Accordingly, in situations in which payments and/or redemptions of dividends are exclusively at the group's discretion, the securities issued are considered to be equity instruments. Preference shares issued by subsidiaries complying with these requirements are recognised in "Non-controlling interests" in the consolidated balance sheet.

### 2.19. Securities and other items held under custody

Securities and other items held under custody, i.e. customers' securities, are recognised in off-balance sheet accounts, at their fair or nominal value.

### 2.20. Cash and cash equivalents

For the preparation of its cash flow statements, the group considers "Cash and cash equivalents" as the "Cash and cash equivalents at central banks" and "Cash balances at other credit institutions" total.

### 2.21. Critical accounting estimates and more relevant judgmental issues for the application of accounting policies

The application of the above described accounting policies requires Caixa's executive committee and group companies to make estimates. The following estimates have the greatest impact in the group's consolidated financial statements.

*Assessment of impairment losses on loans and other accounts receivable*

The assessment of impairment losses on loans is based on the methodology defined in note 2.8. d). Impairment on separately analysed assets, is, accordingly, based on a specific assessment by Caixa, based on its knowledge of a customer's situation and guarantees associated with the operations.

The assessment of impairment on a collective basis is based on historical parameters for comparable types of operations, considering default and recovery estimates.

Caixa considers that impairment based on this methodology enables the risks on its loan portfolio to be adequately recognised, in line with the requirements of IAS 39.

*Assessment of impairment losses on assets measured as a charge to fair value reserves*

According to the measurement requirements on such assets, unrealised capital losses on the depreciation of such assets' market value are recognised as a charge to the "Fair value reserve". Whenever there are objective signs of impairment, accumulated capital losses recognised in the "Fair value reserve" are transferred to costs for the period.

Assessments of impairment losses on equity instruments may be subjective. The group assesses whether impairment on such assets exists on the basis of a specific analysis at each balance date, considering the signs defined in IAS 39 (note 2.8. d)). As a general rule, impairment is assessed whenever the amount invested is unlikely to be fully recovered based on the size of the capital loss.

In the case of debt instruments classified in this category, the capital losses are transferred from the "Fair value reserve" to profit and loss, whenever there are any signs of a possible default on contractual cash flows, i.e. owing to an issuing entity's financial difficulties, defaults on other financial liabilities or a significant downgrade of the issuing entity's rating.

*Measurement of financial instruments not traded in active markets*

Under IAS 39, the group measures all financial instruments at fair value, unless recognised at amortised cost. The valuation models and techniques described in note 2.8. are used to measure financial instruments not traded in liquid markets. The valuations obtained comprise the best estimate of the fair value of the referred to instruments at the balance sheet date. As referred to in note 2.8., to ensure an adequate level of segregation between functions, the valuation of these financial instruments is measured by a body which is independent from the trading function.

*Employee benefits*

As referred to in note 2.16. above, the group's liabilities for its employees' post-employment and other long term benefits are assessed on an actuarial basis. The actuarial calculations incorporate, *inter alia,* financial and actuarial premises on mortality, disability, salary and pension growth, asset yields and discount rates. The premises adopted are the group's and its actuaries' best estimates of the future performance of the respective variables.

*Impairment of goodwill*

As referred to in note 2.5. above, the group performs impairment tests on balance sheet goodwill at least once a year. These tests are based on the future cash flows on each unit, discounted at appropriate rates.

The projections include a broad range of assumptions on the evolution of the units' future activities, which may or not occur in the future. Such assumptions, however, reflect the group's best estimate at the balance sheet date.

*Assessment of income tax*

Income tax (current and deferred) is assessed by group companies on the basis of the rules defined in the current tax legislation of 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 recognised, in such cases, represent the best understanding of Caixa's and CGD group companies' responsible bodies, on the correctness of their operations, they may be questioned by the tax authorities.

The group's recognition of deferred tax assets is based on future taxable profit projections enabling the use thereof. Deferred tax generated by the carry-back of tax losses is only recognised if it is concluded that they may be reversed during the periods lawfully defined for the purpose. The assessment is naturally contingent upon the existence of the premises considered.

## 3. GROUP COMPANIES AND TRANSACTIONS IN PERIOD

The group's structure in terms of its main subsidiaries, by sectors of activity and the respective financial data taken from their separate statutory financial accounts, unless otherwise expressly specified, is summarised below:

| Activity / Entity | Head office | 31-12-2014 | | | 31-12-2013 | |
|---|---|---|---|---|---|---|
| | | % Effective participating interest | Equity (a) | Net income | Equity (a) | Net income |
| **Holding Companies** | | | | | | |
| Caixa - Gestão de Ativos, SGPS, S.A. | Lisbon | 100.00% | 26,156 | 8,452 | 25,326 | 7,622 |
| Caixa - Participações, SGPS, S.A. | Lisbon | 100.00% | 100,172 | 26,793 | 93,021 | 15,995 |
| Caixa Desenvolvimento, SGPS, S.A. | Lisbon | 99.72% | 465 | (29) | 465 | 1 |
| Caixa Seguros e Saúde, SGPS, S.A. | Lisbon | 100.00% | 1,570,703 | 531,087 | 1,068,005 | 85,429 |
| Gerbanca, SGPS, S.A. | Lisbon | 100.00% | 79,206 | (61) | 79,267 | (49) |
| Parbanca, SGPS, S.A. | Madeira | 100.00% | 80,297 | 19,048 | 77,727 | 17,976 |
| Parcaixa SGPS, S.A. | Lisbon | 51.00% | 959,878 | 16,260 | 954,665 | 19,406 |
| Partang, SGPS, S.A. | Lisbon | 51.00% | 161,418 | 35,936 | 140,714 | 25,616 |
| Wolfpart, SGPS, S.A. | Lisbon | 100.00% | (195,866) | (49,105) | (146,761) | (68,341) |
| **Banking** | | | | | | |
| Banco Caixa Geral, S.A. | Vigo | 99.79% | 434,894 | 20,410 | 448,847 | (57,413) |
| Banco Comercial do Atlântico, S.A. | Praia | 57.91% | 43,195 | 2,565 | 40,719 | 1,991 |
| Banco Comercial e de Investimentos, S.A.R.L. | Maputo | 51.26% | 186,146 | 40,242 | 151,795 | 35,928 |
| Banco Caixa Geral Brasil, S.A. | São Paulo | 100.00% | 109,973 | (13,128) | 132,774 | 857 |
| Banco Interatlântico, S.A.R.L. | Praia | 70.00% | 15,615 | 43 | 15,691 | 771 |
| Banco Nacional Ultramarino, S.A. (Macau) | Macau | 100.00% | 618,461 | 41,763 | 479,254 | 37,941 |
| Caixa - Banco de Investimento, S.A. (b) | Lisbon | 99.72% | 339,247 | 4,049 | 314,835 | 28,156 |
| CGD - North America Finance | Delaware | 100.00% | 1 | - | 1 | - |
| CGD Investimentos CVC, S.A. | São Paulo | 99.86% | 4,460 | (7,790) | 11,877 | (19,878) |
| Mercantile Bank Holdings, Ltd. (b) | Johannesburg | 100.00% | 135,367 | 8,908 | 122,582 | 10,717 |
| Banco Caixa Geral Totta Angola, S.A. | Luanda | 26.01% | 314,313 | 70,303 | 248,285 | 52,221 |
| **Insurance** | | | | | | |
| Cares - Companhia de Seguros, S.A. | Lisbon | 20.00% | 19,199 | 6,003 | 25,780 | 6,187 |
| Fidelidade - Companhia de Seguros, S.A. (b) | Lisbon | 19.99% | 1,296,552 | 178,232 | 1,180,583 | 107,887 |
| Companhia Portuguesa de Resseguros, S.A. | Lisbon | 0.00% | - | - | 10,585 | 529 |
| Garantia - Companhia de Seguros de Cabo Verde, S.A.R.L. | Praia | 0.00% | - | - | 9,167 | 401 |
| Multicare - Seguros de Saúde, S.A. | Lisbon | 20.00% | 50,301 | 4,797 | 49,864 | 3,687 |
| Universal Seguros, S.A. (Angola) | Luanda | 0.00% | - | - | 2,830 | (106) |
| Via Directa - Companhia de Seguros, S.A. | Lisbon | 0.00% | - | - | 30,573 | 421 |
| **Specialised Credit** | | | | | | |
| Caixa Leasing e Factoring - Instituição Financeira de Crédito, S.A. | Lisbon | 51.00% | 83,137 | 16,429 | 66,708 | (20,866) |
| Promoleasing - Sociedade de Locação Financeira, S.A. | Praia | 51.27% | 294 | 10 | 176 | 12 |
| **Asset Management** | | | | | | |
| Caixagest - Técnicas de Gestão de Fundos, S.A. | Lisbon | 100.00% | 29,359 | 3,131 | 28,725 | 2,544 |
| CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A. | Lisbon | 100.00% | 5,132 | 1,347 | 4,675 | 889 |
| Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A. | Lisbon | 100.00% | 6,094 | 3,894 | 7,245 | 5,045 |
| **Venture Capital** | | | | | | |
| A Promotora, Sociedade de Capital de Risco, S.A.R.L. | Praia | 45.30% | 3,159 | (53) | 3,169 | 11 |
| Caixa Capital - Sociedade de Capital de Risco, S.A. | Lisbon | 99.72% | 49,344 | 3,503 | 45,841 | 3,816 |
| **Real Estate** | | | | | | |
| Imobci, Lda. | Maputo | 45.13% | 696 | 467 | 245 | (24) |
| Imocaixa - Gestão Imobiliária, S.A. | Lisbon | 100.00% | 8,796 | (2,966) | (38,238) | (13,928) |
| Caixa Imobiliário, S.A. | Lisbon | 100.00% | (115,510) | (42,767) | (72,743) | (41,141) |
| Fidelidade - Investimentos Imobiliários, S.A. | Lisbon | 0.00% | - | - | 44,390 | (1,199) |
| Inmobiliaria Caixa Geral S.A.U. | Madrid | 100.00% | (51,965) | (7,768) | (44,197) | (11,376) |
| Cibergradual, Investimento Imobiliário, S.A. | Lisbon | 100.00% | (45,466) | (263) | (45,203) | (23,296) |
| **Other Financial Entities** | | | | | | |
| CGD Finance | Cayman | 100.00% | 2,568 | (24) | 2,592 | (26) |
| Caixa Geral Finance (c) | Cayman | 0.00% | 111,219 | - | 111,219 | - |

(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.

| Activity / Entity | Head office | 31-12-2014 | | | 31-12-2013 | |
|---|---|---|---|---|---|---|
| | | % Effective participating interest | Equity (a) | Net income | Equity (a) | Net income |
| **Other Companies** | | | | | | |
| Caixanet - Telemática e Comunicações, S.A. | Lisbon | 80.00% | 1,805 | 3 | 1,801 | 19 |
| Caixatec, Tecnologias de Comunicação, S.A. | Lisbon | 100.00% | (1,119) | (473) | (630) | (404) |
| Cares RH - Companhia de Assistência e Representação de Seguros, S.A. | Lisbon | 0.00% | - | - | 2,251 | 651 |
| Cares Multiassistance, S.A. | Lisbon | 0.00% | - | - | 2,729 | 1,780 |
| E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A. | Lisbon | 0.00% | - | - | 164 | 18 |
| LCS - Linha de Cuidados de Saúde, S.A. | Lisbon | 100.00% | 448 | (1,372) | 3,222 | 1,637 |
| Cetra - Centro Técnico de Reparação Automóvel, S.A. | Lisbon | 0.00% | - | - | 4,335 | 136 |
| GEP - Gestão de Peritagens Automóveis, S.A. | Lisbon | 0.00% | - | - | 327 | 71 |
| HPP International Ireland, Ltd. | Dublin | 100.00% | 30,860 | (15) | 30,875 | (19) |
| HPP International - Luxembourg, S.A.R.L. | Luxembourg | 100.00% | (33,684) | (12) | (33,672) | 266 |
| **Complementary Corporate Groupings** | | | | | | |
| Groupment d'Interet Economique | Paris | 100.00% | - | - | - | - |
| Sogrupo - Compras e Serviços Partilhados, ACE | Lisbon | 100.00% | - | - | - | - |
| Sogrupo - Sistemas de Informação, ACE | Lisbon | 100.00% | - | - | - | - |
| Sogrupo IV - Gestão de Imóveis, ACE | Lisbon | 100.00% | - | - | - | - |
| **Special Purpose Entities and Investment Funds** | | | | | | |
| Fundo Nostrum Mortgage 2003-1 | Lisbon | 100.00% | 317,716 | 594 | 352,130 | 174 |
| Nostrum Mortgages PLC | Dublin | 100.00% | 16,190 | (765) | 16,955 | 12,832 |
| Nostrum Mortgages Nº. 2 | Lisbon | 100.00% | - | - | - | - |
| Fundo de Capital de Risco - Grupo CGD - Caixa Capital | Lisbon | 99.98% | 295,645 | (8,058) | 303,704 | (24,434) |
| Fundo de Capital de Risco Empreender Mais | Lisbon | 100.00% | 13,007 | (528) | 8,535 | (2,365) |
| Fundo de Capital de Risco Caixa Fundos | Lisbon | 100.00% | 39,140 | (1,190) | 40,330 | (1,997) |
| Fundo de Capital de Risco Caixa Crescimento | Lisbon | 100.00% | 23,539 | (140) | 4,979 | (21) |
| Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento | Lisbon | 87.86% | 116,513 | 1,485 | 115,196 | 713 |
| Fundo Investimento Imobiliário Fechado Imocentro | Lisbon | 0.00% | - | - | 3,454 | (938) |
| Caixagest Seleção Global | Lisbon | 0.00% | - | - | 66,923 | 3,626 |
| Fundo Especial de Investimento Aberto Estratégias Alternativas | Lisbon | 76.27% | 16,576 | (422) | 17,366 | 67 |
| Caixa Imobiliário - Fundo de Investimento Fechado de Arrendamento Habitacional | Lisbon | 100.00% | 43,952 | (1,648) | 45,600 | (742) |
| Caixagest Private Equity - Fundo Especial de Investimento | Lisbon | 46.20% | 123,389 | 12,721 | 114,737 | 2,387 |
| Caixagest Imobiliário Internacional - Fundo Especial de Investimento | Lisbon | 45.31% | 255,796 | 13,186 | 250,013 | 6,060 |
| Caixagest Infra-Estruturas - Fundo Especial de Investimento | Lisbon | 26.76% | 91,314 | 8,699 | 83,778 | 4,099 |
| Caixagest Oportunidades - Fundo Especial de Investimento | Lisbon | 0.00% | - | - | 17,617 | 436 |
| Beirafundo - Fundo de Investimento Imobiliário Fechado | Lisbon | 95.88% | 5,867 | (4,995) | 10,862 | (6,504) |
| Cidades de Portugal - Fundo de Investimento fechado de Arrendamento Habitacional | Lisbon | 100.00% | 31,137 | 936 | 30,200 | 200 |
| Caixa Reabilita - Fundo Especial de Investimento Imobiliário | Lisbon | 100.00% | 10,279 | 227 | 10,053 | (8) |
| Fundolis - Fundo de Investimento Imobiliário Fechado | Lisbon | 100.00% | 59,319 | (3,820) | 63,139 | (29,990) |
| Fundimo - Fundo de Investimento Imobiliário Aberto | Lisbon | 51.66% | 659,609 | (13,150) | 781,493 | (2,408) |
| Fundo especial de investimento - Obrigacoes Rendimento Nacional | Lisbon | 22.61% | 95,924 | 9,039 | - | - |
| Fundiestamo - Fundo de Investimento Imobiliário Fechado | Lisbon | 77.92% | 145,177 | 3,488 | 145,068 | 1,314 |
| Fundo Especial de Investimento Imobiliário Fechado - Iberia | Lisbon | 100.00% | 24,813 | (3,348) | 661 | (7,189) |
| Fundo de Investimento Imobiliário Fechado Saudeinvest | Lisbon | 0.00% | - | - | 93,071 | (2,980) |
| Fundo de Investimento Imobiliário Fechado Bonança 1 | Lisbon | 0.00% | - | - | 14,617 | (27) |

(a) Equity includes net income for the year.
(b) Data taken from consolidated financial statements.

Information on the main movements in the group's subsidiaries for 2014 and 2013 is given below:

*Mesquita ETVIA – Construção de Vias de Comunicação, S.A. (Mesquita ETVIA)*

Pursuant to a resolution of its sole shareholder, *Fundo de Capital de Risco - Grupo CGD* of 28 March 2013 and with no prospects of pursuing its objectives, the company took the steps required to formalise its dissolution and liquidation.

Mesquita ETVIA's investments portfolio had already been transferred to its sole shareholder at the end of 2012, in anticipation of the decision to shut down its operations. The shareholders' meeting approved the liquidation accounts as well as the distribution of its remaining net assets, in May 2013.

*Credip - Instituição Financeira de Crédito, S.A. (Credip)*

The closing report on the liquidation of Credip – Instituição Financeira de Crédito, S.A. with reference to 31 July 2013 was approved at a shareholders' meeting held on 16 September

2013. The company's net assets of €11,778 thousand, at the said date were distributed among its shareholders in proportion to their respective share capital (€9,422 thousand and €2,356 thousand, respectively). CGD’s capital gains on the liquidation totalled €1,421 thousand.

*Fundo de Capital de Risco Caixa Fundos*

At 15 October 2013, the *Fundo de Desenvolvimento e Reorganização Empresarial, FCR*, which had been set up on 16 August 2011, with a start-up capital of €100,000 thousand, comprising 100,000 investment units, incorporated *Fundo Mezzanine, FCR*, having, on the same date, changed its name to *Fundo Caixa Fundos, FCR*.

The fund’s capital, at 31 December 2014 and 2013 totalled €199,357 thousand, fully subscribed for by CGD, with an amount of €44,357 thousand comprising 335,600 investment units having been paid up.

The fund’s corporate object is to operate in the venture capital area based on its investments in investment funds, venture capital assets and companies with high growth and appreciation potential.

*Fundo de Capital de Risco Caixa Crescimento*

*Fundo Caixa Crescimento, FCR* was set up at 27 June 2013, with a start-up capital of €30,000 thousand, comprising 30,000 investment units with a nominal value of €1,000 each.

The fund’s corporate object is to operate in the venture capital area by investing in SMEs or mid caps headquartered in Portugal which require funding for their respective investment plans to strengthen their production capacity, expand into new markets, sustain their growth strategies or reinforce funding for their operating cycle’s structuring needs.

A capital increase comprising the issuance of 2,000 investment units with a nominal value of €1,000 each, fully subscribed for by Caixa, as proposed by Caixa Capital - Sociedade de Capital de Risco, S.A., was approved in first half 2014.

Amounts of €23,700 thousand and €5,000 thousand of the fund's total capital had been paid up, at 31 December 2014 and 2013 respectively.

*Fundo Especial de Investimento Imobiliário Fechado Caixa Reabilita (Caixa Reabilita)*

*FEIIF - Caixa Reabilita* was formed on 6 May 2013, with a start-up capital of €10,000 thousand, in the form of 10,000 investment units with a nominal value of €1,000 each, fully subscribed for by Caixa.

The fund's objective is to invest in investment units in property funds involving renovation and urban regeneration projects eligible for the Jessica Initiative.

*Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional Cidades de Portugal (Cidades de Portugal)*

*FIIFAH - Cidades de Portugal* was formed on 6 May 2013, with a start-up capital of €30,000 thousand, comprising 30,000 investment units with a nominal value of €1,000, each, 70% subscribed for by Caixa and 30% by *FEIIF - Caixa Reabilita.*

The fund's objective is to invest in property requiring urban renovation for latter rental on a permanent basis.

*Caixa Seguros e Saúde, SGPS, S.A. (Caixa Seguros e Saúde) and Fidelidade - Companhia de Seguros, S.A. (Fidelidade)*

The following operations took place during the course of 2013, as part of the group’s reorganisation of its equity stakes in the insurance area:

- In July 2013, Caixa Seguros e Saúde, as Fidelidade's sole shareholder, at the said date, approved a €223,850 thousand reduction of its share capital. As a result of the said operation the unit value of the company's shares was reduced from €5 to €3.15, albeit still comprising 121,000,000 shares;
- In September 2013, Caixa Seguros e Saúde's executive committee passed a resolution reducing its share capital by €339,968 thousand. The nominal unit value of the equity shares was reduced from €2 to €1.15. As a result of the said reduction Caixa Seguros e Saúde's share capital at the said date comprised 399,962,460 shares fully held by CGD for the amount of €459,957 thousand.

As explained in greater detail in note 12, in the sphere of the privatisation process of Fidelidade – Companhia de Seguros, S.A., Cares – Companhia de Seguros, S.A., and Multicare - Seguros de Saúde, S.A., the contracts for the sale of a majority investment to the bidder Fosun International Limited were entered into on 7 February 2014 and finalised in May 2014.

According to the provisions of the sales agreement of Fidelidade – Companhia de Seguros, S.A., Caixa Seguros e Saúde, SGPS, S.A. would have a maximum equity stake of 15% with the sale of 5% of the capital to workers. The public offering for sale took place on 15 October when 16,860 shares were sold to workers. The other shares required to make up the 5% of the share capital of Fidelidade – Companhia de Seguros, S.A., were acquired by the Fosun group on 8 January 2015.

At 31 December 2014, the equity stakes retained by the group in Fidelidade – Companhia de Seguros, S.A., Cares – Companhia de Seguros, S.A., and Multicare – Seguros de Saúde, S.A., were classified as investments in associates.

The disposal of these investments, in 2014, also led to the reduction of the percentage held by the group in several subsidiaries held by Fidelidade – Companhia de Seguros, S.A.

*CGD – Subsidiária Offshore de Macau, S.A. and CGD - Sucursal Offshore de Macau, S.A.*

During the course of 2012, owing to the reassessment of the configuration of CGD's presence in the Special Administrative Region of Macau in the form of CGD – Subsidiária Offshore de Macau, S.A. a resolution was taken to change the type of structure hitherto used, into that of a branch.

The request submitted to the chief executive of the special administrative region of Macau to set up an offshore financial institution in the form of a branch was approved by the publication of executive order 7/2013 of 25 January which, at the same time, revoked the former permit for the performance of offshore financial activities as a subsidiary.

As a result of the necessary administrative and legal approvals obtained, the formalities required to set up a new branch and close down the subsidiary were implemented, in parallel.

At 1 February 2013 (date upon which the executive order came into effect), CGD - Subsidiária Offshore de Macau, S.A. sold off its total assets and liabilities used for its commercial operations, including any kind of rights and obligations thereon, to its shareholder Caixa Geral de Depósitos, S.A., at their respective nominal value. These were, on the same date, transferred to the branch, which in furthering its objectives, is responsible for their management.

CGD – Subsidiária Offshore de Macau, S.A. was dissolved on 4 February 2013 and its respective liquidation subsequently formalised in May.

*Garantia - Companhia de Seguros de Cabo Verde, S.A. (equity stake in Banco Comercial do Atlântico, S.A.)*

During the course of first half 2014, following the disposal process on the group's insurance operations, CGD, Banco Interatlântico, S.A. and Banco Comercial do Atlântico, S.A. sold 111,789 equity shares comprising 55.90% of Garantia – Companhia de Seguros de Cabo Verde, S.A. for an amount of CVE 6,175 per share to Fidelidade – Companhia de Seguros, S.A. CGD also increased its stake in Banco Comercial do Atlântico, S.A. in the same period, having acquired 89,504 shares representing 6.76% of equity for the amount of CVE 3,504 per share from Garantia – Companhia de Seguros de Cabo Verde, S.A. The referred to restructuring of the composition of this investment, gave Caixa group an effective investment of 57.91% in Banco Comercial do Atlântico, S.A., 70% in Banco Interatlântico, S.A. and an indirect equity stake of 25% in Garantia – Companhia de Seguros, S.A. through Banco Comercial do Atlântico, S.A.

*Intermoney – Fundo de Titularização de Ativos*

During the course of second half 2013, BCG's board of directors approved the early liquidation of the corporate vehicle *Intermoney – Fundo de Titularização* with BCG having been reimbursed for the securities and loans made to the fund. A new securitisation fund was set up in the same period, fully subscribed for by BCG, comprising a mortgage loans portfolio of €1,300,000 thousand, with the fund having issued €1,183,000 thousand in investment units and having received a loan of €117,000 thousand. These operations were performed as part of the measures included in the restructuring plan, enabling BCG to keep its eligible covered bonds for the purpose of obtaining ECB funding.

*Imocaixa – Gestão Imobiliária, S.A.*

The conversion of partners' loans into additional capital payments for the amount of €45,000 thousand to increase the company's shareholders' equity was approved during the course of 2014. At 31 December 2014 and 2013, considering the impacts of the recognised depreciation of the property assets managed by the company, in its balance sheet, Caixa decided to recognise impairment of €39,360 thousand and €2,275 thousand, respectively.

*CGD Investimentos CVC, S.A.*

A decision was made, in 2014, to restructure the brokerage deal developed in Brazil through CGD Investimentos CVC. The merger between the activity of CGD Investimentos CVC's HomeBroker activity with Rico, the investments platform of Octo CTVM. was accordingly announced in July 2014. The operation will result in the Central Bank of Brazil's approval of 51% of Octo CTVM's shares to be held by the group. CGD Investimentos CVC also announced its intention to close down its "institutionals" activity at the end of second half 2014.

## 4. CASH AND CLAIMS AT CENTRAL BANKS

This account heading comprises the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Cash | 692,902 | 642,667 |
| Demand deposits in central banks | 1,425,098 | 902,609 |
| | 2,118,000 | 1,545,275 |
| Interest on demand deposits in central banks | 28 | 64 |
| | 2,118,028 | 1,545,339 |

The objective of Caixa's sight deposits with the Bank of Portugal is to comply with the European Central Bank's System's (ECBS's) minimum cash reserves requirements. Interest is paid on these deposits which comprise 1% of deposits and debt securities with maturities of up to two years, except for the deposits and debt securities of institutions subject to the ECBS's minimum cash reserve requirements.

The funds deposited at central banks by Caixa and group banks at 31 December 2014 and 2013, complied with the minimum limits defined in the regulations in force in the countries in which they operate.

## 5. CASH BALANCES AT OTHER CREDIT INSTITUTIONS

This account heading comprises the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Cheques for collection | | |
| - Portugal | 73,701 | 62,154 |
| - Abroad | 34,776 | 48,859 |
| | 108,477 | 111,013 |
| Demand deposits | | |
| - Portugal | 180,291 | 136,523 |
| - Abroad | 586,338 | 784,881 |
| | 766,629 | 921,403 |
| Accrued interest | 3,193 | 4,168 |
| | 878,298 | 1,036,583 |

Cheques pending settlement comprise the cheques of customers of other banks sent for clearing. These amounts are collected in the first few days of the subsequent year.

## 6. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This account heading comprises the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Interbank money market | - | 20,000 |
| Term deposits | | |
| - Portugal | 113,054 | 34,426 |
| - Abroad | 202,978 | 160,046 |
| Loans | | |
| - Portugal | 60,288 | 55,073 |
| - Abroad | 254,652 | 106,066 |
| Other applications | | |
| - Portugal | 5,164 | 84,628 |
| - Abroad | 1,310,719 | 1,112,231 |
| Purchase operations with resale agreement | 190,187 | 205,806 |
| Overdue loans and interest | 7,163 | 7,156 |
| | 2,144,206 | 1,785,432 |
| Adjustments to assets under hedging operations | 2,302 | 203 |
| Accrued interest | 2,379 | 1,516 |
| Deferred income | (3,404) | (352) |
| | 2,145,482 | 1,786,798 |
| Impairment (Note 36) | (11,817) | (11,996) |
| | 2,133,665 | 1,774,802 |

As a result of the reorganisation process on the assets and liabilities structure of the former Banco Português de Negócios, S.A. (BPN), currently Banco BIC Português, S.A. (BIC), in the sphere of the said financial institution's reprivatisation (completed in first quarter 2012), Caixa agreed to set up a commercial paper programme with this entity with a limit of €400,000 thousand.

The referred to programme, unused at 31 December 2014 and 2013, enjoys the backing of the Portuguese state up to its maturity in March 2015. Caixa also issued a current account line of credit with a limit of €300,000 thousand, maturing in March 2016 whose possibility of use is conditioned by the amount of the deposits of the former customers of BPN.

During the course of the bank's disposal operation, ownership of the corporate vehicles Parvalorem, S.A., Parups, S.A. and Parparticipadas S.A. (holding a collection of assets transferred from BPN as a result of its post-privatisation restructuring process) and *ipso facto* the debts contracted for by these companies with Caixa Geral de Depósitos in the form of loans and advances to customers and bond issuances with a nominal value of €38,305 thousand (note 11) and €2,537,203 thousand (note 8), respectively (€128,946 thousand and €2,920,000 thousand, at 31 December 2013, were transferred to the sphere of the Portuguese state.

The state also assumed liabilities deriving from the commercial paper programme subscribed for by Caixa for €1,000,000 thousand, owing to the transfer of the contractual position between BPN and Parvalorem (note 11). Therefore, starting 30 March 2012, the referred to company became the issuing entity of this commercial paper programme.

The corporate vehicles are repaying the debt to CGD under the terms agreed between the Portuguese state, European Central Bank, International Monetary Fund and European Union. As provided for in the referred to repayment schedule, any amounts received from the recovery of assets held by the corporate vehicles shall be set against these loan settlements.

At 31 December 2014 and 2013, the accumulated impairment balance on investments in credit institutions included €11,875 thousand and €11,994 thousand, respectively, on exposures to banks headquartered in the Republic of Iceland.

At 31 December 2014 and 2013, the "Purchase operations with repurchase agreements" account heading referred to contracts for the acquisition of financial instruments with a resale agreement at a future date at a predefined price. The financial instruments acquired in these operations are not recognised in the balance sheet and their purchase price continues to be recognised as a loan to credit institutions, measured at their respective amortised cost. The referred to operations were contracted for under global master repurchase agreements (GMRAs) providing for mechanisms to strengthen the collateral associated with such transactions on the basis of the evolution of their respective market value which is assessed on the specifications agreed between the counterparties and usually takes the form of surety deposits.

Information on impairment movements on investments in credit institutions, for the years 2014 and 2013, is set out in note 36.

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

These account headings comprise the following:

| | 31-12-2014 | | | 31-12-2013 | | |
|---|---|---|---|---|---|---|
| | Held for trading | At fair value through profit or loss | Total | Held for trading | At fair value through profit or loss | Total |
| **Debt instruments** | | | | | | |
| - Public issuers: | | | | | | |
| . Public debt securities | 1,106 | - | 1,106 | 91,510 | - | 91,510 |
| . Bonds of other public issuers: | | | | | | |
| Foreign | 302,528 | - | 302,528 | 347,698 | 26,419 | 374,117 |
| - Other issuers: | | | | | | |
| . Bonds and other securities: | | | | | | |
| Issued by residents | 439 | 4,961 | 5,400 | 1,069 | 22,989 | 24,058 |
| Issued by non-residents | 13,093 | 1,999 | 15,092 | 4,475 | 8,190 | 12,665 |
| | 317,166 | 6,960 | 324,126 | 444,752 | 57,597 | 502,349 |
| **Equity instruments** | | | | | | |
| Residents | 589 | 120,570 | 121,159 | 11,200 | 110,292 | 121,492 |
| Non-residents | 36,064 | 50,877 | 86,941 | 20,260 | 37,057 | 57,317 |
| | 36,652 | 171,447 | 208,100 | 31,460 | 147,349 | 178,809 |
| **Other financial instruments** | | | | | | |
| - Trust fund units | | | | | | |
| Residents | - | 164,971 | 164,971 | 1,869 | 118,616 | 120,485 |
| Non-residents | - | 479,280 | 479,280 | - | 505,442 | 505,442 |
| - Other | | | | | | |
| Non-residents | 30 | - | 30 | 158 | - | 158 |
| | 30 | 644,251 | 644,281 | 2,027 | 624,058 | 626,085 |
| **Loans and receivables** | - | - | - | - | 173 | 173 |
| **Derivatives with positive fair value (Note 10)** | | | | | | |
| - Swaps | 1,542,176 | - | 1,542,176 | 1,062,619 | - | 1,062,619 |
| - Futures and other forward operations | 14,423 | - | 14,423 | 1,103 | - | 1,103 |
| - Options - shares and currency | 132,682 | - | 132,682 | 295,225 | - | 295,225 |
| - Caps and floors | 206,942 | - | 206,942 | 117,328 | - | 117,328 |
| - Other | 847 | - | 847 | 2,173 | - | 2,173 |
| | 1,897,069 | - | 1,897,069 | 1,478,449 | - | 1,478,449 |
| | 2,250,918 | 822,658 | 3,073,576 | 1,956,688 | 829,176 | 2,785,864 |

Financial assets held-for-trading and other financial assets at fair value through profit or loss at 31 December 2014, included investment units in unit trust and property investment funds managed by group entities, for the amounts of €80,730 thousand and €27,621 thousand, respectively (€73,848 thousand and €12,227 thousand, respectively, at 31 December 2013).

The “Financial assets held-for-trading – debt instruments” account heading at 31 December 2014 and 2013 included securities allocated to the issuance of covered bonds with a book value of €127,537 thousand and €124,380 thousand, respectively (note 21).

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account heading comprises the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Debt instruments** | | |
| - Public debt | 8,768,970 | 8,876,310 |
| - Other public issuers | 1,431,875 | 935,174 |
| - Other issuers | 4,360,643 | 4,516,497 |
| | 14,561,488 | 14,327,981 |
| **Equity instruments** | | |
| - Measured at fair value | 303,532 | 267,357 |
| - Measured at historical cost | 185,767 | 185,135 |
| | 489,299 | 452,492 |
| **Other instruments** | 1,161,228 | 1,006,862 |
| | 16,212,015 | 15,787,335 |
| **Impairment (Note 36)** | | |
| - Equity instruments | (108,408) | (89,973) |
| - Debt instruments | (668) | (835) |
| - Other instruments | (204,547) | (153,081) |
| | (313,623) | (243,889) |
| | 15,898,392 | 15,543,446 |

“Debt instruments – issued by other entities” at 31 December 2014 and 2013, included €2,748,726 thousand and €2,870,981 thousand, respectively, for bonds issued by Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. as part of the liquidity reorganisation support operations for BPN (note 6). These bonds are backed by a Portuguese state guarantee.

At 31 December 2014, “Other instruments” and “Impairment - other instruments” included €685,198 thousand and €102,932 thousand (€592,565 thousand and €78,387 thousand respectively at 31 December 2013) on subscriptions for investments in corporate vehicles set up in the sphere of financial assets assignment operations (loans and advances to customers). Following the transfer of the referred to assets (to the company itself or other companies held by the corporate vehicle in which the group has a stake), the latter were derecognised from the balance sheet, as it was considered that the respective IAS 39 requirements, i.e. the transfer of a substantial part of the risks and benefits associated with credit operations and their respective control, had been met. The corporate vehicles in which the group has a non-controlling interest continue to be autonomous in terms of management. To ensure the neutrality of operations, at the time of performance, impairment on the investments in the corporate vehicles and equivalent to the amounts of loss forecasts was set up. This impairment was reversed as part of the assets' balance sheet derecognition process. Following their initial recognition, these positions reflect the revaluation of the companies' assets.

The group’s exposure at 31 December 2014 and 2013 was as follows:

| | 31-12-2014 | | | |
|---|---|---|---|---|
| | Securities acquired on asset transfer operations | | | |
| | Value before impairment | Accumulated impairment | Net | Fair value reserve |
| Fundo Recuperação, FCR | 180,000 | (34,380) | 145,620 | - |
| Flit-Ptrel SICAV | 114,574 | (10,536) | 104,039 | 8,502 |
| Discovery Portugal Real Estate Fund | 109,428 | (23,018) | 86,411 | 20,090 |
| OXI Capital, SCR | 81,234 | (3,309) | 77,925 | 5,166 |
| Vallis Construction Sector | 72,907 | (9,248) | 63,659 | 9,751 |
| Fundo Imobiliário Aquarius | 66,318 | (8,844) | 57,473 | 8,216 |
| Fundo Recuperação Turismo, FCR | 54,409 | (13,597) | 40,812 | 8,642 |
| Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI | 6,328 | - | 6,328 | (55) |
| | 685,198 | (102,932) | 582,266 | 60,312 |

| | 31-12-2013 | | | |
|---|---|---|---|---|
| | Securities acquired on asset transfer operations | | | |
| | Value before impairment | Accumulated impairment | Net | Fair value reserve |
| Fundo Recuperação, FCR | 180,000 | (27,664) | 152,336 | - |
| Flit-Ptrel SICAV | 115,121 | (12,590) | 102,531 | 7,774 |
| Discovery Portugal Real Estate Fund | 92,997 | (15,288) | 77,709 | 12,811 |
| OXI Capital, SCR | 66,970 | - | 66,970 | (994) |
| Vallis Construction Sector | 73,644 | (9,248) | 64,396 | 9,367 |
| Fundo Recuperação Turismo, FCR | 57,484 | (13,597) | 43,887 | 11,718 |
| Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI | 6,350 | - | 6,350 | (33) |
| | 592,565 | (78,387) | 514,178 | 40,643 |

Complementary to the investments in these vehicles, in the case of certain operations Caixa also made shareholders' loans and accessory capital payments, recognised in "Other assets", with a fully provisioned balance sheet carrying amount of €49,749 thousand and €48,582 thousand, respectively, at 31 December 2014 and 2013.

At 31 December 2014 the amount of impairment on “Other instruments” included €4,094 thousand, on property investment funds managed by group companies with a prolonged, significant decline in market value at below cost.

Net balance sheet impairment on investment units in unit trust and property investment funds managed by group entities and recognised in the available-for-sale financial assets portfolio at 31 December 2014, totalled €16,255 thousand and €26,013 thousand, respectively (€35,967 thousand and €26,777 thousand, respectively, at 31 December 2013).

At 31 December 2014 and 2013, equity instruments included the following investments:

| | 31-12-2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Banking | Investment banking and venture capital | Value before impairment | Accumulated impairment | Net amounts | Fair value reserve | Effective participating interest (%) |
| **Measured at fair value** | | | | | | | |
| SICAR NovEnergia II | - | 61,952 | 61,952 | | 61,952 | 19,529 | 15.49 |
| Galp Energia, SGPS, S.A. | 8,984 | - | 8,984 | - | 8,984 | (3,592) | 0.07 |
| Finpro, SGPS, S.A. | - | 23,818 | 23,818 | (19,183) | 4,635 | - | 17.17 |
| La Seda Barcelona, S.A. | 52,878 | - | 52,878 | (52,878) | - | - | 14.24 |
| A.Silva & Silva - Imobiliário e Serviços, S.A. | - | 21,300 | 21,300 | (21,300) | - | - | 19.64 |
| Foreign entities' shares | 6,254 | 18,830 | 25,084 | (2,062) | 23,022 | 7,154 | |
| Other instruments with characteristics of equity | 5 | - | 5 | - | 5 | 3 | |
| Other | 98,779 | 10,733 | 109,512 | (4,284) | 105,228 | 10,879 | |
| | 166,899 | 136,633 | 303,532 | (99,707) | 203,825 | 33,974 | |
| **Measured at historical cost** | | | | | | | |
| Águas de Portugal, S.A. | 153,003 | - | 153,003 | | 153,003 | - | 9.69 |
| VAA - Vista Alegre Atlantis, S.A. | 4,058 | 800 | 4,858 | (1,178) | 3,680 | - | 4.48 |
| Other | 27,860 | 46 | 27,906 | (7,524) | 20,382 | - | - |
| | 184,921 | 845 | 185,767 | (8,702) | 177,065 | - | |
| | 351,820 | 137,478 | 489,299 | (108,408) | 380,890 | 33,974 | |

| | 31-12-2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Banking | Insurance | Investment banking and venture capital | Value before impairment | Accumulated impairment | Net amounts | Fair value reserve | Effective participating interest (%) |
| **Measured at fair value** | | | | | | | | |
| SICAR NovEnergia II | - | - | 56,615 | 56,615 | - | 56,615 | 14,193 | 15.49 |
| Galp Energia, SGPS, S.A. | 28,683 | - | - | 28,683 | (31) | 28,652 | 267 | 0.15 |
| Finpro, SGPS, S.A. | - | - | 18,868 | 18,868 | - | 18,868 | (4,950) | 17.16 |
| Redes Energéticas Nacionais, SGPS, S.A. | 15,537 | - | - | 15,537 | - | 15,537 | 4,342 | 1.10 |
| EDP Renováveis, S.A. | 10 | - | - | 10 | (4) | 6 | 2 | 0.00 |
| La Seda Barcelona, S.A. | 52,878 | - | - | 52,878 | (52,878) | - | - | 14.24 |
| A.Silva & Silva - Imobiliário e Serviços, S.A. | - | - | 21,300 | 21,300 | (21,300) | - | - | 19.63 |
| Foreign entities' shares | 6,341 | 261 | 16,740 | 23,341 | (1,815) | 21,526 | 4,694 | |
| Other instruments with characteristics of equity | 3 | - | - | 3 | - | 3 | 1 | |
| Other | 35,736 | - | 14,388 | 50,124 | (5,725) | 44,399 | 11,671 | |
| | 139,185 | 261 | 127,911 | 267,357 | (81,753) | 185,604 | 30,219 | |
| **Measured at historical cost** | | | | | | | | |
| Águas de Portugal, S.A. | 153,003 | - | - | 153,003 | - | 153,003 | - | 9.69 |
| VAA - Vista Alegre Atlantis, S.A. | 4,058 | - | - | 4,058 | (1,178) | 2,880 | - | 4.48 |
| Other | 27,875 | - | 199 | 28,074 | (7,042) | 21,032 | - | |
| | 184,936 | - | 199 | 185,135 | (8,220) | 176,915 | - | |
| | 324,121 | 261 | 128,110 | 452,492 | (89,973) | 362,519 | 30,219 | |

The following criteria were used to prepare the above tables:

- At 31 December 2013, the "Insurance activity" column referred to securities held by Garantia;
- The "Investment banking and venture capital" column includes the securities held by Caixa - Banco de Investimento and by the group's venture capital area, including consolidated venture capital funds (note 3);
- Securities held by remaining entities were allocated to "Banking activity".

Information on the composition of impairment of equity instruments recognised by the group as a charge to profit and loss for 2014 and 2013 is set out in the following table (note 36):

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| FINPRO, SGPS, SA | 19,183 | - |
| Portugal Telecom, SGPS, S.A. | - | 25,469 |
| La Seda Barcelona, S.A. | - | 4,891 |
| Other | 360 | 1,189 |
| | 19,543 | 31,549 |

At 31 December 2013, the balances set out in the above table included €5,561 thousand for impairment associated with the activity of Caixa Seguros e Saúde, reclassified to "Income from subsidiaries held for sale" (note 12) in profit and loss.

The fair value reserve for available-for-sale financial assets at 31 December 2014 and 2013, comprised the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Fair value reserve (Note 26) | | |
| (gross amount before non-controlling interests) | | |
| **Debt instruments** | 409,476 | (63,807) |
| **Equity instruments** | | |
| - Positive fair value | 37,566 | 36,075 |
| - Negative fair value | | |
| . Unrealised loss lower than 20% of acquisition cost | - | (57) |
| . Unrealised loss between 20% and 30% of acquisition cost | (3,592) | (4,950) |
| . Unrealised loss between 30% and 40% of acquisition cost | - | (849) |
| | 33,974 | 30,219 |
| **Other instruments** | 110,096 | 40,764 |
| | 553,545 | 7,176 |
| Deferred tax reserve | (152,214) | 2,486 |
| | 401,331 | 9,662 |
| Balance attributable to non-controlling interests | (2,495) | (6,123) |
| | 398,836 | 3,539 |

Movements in the main equity instruments, recognised as “Available-for-sale financial assets” at 31 December 2014 and 2013, comprised the following:

*REN - Redes Energéticas Nacionais, SGPS, S.A.*

In June 2014, as part of the second reprivatisation stage of REN, Caixa disposed of the whole of its equity stake in the company for an amount of €15,725 thousand, having made capital gains of €6,933 thousand (note 31).

*Portugal Telecom, S.A.*

Caixa made capital gains of €26,838 thousand (note 31) on its sale of 54,771,741 Portugal Telecom shares for a total amount of €190,606 thousand, in October 2013.

*Banco Comercial Português, S.A. (BCP)*

Caixa made capital gains of €7,541 thousand (note 31) on its sale of 179,380,009 BCP shares for a total amount of €19,022 thousand, in 2013.

*Galp Energia, SGPS, S.A. (Galp)*

In first half 2014, the group sold 1,339,125 Galp Energia shares for a total amount of €17,712 thousand, having made capital gains of €1,903 thousand (note 31).

In 2013, the group disposed of 3,233,255 Galp Energia shares for a total amount of €40,889 thousand, having made capital gains of €2,729 thousand.

*Reclassification of securities*

*Caixa Geral de Depósitos*

In 2008 and first half 2010, under the terms of the October 2008 amendments to IAS 39, as described in further detail in note 2.8 and owing to the exceptional circumstances noted in the financial markets in the referred to periods, Caixa transferred a collection of securities from “Financial assets held-for-trading” to “Available-for-sale financial assets”.

Caixa’s reclassifications, deriving from the instability and volatility in the financial markets, particularly in 2010, as regards the evolution of credit markets, strongly affected by the disturbances in the funding of eurozone countries’ sovereign debt, determined a change in Caixa’s outlook on the sale of these assets which were no longer expected to be sold over the short term. The transfer of securities in first half 2010, essentially comprised sovereign debt instruments, securities issued by government agencies and other credit instruments issued by financial institutions directly affected by the turmoil in eurozone public debt markets.

Caixa also reclassified bonds from available-for-sale financial assets to loans and advances to customers in first half 2010.

The impact of the reclassification of those securities in profit and loss and fair value reserves was 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 31-12-2012 | 156,972 | n.a |
| Book value at 31-12-2013 | 138,888 | n.a |
| Book value at 31-12-2014 | 165,911 | n.a |
| Fair value of securities reclassified at 31-12-2014 | 165,911 | n.a |
| Fair value reserve of securities reclassified at 31-12-2014 | 23,063 | 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/ (losses) 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/ (losses) 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/ (losses) 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 31-12-2012 | | |
| Unrealised capital gains/ (losses) recognised as a charge to fair value reserves | 14,112 | n.a |
| Impairment for the period | (3,210) | n.a |
| Other gains and losses recognised as a charge to net income | 7,457 | n.a |
| Gains / (losses) associated with the change of the fair value of securities between 31-12-2012 and 31-12-2013 | | |
| Unrealised capital gains/ (losses) recognised as a charge to fair value reserves | 5,907 | n.a |
| Impairment for the period | (3,580) | n.a |
| Other gains and losses recognised as a charge to net income | (671) | n.a |
| Gains / (losses) associated with the change of the fair value of securities between 31-12-2013 and 31-12-2014 | | |
| Unrealised capital gains/ (losses) recognised as a charge to fair value reserves | 31,767 | 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 31-12-2012 | 342,668 | 477,515 |
| Book value at 31-12-2013 | 170,473 | 444,652 |
| Book value at 31-12-2014 | 2,993 | 374,652 |
| Fair value of securities reclassified at 31-12-2014 | 2,993 | 368,120 |
| Fair value reserve of securities reclassified at 31-12-2014 | 266 | n.a |
| Gains / (losses) associated with the change in securities fair value between reclassification date and 31-12-2010 | | |
| Unrealised capital gains/ (losses) 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/ (losses) 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) | n.a |
| Gains / (losses) associated with the change of the fair value of securities between 31-12-2011 and 31-12-2012 | | |
| Unrealised capital gains/ (losses) recognised as a charge to fair value reserves | 70,581 | n.a |
| Other gains and losses recognised as a charge to net income | 604 | n.a |
| Gains / (losses) associated with the change of the fair value of securities between 31-12-2012 and 31-12-2013 | | |
| Unrealised capital gains/ (losses) recognised as a charge to fair value reserves | 7,898 | n.a |
| Other gains and losses recognised as a charge to net income | 2,564 | n.a |
| Gains / (losses) associated with the change of the fair value of securities between 31-12-2013 and 31-12-2014 | | |
| Unrealised capital gains/ (losses) recognised as a charge to fair value reserves | 6,270 | n.a |
| Other gains and losses recognised as a charge to net income | 20,310 | n.a |

The amounts do not include the fiscal effect.

“Gains/ (losses) recognised as a charge to results” include proceeds from the disposal of securities following the reclassification date and foreign exchange revaluation and exclude income and charges with interest and commissions.

The amounts of securities reclassified in 2008 into financial assets at fair value through profit or loss include investment units in funds which were latterly included in the consolidation perimeter. Information on this asset, at 31 December 2014 and 2013, is set out below:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Financial assets at fair value as a charge to revaluation reserves | | |
| Book value | 48,314 | 46,524 |
| Fair value of securities reclassified | 48,314 | 46,524 |
| Fair value reserve of securities reclassified | 5,046 | 3,309 |
| Gains / (losses) associated with the change of the fair value of securities between 31-12-2013 and 31-12-2014 | | |
| Unrealised capital gains/ (losses) recognised as a charge to fair value reserves | 1,736 | 921 |

## 9. FINANCIAL ASSETS WITH REPURCHASE AGREEMENTS

Information on financial assets with repurchase agreements, at 31 December 2014 and 2013, is set out below.

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **At fair value through profit or loss** | | |
| **Debt instruments** | | |
| - From public issuers: | | |
| . Debt securities | - | 15,266 |
| | - | 15,266 |
| **At fair value through revaluation reserves** | | |
| **Debt instruments** | | |
| - From public issuers: | | |
| . Portuguese debt securities | 226,877 | 180,867 |
| . Foreign debt securities | 4,823 | - |
| - From other issuers: | | |
| . Bonds and other securities: | | |
| Residents | 128,342 | - |
| Non-residents | 230,341 | 509,503 |
| | 590,383 | 690,370 |
| **At amortised cost** | | |
| **Loans and advances to customers** | | |
| Residents | 690,743 | - |
| | 690,743 | - |
| | 1,281,126 | 705,636 |

The group entered into financial assets sale operations with purchase agreements at a future date at a pre-established price with financial institutions and customers during the course of 2014 and 2013.

Financial instruments ceded in sales operations with repurchase agreements are not derecognised in the balance sheet and continue to be measured in accordance with the accounting policies applicable to the underlying assets. The difference between their sales and repurchase values is recognised as interest income and deferred over the period of the contract.

Liabilities on the repurchase agreement are recognised as a liability in “Other credit institutions’ resources – Sales operations with repurchase agreements” (note 19) and “Customer resources and other loans – other resources – sales operations with repurchase agreements” (note 20).

## 10. DERIVATIVES

The group performs derivative operations as part of its activity to meet the needs of its customers and reduce its exposure to foreign exchange, interest rate and stock market fluctuations.

The group controls the risk of its derivatives activities on the basis of operations approval procedures, a definition of exposure limits per product and customer and its daily monitoring of the respective results.

These operations were valued in conformity with the criteria set out in note 2.8.c), at 31 December 2014 and 2013. Information on their respective notional and balance sheet value, at the said dates, is set out below:

| | 31-12-2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Notional value | | | Book value | | | | |
| | | | | | | Hedging derivatives | | |
| | Trading derivatives | Hedging derivatives | Total | Assets held for trading (Note 7) | Liabilities held for trading | Assets | Liabilities | Total |
| **Forward foreign exchange transactions** | | | | | | | | |
| **Foreign exchange** | | | | 2,046 | (7,413) | - | - | (5,367) |
| Purchase | 526,820 | - | 526,820 | | | | | |
| Sale | 538,187 | - | 538,187 | | | | | |
| **NDF's (Non Deliverable Forward )** | | | | 2,245 | (315) | - | - | 1,930 |
| Purchase | 151,398 | - | 151,398 | | | | | |
| Sale | 150,110 | - | 150,110 | | | | | |
| **FRA (forward rate agreements)** | 10,000 | - | 10,000 | 99 | - | - | - | 99 |
| **Swaps** | | | | | | | | |
| **Currency swaps** | | | | 13,837 | (1,939) | - | - | 11,898 |
| Purchase | 1,807,353 | - | 1,807,353 | | | | | |
| Sale | 1,794,982 | - | 1,794,982 | | | | | |
| **Interest rate swaps and cross currency interest rate swaps** | | | | 1,528,182 | (1,752,638) | 78,008 | (20,040) | (166,488) |
| Purchase | 51,918,105 | 289,226 | 52,207,331 | | | | | |
| Sale | 51,858,878 | 299,107 | 52,157,985 | | | | | |
| **Credit default swaps** | | | | 157 | (677) | - | - | (520) |
| Purchase | 105,892 | - | 105,892 | | | | | |
| Sale | 66,183 | - | 66,183 | | | | | |
| **Futures** | | | | | | | | |
| **Currency** | | | | - | - | - | - | - |
| Long positions | 143,018 | - | 143,018 | | | | | |
| Short positions | 176,234 | - | 176,234 | | | | | |
| **Interest rate** | | | | - | - | - | - | - |
| Long positions | (374,808) | - | (374,808) | | | | | |
| Short positions | 1,947,253 | - | 1,947,253 | | | | | |
| **Shares and indexes** | | | | 18 | - | - | - | 18 |
| Long positions | 12,036 | - | 12,036 | | | | | |
| Short positions | 9,706 | - | 9,706 | | | | | |
| **Other** | | | | 10,014 | - | - | - | 10,014 |
| - Traded on behalf of customers | | | | | | | | |
| Long positions | 386,153 | - | 386,153 | | | | | |
| Short positions | 198,780 | - | 198,780 | | | | | |
| **Options** | | | | | | | | |
| **Currency** | | | | 2,595 | (2,671) | - | - | (76) |
| Purchase | 175,586 | - | 175,586 | | | | | |
| Sale | 179,952 | - | 179,952 | | | | | |
| **Shares and indexes** | | | | 130,087 | (137,012) | | | (6,925) |
| Purchase | 627,476 | | 627,476 | | | | | |
| Sale | 514,581 | | 514,581 | | | | | |
| **Interest rates (Caps & Floors)** | | | | 206,942 | (212,852) | - | - | (5,910) |
| Purchase | 4,202,675 | - | 4,202,675 | | | | | |
| Sale | 1,557,346 | - | 1,557,346 | | | | | |
| **Other** | - | - | - | 847 | (5,114) | - | - | (4,267) |
| | 118,683,896 | 588,333 | 119,272,229 | 1,897,069 | (2,120,631) | 78,008 | (20,040) | (165,594) |

| | 31-12-2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Notional value | | | Book value | | | | |
| | Trading derivatives | Hedging derivatives | Total | Assets held for trading (Note 7) | Liabilities held for trading | Hedging derivatives | | Total |
| | | | | | | Assets | Liabilities | |
| Forward foreign exchange transactions | | | | | | | | |
| Foreign exchange | | | | 596 | (6,402) | - | - | (5,806) |
| Purchase | 1,354,573 | - | 1,354,573 | | | | | |
| Sale | 1,354,190 | - | 1,354,190 | | | | | |
| NDF's (Non Deliverable Forward ) | | | | - | (280) | - | - | (280) |
| Purchase | - | - | - | | | | | |
| Sale | 74,323 | - | 74,323 | | | | | |
| FRA (forward rate agreements) | 35,000 | - | 35,000 | 110 | - | - | - | 110 |
| Swaps | | | | | | | | |
| Currency swaps | | | | 3,645 | (33,482) | - | - | (29,837) |
| Purchase | 3,319,291 | - | 3,319,291 | | | | | |
| Sale | 3,349,480 | - | 3,349,480 | | | | | |
| Interest rate swaps and cross currency interest rate swaps | | | | 1,058,058 | (1,172,340) | 45,458 | (65,110) | (133,934) |
| Purchase | 56,287,433 | 658,922 | 56,946,355 | | | | | |
| Sale | 56,295,127 | 675,844 | 56,970,971 | | | | | |
| Credit default swaps | | | | 915 | (2,406) | - | - | (1,491) |
| Purchase | 108,009 | - | 108,009 | | | | | |
| Sale | 79,383 | - | 79,383 | | | | | |
| Futures | | | | | | | | |
| Currency | | | | - | - | - | - | - |
| Long positions | 24,405 | - | 24,405 | | | | | |
| Short positions | 137,585 | - | 137,585 | | | | | |
| Interest rate | | | | - | - | - | - | - |
| Long positions | (104,100) | - | (104,100) | | | | | |
| Short positions | 1,085,123 | - | 1,085,123 | | | | | |
| Shares and indexes | | | | 398 | (77) | - | - | 321 |
| Long positions | 11,875 | - | 11,875 | | | | | |
| Short positions | 9,817 | - | 9,817 | | | | | |
| Other | | | | - | - | - | - | - |
| - Traded on behalf of customers | | | | | | | | |
| Long positions | (35,559) | - | (35,559) | | | | | |
| Short positions | 340,171 | - | 340,171 | | | | | |
| Options | | | | | | | | |
| Currency | | | | 1,213 | (622) | - | - | 591 |
| Purchase | 97,423 | - | 97,423 | | | | | |
| Sale | 95,193 | - | 95,193 | | | | | |
| Shares and indexes | | | | 294,012 | (302,026) | - | - | (8,014) |
| Purchase | 1,262,504 | - | 1,262,504 | | | | | |
| Sale | 1,201,370 | - | 1,201,370 | | | | | |
| Interest rates (Caps & Floors) | | | | 117,328 | (123,537) | - | - | (6,209) |
| Purchase | 2,124,589 | - | 2,124,589 | | | | | |
| Sale | 2,378,408 | - | 2,378,408 | | | | | |
| Other | - | - | - | 2,173 | (3,660) | | | (1,487) |
| | 130,885,613 | 1,334,766 | 132,220,379 | 1,478,449 | (1,644,832) | 45,458 | (65,110) | (186,036) |

“Liabilities held-for-trading”, at 31 December 2014, also included €496 thousand in liabilities deriving from loan operations on group portfolio equity instruments, which were settled in the first few days of 2015.

Derivatives recognised in "Assets held-for-trading", "Liabilities held-for-trading", "Hedge derivatives - assets" and "Hedge derivatives - liabilities" at 31 December 2014 and 2013, included operations collateralised by surety accounts set up to hedge the fair value of lending and borrowing exposures between Caixa and various financial institutions. The balances deposited by the referred to financial institutions with Caixa and by Caixa with the said financial institutions on the said dates were recognised in "Other liabilities - resources - surety account" (note 24) and "Other assets - debtors and other investments - other debtors" (note 18), respectively.

At 31 December 2014 the balance sheet carrying amount of operations with derivatives having positive and negative fair values was fully collateralised by surety deposits totalling

€1,124.852 thousand and €1,953,450 thousand, respectively (€967,298 thousand and €1,511,999 thousand, respectively in December 2013).

The distribution of the group's derivatives operations at 31 December 2014 and 2013 by periods to maturity is detailed below:

| | 31-12-2014 | | | | | |
|---|---|---|---|---|---|---|
| | <= 3 months | > 3 months <= 6 months | > 6 months <= 1 year | > 1 year <= 5 years | > 5 years | Total |
| **Forward foreign exchange transactions** | | | | | | |
| | | | | | | |
| Purchase | 296,743 | 57,658 | 133,726 | 38,693 | - | 526,820 |
| Sale | 303,020 | 58,067 | 134,253 | 42,847 | - | 538,187 |
| **NDF's (Non Deliverable Forward )** | | | | | | |
| Purchase | 149,173 | 2,225 | - | - | - | 151,398 |
| Sale | 147,660 | 2,450 | - | - | - | 150,110 |
| **FRA (forward rate agreements)** | - | - | 5,000 | 5,000 | - | 10,000 |
| **Swaps** | | | | | | |
| **Currency swaps** | | | | | | |
| Purchase | 1,479,014 | 188,795 | 121,728 | 17,816 | - | 1,807,353 |
| Sale | 1,468,694 | 186,619 | 121,807 | 17,862 | - | 1,794,982 |
| **Interest rate swaps and cross currency interest rate swaps** | | | | | | |
| Purchase | 995,844 | 1,081,154 | 4,209,600 | 22,652,914 | 23,267,819 | 52,207,331 |
| Sale | 996,219 | 1,082,310 | 4,198,564 | 22,644,781 | 23,236,111 | 52,157,985 |
| **Credit default swaps** | | | | | | |
| Purchase | 40,000 | - | - | 65,892 | - | 105,892 |
| Sale | - | - | - | 66,183 | - | 66,183 |
| **Futures** | | | | | | |
| **Currency** | | | | | | |
| Long positions | 143,018 | - | - | - | - | 143,018 |
| Short positions | 155,352 | 3,634 | 4,600 | 12,648 | - | 176,234 |
| **Interest rate** | | | | | | |
| Long positions | (1,153) | - | (373,655) | - | - | (374,808) |
| Short positions | 1,947,253 | - | - | - | - | 1,947,253 |
| **Shares and indexes** | | | | | | |
| Long positions | 12,036 | - | - | - | - | 12,036 |
| Short positions | 9,706 | - | - | - | - | 9,706 |
| **Other** | | | | | | |
| . Traded on behalf of customers | | | | | | |
| Long positions | 149,535 | - | 225,276 | - | 11,342 | 386,153 |
| Short positions | (82,307) | 45,879 | (83,677) | 309,150 | 9,735 | 198,780 |
| **Options** | | | | | | |
| **Currency** | | | | | | |
| Purchase | - | 149 | 42,052 | 133,385 | - | 175,586 |
| Sale | 193 | 144 | 45,887 | 133,728 | - | 179,952 |
| **Shares and indexes** | | | | | | |
| Purchase | 234,484 | 119,427 | 37,515 | 228,602 | 7,448 | 627,476 |
| Sale | 212,512 | 83,287 | 27,244 | 184,872 | 6,666 | 514,581 |
| **Interest rates (Caps & Floors)** | | | | | | |
| Purchase | 125,100 | - | 265,116 | 3,129,144 | 683,315 | 4,202,675 |
| Sale | 110,000 | - | 75,000 | 643,856 | 728,490 | 1,557,346 |
| | 8,892,096 | 2,911,798 | 9,190,036 | 50,327,373 | 47,950,926 | 119,272,229 |

| | 31-12-2013 | | | | | |
|---|---|---|---|---|---|---|
| | <= 3 months | > 3 months <= 6 months | > 6 months <= 1 year | > 1 year <= 5 years | > 5 years | Total |
| **Forward foreign exchange transactions** | | | | | | |
| | | | | | | |
| Purchase | 565,351 | 151,144 | 627,546 | 10,532 | - | 1,354,573 |
| Sale | 565,070 | 151,077 | 627,511 | 10,532 | - | 1,354,190 |
| **NDF's (Non Deliverable Forward )** | | | | | | |
| Purchase | - | - | - | - | - | - |
| Sale | 72,160 | 2,163 | - | - | - | 74,323 |
| **FRA (forward rate agreements)** | - | - | - | 35,000 | - | 35,000 |
| **Swaps** | | | | | | |
| **Currency swaps** | | | | | | |
| Purchase | 3,037,604 | 31,611 | 226,124 | 23,952 | - | 3,319,291 |
| Sale | 3,066,708 | 31,615 | 227,158 | 23,999 | - | 3,349,480 |
| **Interest rate swaps and cross currency interest rate swaps** | | | | | | |
| Purchase | 4,577,220 | 6,120,808 | 4,882,196 | 17,547,192 | 23,818,939 | 56,946,355 |
| Sale | 4,584,600 | 6,122,862 | 4,885,035 | 17,542,107 | 23,836,367 | 56,970,971 |
| **Credit default swaps** | | | | | | |
| Purchase | 10,000 | - | - | 98,009 | - | 108,009 |
| Sale | - | 18,128 | - | 61,255 | - | 79,383 |
| **Futures** | | | | | | |
| **Currency** | | | | | | |
| Long positions | 11,665 | - | 12,740 | - | - | 24,405 |
| Short positions | - | - | - | 137,585 | - | 137,585 |
| **Interest rate** | | | | | | |
| Long positions | (79,180) | - | (24,920) | - | - | (104,100) |
| Short positions | 489,000 | 546,473 | 49,650 | - | - | 1,085,123 |
| **Shares and indexes** | | | | | | |
| Long positions | 3,698 | - | - | 8,177 | - | 11,875 |
| Short positions | 9,817 | - | - | - | - | 9,817 |
| **Other** | | | | | | |
| . Traded on behalf of customers | | | | | | |
| Long positions | (21,100) | - | (14,459) | - | - | (35,559) |
| Short positions | 42,707 | - | 50,312 | 247,152 | - | 340,171 |
| **Options** | | | | | | |
| **Currency** | | | | | | |
| Purchase | 2,248 | 11,594 | 8,344 | 75,237 | - | 97,423 |
| Sale | 3,471 | 11,659 | 7,972 | 72,091 | - | 95,193 |
| **Shares and indexes** | | | | | | |
| Purchase | 206,652 | 319,639 | 250,171 | 478,591 | 7,451 | 1,262,504 |
| Sale | 214,563 | 346,336 | 268,678 | 365,127 | 6,666 | 1,201,370 |
| **Interest rates (Caps & Floors)** | | | | | | |
| Purchase | 97,500 | 145,000 | 411,276 | 1,391,913 | 78,900 | 2,124,589 |
| Sale | 97,500 | 485,000 | 349,000 | 713,700 | 733,208 | 2,378,408 |
| | 17,557,254 | 14,495,109 | 12,844,334 | 38,842,151 | 48,481,531 | 132,220,379 |

The distribution of the group's derivatives operations at 31 December 2014 and 2013 by counterparty type is detailed below:

| | 31-12-2014 | | 31-12-2013 | |
|---|---|---|---|---|
| | Notional value | Book value | Notional value | Book value |
| **Forward foreign exchange transactions** | | | | |
| Foreign exchange | | | | |
| *Financial institutions* | 903,472 | (614) | 2,639,518 | (6,193) |
| *Customers* | 161,535 | (4,753) | 69,245 | 387 |
| | 1,065,007 | (5,367) | 2,708,763 | (5,806) |
| **NDF's (Non Deliverable Forward )** | | | | |
| *Financial institutions* | - | - | 72,160 | (235) |
| *Customers* | 301,508 | 1,930 | 2,163 | (45) |
| | 301,508 | 1,930 | 74,323 | (280) |
| **FRA (forward rate agreements)** | | | | |
| *Financial institutions* | 10,000 | 99 | 35,000 | 110 |
| | 10,000 | 99 | 35,000 | 110 |
| **Swaps** | | | | |
| **Currency swaps** | | | | |
| *Financial institutions* | 3,589,971 | 11,279 | 6,545,357 | (29,890) |
| *Customers* | 12,364 | 619 | 123,414 | 53 |
| | 3,602,335 | 11,898 | 6,668,771 | (29,837) |
| **Interest rate swaps and cross currency interest rate swaps** | | | | |
| *Financial institutions* | 95,259,061 | (710,679) | 103,849,993 | (616,684) |
| *Customers* | 9,106,255 | 544,191 | 10,067,333 | 482,750 |
| | 104,365,316 | (166,488) | 113,917,326 | (133,934) |
| **Credit default swaps** | | | | |
| *Financial institutions* | 172,075 | (520) | 187,392 | (1,491) |
| *Customers* | - | - | - | - |
| | 172,075 | (520) | 187,392 | (1,491) |
| **Futures** | | | | |
| **Currency** | | | | |
| *Stock exchange* | 318,877 | - | 161,990 | - |
| *Financial institutions* | 375 | - | - | - |
| | 319,252 | - | 161,990 | - |
| **Interest rate** | | | | |
| *Stock exchange* | 1,551,390 | - | 981,023 | - |
| *Financial institutions* | 21,055 | - | - | - |
| | 1,572,445 | - | 981,023 | - |
| **Shares and indexes** | | | | |
| *Stock exchange* | 12,600 | 18 | 21,692 | 321 |
| *Financial institutions* | 9,142 | - | - | - |
| | 21,742 | 18 | 21,692 | 321 |
| **Other** | | | | |
| *Stock exchange* | 573,591 | 8 | 304,612 | - |
| *Customers* | 11,342 | 10,006 | - | - |
| | 584,933 | 10,014 | 304,612 | - |
| **Options** | | | | |
| **Currency** | | | | |
| *Financial institutions* | 355,345 | 982 | 192,397 | 781 |
| *Customers* | 193 | (1,058) | 219 | (190) |
| | 355,538 | (76) | 192,616 | 591 |
| **Shares and indexes** | | | | |
| *Financial institutions* | 1,134,509 | 4,458 | 2,463,250 | 1,511 |
| *Customers* | 7,548 | (11,383) | 624 | (9,525) |
| | 1,142,057 | (6,925) | 2,463,874 | (8,014) |
| **Interest rates (Caps & Floors)** | | | | |
| *Financial institutions* | 4,802,800 | (117,577) | 3,554,189 | (19,397) |
| *Customers* | 957,221 | 111,667 | 948,808 | 13,188 |
| | 5,760,021 | (5,910) | 4,502,997 | (6,209) |
| **Other** | | | | |
| *Financial institutions* | - | (321) | - | 2,173 |
| *Customers* | - | (3,946) | - | (3,660) |
| | - | (4,267) | - | (1,487) |
| | 119,272,229 | (165,594) | 132,220,379 | (186,036) |

## 11. LOANS AND ADVANCES TO CUSTOMERS

This account heading comprises the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Domestic and foreign loans | | |
| Loans | 49,732,256 | 52,100,442 |
| Current account loans | 3,181,401 | 3,350,370 |
| Other loans | 5,678,572 | 5,751,772 |
| Other loans and amounts receivable - securitised | | |
| . Commercial Paper | 2,831,052 | 3,304,590 |
| . Other | 1,701,777 | 1,697,608 |
| Property leasing operations | 1,278,364 | 1,386,829 |
| Discounts and other loans secured by bills | 512,270 | 458,554 |
| Purchase operations with resale agreement | 1,246 | - |
| Equipment leasing operations | 703,759 | 740,820 |
| Factoring | 382,033 | 260,382 |
| Overdrafts | 355,126 | 340,798 |
| | 66,357,856 | 69,392,165 |
| Adjustment to assets under hedging operations | 459 | 832 |
| Accrued interest | 245,896 | 247,279 |
| Deferred income, commissions and other cost and income associated with amortised cost | (58,236) | (68,232) |
| | 66,545,975 | 69,572,043 |
| Overdue loans and interest | 5,547,888 | 4,957,878 |
| | 72,093,864 | 74,529,922 |
| Impairment (Note 36) | (5,230,292) | (4,512,411) |
| | 66,863,572 | 70,017,511 |

"Domestic credit – other loans" at 31 December 2014 and 31 included €73,082 thousand and €78,467 thousand, respectively, relating to mortgage lending and personal loans issued by CGD to its employees.

The "Loans" account heading, at 31 December 2014 and 2013, included €38,305 thousand and €128,946 thousand, respectively, for loans made by Caixa to Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. (notes 6 and 8). These loans have been collateralised by pledges and mortgages on the referred to vehicles' assets. Following the completion of the former BPN's reprivatisation process, in March 2012, the ownership of these companies was transferred to the sphere of the Portuguese state.

The state also assumed liabilities on the said date for the commercial paper programme subscribed for by Caixa with BPN for the amount of €1 billion, through the transfer of the contractual position between the bank and Parvalorem (note 6). This operation was recognised In "Other loans and amounts receivable – securitised – commercial paper" at 31 December 2014 and 2013.

The “Loans” account heading, at 31 December 2014 and 31 December 2013, included mortgage loans made by Caixa in the sphere of securitisation operations. Information on these loan movements, in 2014 and 2013 is set out below:

| | Nostrum Mortgages nº1 | Nostrum Mortgages nº2 | Total |
|---|---|---|---|
| Balances at 31-12-2012 | 389,692 | 4,892,634 | 5,282,326 |
| Sale of new loans | 1,540 | 24,526 | 26,066 |
| Payments | (38,766) | (158,416) | (197,182) |
| Repurchase | (1,540) | (87,509) | (89,049) |
| Other | - | 34,553 | 34,553 |
| Balances at 31-12-2013 | 350,926 | 4,705,788 | 5,056,714 |
| Sale of new loans | 997 | 19,554 | 20,551 |
| Payments | (35,286) | (165,953) | (201,239) |
| Repurchase | (997) | (26,686) | (27,683) |
| Other | 6 | (37,772) | (37,766) |
| Balances at 31-12-2014 | 315,647 | 4,494,931 | 4,810,577 |

Such loans comprise collateral for the liabilities issued by SPVs under the scope of such operations, which, in the case of the Nostrum Mortgage no. 1 operation, at 31 December 2014 and 2013, totalled €79,074 thousand and €223,118 thousand, respectively (note 21). These balances do not include the liabilities associated with the Nostrum Mortgages no. 2 operation, which are fully held by the group and therefore eliminated when preparing the consolidated financial statements.

The “Loans” account heading, at 31 December 2014 and 2013 included mortgage loans allocated to the issuance of covered bonds with a book value of €11,527,625 thousand and €9,945,587 thousand, respectively. At 31 December 2013, it also included credit allocated to the issuance of bonds for the public sector with a book value of €1,215,109 (note 21).

The assets pool collateralising the referred to issuances, at 31 December 2014 and 2013, also included debt securities with a book value of €127,537 and €124,380 thousand, respectively (note 7) at the said dates.

Information on the seniority of “Overdue loans and interest” at 31 December 2014 and 2013, is set out below:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Up to three months | 437,235 | 439,926 |
| Three to six months | 173,879 | 226,656 |
| Six months to one year | 471,895 | 476,465 |
| One to three years | 1,753,992 | 1,965,719 |
| Over three years | 2,710,887 | 1,849,113 |
| | 5,547,888 | 4,957,878 |

## 12. NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE

Non-current assets held-for-sale, at 31 December 2014 and 2013, comprised the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| ASSETS | | |
| Property and equipment | 1,178,173 | 994,331 |
| Subsidiaries | | |
| Insurance companies held by Caixa Seguros e Saúde | 2,365 | 12,785,337 |
| | 1,180,538 | 13,779,668 |
| Impairment - property and equipment (Note 36) | (376,098) | (334,555) |
| | 804,440 | 13,445,113 |
| LIABILITIES | | |
| Subsidiaries | | |
| Insurance companies held by Caixa Seguros e Saúde | 1,917 | 11,590,700 |
| | 1,917 | 11,590,700 |

The contracts for the disposal of a majority interest to the bidder Fosun International Limited were signed on 7 February 2014 in the sphere of the privatisation process of Caixa Geral de Depósitos's insurance companies Fidelidade – Companhia de Seguros, S.A., Cares – Companhia de Seguros, S.A., and Multicare – Seguros de Saúde, S.A. The operation was contingent upon decisions of non-opposition to be issued by the competent authorities i.e. *Instituto de Seguros de Portugal* (Portuguese Insurance Institute), which, on 17 April 2014, decided not to oppose the transaction. In the sphere of the agreement reached, which was finalised in May 2014, 80% of the share capital and voting rights in Fidelidade – Companhia de Seguros, S.A, 80% of Cares – Companhia de Seguros, S.A. and 80% of Multicare - Seguros de Saúde, S.A., were transferred for a total amount of approximately €1,038,000 thousand.

The group made capital gains of €234,931 thousand on this operation, including €73,034 thousand on the reclassification of positive fair value reserves (net of deferred tax) associated with the securities portfolios of the insurance companies classified in "Financial assets available-for-sale" and "Held to maturity investments" to profit and loss, as required by IFRS 10 in the accounting of these types of other comprehensive income on disposals of equity stakes entailing a loss of control.

Also pursuant to the terms of the conditions agreed for this transaction, the amount of the stake in the equity capital of Fidelidade – Companhia de Seguros, S.A. to be sold to Fosun International Limited may also increase to a maximum of 85%, considering the results of the public offering on 5% of the share capital and voting rights in the company for the workers of the insurance companies. At 31 December 2014, the equity stakes retained by the group in Fidelidade – Companhia de Seguros, S.A., Cares – Companhia de Seguros, S.A., and Multicare – Seguros de Saúde, S.A., were classified as investments in associates (note 16).

In conformity with the dispositions of IFRS 5, at 31 December 2013, the said units' assets and liabilities were aggregated and recognised in "Non-current assets held for sale – subsidiaries".

During the course of 2013, the group completed its disposal of *HPP – Hospitais Privados de Portugal, SGPS, S.A (HPP),* to the Brazilian healthcare group Amil, after the completion of the administrative requirements and the obtaining of the regulatory permits to which the operation was subject. This transaction was responsible for total capital gains of approximately €36,448 thousand.

The results generated by held for sale business units, in 2014 and 2013 are itemised in consolidated profit and loss under "Results of subsidiaries held for sale", as set out below:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Results of subsidiaries held for sale** | | |
| Insurance companies owned by Caixa Seguros e Saúde [*] | 287,559 | 97,374 |
| LCS - Linha de Cuidado de Saúde | (1,624) | 1,637 |
| HPP - Hospitais Privados de Portugal | - | 36,448 |
| | 285,935 | 135,459 |

| | |
|---|---|
| [*] which: | |
| appropriated until the date of loss of control | 52,628 |
| gain on the disposal | 234,931 |
| | 287,559 |

The principal financial data of the insurance companies owned by Caixa Seguros e Saúde at 30 April 2014 are set out below.

*Insurance companies owned by Caixa Seguros e Saúde*

At 30 April 2014 and in 2013, the main categories contributing to the assessment of the results of the insurance companies at their privatisation stage owned by Caixa Seguros e Saúde was as follows:

| | 30-04-2014 | 31-12-2013 |
|---|---|---|
| **Technical results of insurance operations** | | |
| Premiums net of reinsurance | 386,981 | 1,163,137 |
| Result of investments relating to insurance contracts | 48,248 | 157,617 |
| Cost of claims net of reinsurance | (296,034) | (792,372) |
| Commissions and other income and cost relating to insurance contracts | (51,238) | (110,058) |
| | 87,957 | 418,324 |
| **Other income and cost** | | |
| Interest and similar income | 132,395 | 338,432 |
| Interest and similar costs | (112,287) | (240,735) |
| Staff costs | (49,151) | (156,220) |
| Other administrative costs | (49,058) | (146,849) |
| Depreciation of tangible and intangible assets | (4,312) | (20,202) |
| Provisions net of reversals | 8,638 | (20,624) |
| Impairment net of reversals and recovery | (8,003) | (37,626) |
| Other | 70,939 | 1,741 |
| | (10,839) | (282,082) |
| Income tax | (23,967) | (38,886) |
| INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS | 53,150 | 97,356 |
| Non-controlling interests | (522) | 18 |
| NET INCOME | 52,628 | 97,374 |

### Technical income from insurance activity

*Premiums, net of reinsurance*

Information on the composition of this account heading at 30 April 2014 and in 2013 is set out below:

| | 30-04-2014 | | | 31-12-2013 | | |
|---|---|---|---|---|---|---|
| | Gross premiums | Provision for unearned premiums | Net premiums | Gross premiums | Provision for unearned premiums | Net premiums |
| **Direct insurance** | | | | | | |
| . Life insurance | | | | | | |
| . Insurance contracts | 66,242 | (4,113) | 62,129 | 194,310 | 114 | 194,424 |
| . Investment contracts with discretionary | | | | | | |
| profit sharing | 19,829 | 3 | 19,832 | 46,053 | 4 | 46,057 |
| . Non-life insurance | | | | | | |
| . Motor | 130,435 | (2,003) | 128,432 | 387,022 | 5,647 | 392,669 |
| . Workman's compensation | 51,658 | (7,388) | 44,270 | 126,383 | 56 | 126,439 |
| . Other | 225,267 | (42,383) | 182,884 | 559,006 | 6,263 | 565,269 |
| **Outwards reinsurance** | | | | | | |
| . Gross premiums issued | | | | | | |
| . Life insurance | | | | | | |
| . Insurance contracts | (3,611) | - | (3,611) | (20,303) | - | (20,303) |
| . Non-life insurance | | | | | | |
| . Motor | (4,070) | 692 | (3,378) | (6,414) | 708 | (5,706) |
| . Workman's compensation | (266) | 4 | (262) | (1,126) | (7) | (1,133) |
| . Other | (58,724) | 17,039 | (41,686) | (133,535) | (3,346) | (136,881) |
| **Inwards reinsurance and retrocession premiums** | 729 | (2,358) | (1,629) | 3,017 | (715) | 2,302 |
| | 427,489 | (40,507) | 386,981 | 1,154,413 | 8,724 | 1,163,137 |

## *Income from investments allocated to insurance contracts*

Information on the composition of this account heading at 30 April 2014 and in 2013 is set out below:

| | 30-04-2014 | | | 31-12-2013 | | |
|---|---|---|---|---|---|---|
| | Life insurance | Non-life insurance | Total | Life insurance | Non-life insurance | Total |
| Interest | 17,158 | 12,870 | 30,028 | 62,921 | 44,630 | 107,551 |
| Dividends | 5,426 | 2,951 | 8,377 | 10,250 | 5,265 | 15,515 |
| Net unrealised capital gains and losses | 1,442 | 2,444 | 3,886 | 14,712 | 2,012 | 16,724 |
| Other | - | 5,957 | 5,957 | - | 17,827 | 17,827 |
| | 24,026 | 24,222 | 48,248 | 87,883 | 69,734 | 157,617 |

## *Claims costs, net of reinsurance*

Information on the composition of this account heading at 30 April 2014 and in 2013 is set out below:

| | 30-04-2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Life insurance | | | Non-life insurance | | | | Total |
| | Insurance contracts | Investment contracts with profit sharing | Subtotal | Motor | Workman's compensation | Other | Subtotal | |
| **Direct insurance and inwards reinsurance** | | | | | | | | |
| Claims paid | 30,495 | 65,072 | 95,567 | 92,484 | 40,202 | 103,943 | 236,629 | 332,196 |
| Change in provision for claims | 2,619 | (1,701) | 918 | (11,581) | 3,464 | 8,841 | 724 | 1,642 |
| | 33,114 | 63,371 | 96,485 | 80,903 | 43,666 | 112,784 | 237,353 | 333,838 |
| Provision for profit sharing | (650) | (12,553) | (13,203) | - | - | - | - | (13,203) |
| Change in other technical provisions | 9,036 | (22,160) | (13,124) | (105) | 5,473 | (4,918) | 450 | (12,674) |
| | 41,500 | 28,658 | 70,158 | 80,798 | 49,139 | 107,866 | 237,803 | 307,961 |
| Balance of outwards reinsurance | (1,736) | - | (1,736) | (834) | (242) | (9,115) | (10,191) | (11,927) |
| | 39,764 | 28,658 | 68,422 | 79,964 | 48,897 | 98,751 | 227,612 | 296,034 |

| | 31-12-2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Life insurance | | | Non-life insurance | | | | Total |
| | Insurance contracts | Investment contracts with profit sharing | Subtotal | Motor | Workman's compensation | Other | Subtotal | |
| **Direct insurance and inwards reinsurance** | | | | | | | | |
| Claims paid | 91,789 | 240,506 | 332,295 | 249,421 | 122,200 | 353,245 | 724,866 | 1,057,161 |
| Change in provision for claims | (5,329) | (2,672) | (8,001) | (47,937) | 7,124 | (1,131) | (41,944) | (49,945) |
| | 86,460 | 237,834 | 324,294 | 201,484 | 129,324 | 352,114 | 682,922 | 1,007,216 |
| Provision for profit sharing | 2,719 | (10,229) | (7,510) | 1 | 23 | 73 | 97 | (7,413) |
| Change in other technical provisions | (737) | (147,250) | (147,987) | 3,976 | 11,881 | 8,386 | 24,243 | (123,744) |
| | 88,442 | 80,355 | 168,797 | 205,461 | 141,228 | 360,573 | 707,262 | 876,059 |
| Balance of outwards reinsurance | (13,148) | - | (13,148) | (1,885) | 359 | (69,013) | (70,539) | (83,687) |
| | 75,294 | 80,355 | 155,649 | 203,576 | 141,587 | 291,560 | 636,723 | 792,372 |

## *Commissions and other income and costs associated with insurance activities*

Information on the composition of this account heading at 30 April 2014 and in 2013 is set out below:

| | 30-04-2014 | | | 31-12-2013 | | |
|---|---|---|---|---|---|---|
| | Life insurance | Non-life insurance | Total | Life insurance | Non-life insurance | Total |
| **Technical income:** | | | | | | |
| Commissions: | | | | | | |
| Outwards reinsurance | (2,456) | 6,023 | 3,567 | 15,964 | 21,043 | 37,007 |
| Co-insurance management charges | 7 | 225 | 232 | 35 | 998 | 1,033 |
| Pensions Funds management charges | 121 | - | 121 | 347 | - | 347 |
| Other technical income | | | | | | |
| Other technical income | 1 | 61 | 62 | 4 | 2,654 | 2,658 |
| | (2,327) | 6,309 | 3,982 | 16,350 | 24,695 | 41,045 |
| **Technical costs:** | | | | | | |
| Commissions: | | | | | | |
| Direct insurance operations: | | | | | | |
| - Mediation and brokerage charge | (16,605) | (29,301) | (45,906) | (31,614) | (92,348) | (123,962) |
| - Collection charges | (42) | (3,081) | (3,123) | (102) | (7,121) | (7,223) |
| - Other | - | (4,015) | (4,015) | (492) | (14,428) | (14,920) |
| Inwards reinsurance operations | - | 1,976 | 1,976 | - | (394) | (394) |
| Co-insurance management charges | (1) | (56) | (57) | (32) | (238) | (270) |
| Other technical income | | | | | | |
| Provision for premiums receivable | (714) | (993) | (1,707) | 3,367 | 1,080 | 4,447 |
| Taxes specific to the insurance business | (439) | (1,903) | (2,342) | (1,208) | (7,518) | (8,726) |
| Other | - | (46) | (46) | (1) | (54) | (55) |
| | (17,801) | (37,419) | (55,220) | (30,082) | (121,021) | (151,103) |
| | (20,128) | (31,110) | (51,238) | (13,732) | (96,326) | (110,058) |

## *Property and equipment*

As described in note 2.9, non-current assets held for sale also include auctioned property and other assets for credit recovery purposes.

Information on the above movements, for 2014 and 2013 is set out below:

| | Balances at 31-12-2013 | | | | | | Balances at 31-12-2014 | |
|---|---|---|---|---|---|---|---|---|
| | Gross value | Accumulated impairment | Additions | Sales and write-offs | Other transfers and adjustments | impairment (Note 36) | Gross value | Accumulated impairment |
| Non-current assets held for sale | | | | | | | | |
| Property | 988,360 | (331,025) | 362,649 | (146,566) | (11,437) | (61,907) | 1,173,486 | (373,410) |
| Other | 5,971 | (3,530) | 8,963 | (5,812) | (1,732) | (1,860) | 4,688 | (2,687) |
| | 994,331 | (334,555) | 371,612 | (152,378) | (13,168) | (63,767) | 1,178,173 | (376,098) |

| | Balances at 31-12-2012 | | | | | | Balances at 31-12-2013 | |
|---|---|---|---|---|---|---|---|---|
| | Gross value | Accumulated impairment | Additions | Sales and write-offs | Other transfers and adjustments | impairment (Note 36) | Gross value | Accumulated impairment |
| Non-current assets held for sale | | | | | | | | |
| Property | 815,921 | (233,164) | 348,556 | (160,313) | 4,300 | (117,965) | 988,360 | (331,025) |
| Other | 8,990 | (1,703) | 13,134 | (9,742) | (6,412) | (1,827) | 5,971 | (3,530) |
| | 824,911 | (234,867) | 361,690 | (170,055) | (2,112) | (119,792) | 994,331 | (334,555) |

Negative net income from non-current assets held for sale, in 2014 and 2013 totalled €19,905 thousand and €22,161 thousand, respectively (note 32) of which €6,703 thousand and €7,183 thousand for the payment of the maintenance costs of the referred to equipment in the period up to their sale. On recognising the results of the disposal of these assets, the accumulated amount of directly allocated impairment is reversed as a charge to profit and loss for the period, with the amount of the capital gains or losses on the operation being assessed by comparison to their respective acquisition cost.

## 13. INVESTMENT PROPERTIES

Information on “Investment properties” movements, for 2014 and 2013 is set out below:

| | |
|---|---|
| Balances at 31-12-2012 | 1,562,534 |
| Changes in consolidation perimeter | 116,550 |
| Acquisitions | 54,767 |
| Revaluations (Note 32) | (26,146) |
| Sales | (73,552) |
| Transfers from tangible assets and non-current assets held for sale | (315,769) |
| Other | (10,131) |
| Balances at 31-12-2013 | 1,308,253 |
| Changes in consolidation perimeter | 32,311 |
| Acquisitions | 7,299 |
| Revaluations (Note 32) | (43,952) |
| Sales | (116,153) |
| Transfers from tangible assets and non-current assets held for sale | (1,051) |
| Other | 2,539 |
| Balances at 31-12-2014 | 1,189,246 |

Investment properties owned by the group at 31 December 2014 and 2013 are recognised at fair value. Gains and losses on the revaluation of such properties are recognised in results as a charge to “Other operating income and costs” (note 2.10).

The main investment property transactions in 2014 and 2013 were as follows:

. Caixa’s integration, in 2013, of the assets of *Fundo de Investimento Fechado Fundolis* and *Fundo de Investimento Fechado Beirafundo* as a result of the process for the revision of the funding structure of the projects managed by these corporate vehicles, with increases of €58,250 thousand and €53,180 thousand, respectively, in the balance of this account heading.

. Caixa’s integration, in first half 2014 of the assets of *Fundo Ibéria FEIIF*, formed on 8 November 2006, with a duration of 9 years. The objective of the fund was to achieve growing capital appreciation and a stable income stream based on its management of a property portfolio. During the course of 2013 following conversations with its creditor banks, including CGD and with the objective of anticipating solutions to avoid insolvency, a special fund revitalisation plan was approved. In line with the provisions of the restructuring plan approved for the activity, Caixa acquired the other investors’ stakes in the fund’s capital, having latterly (March 2014) fully subscribed for a capital increase to ensure both the vehicle’s solvency structure and the settlement of debts to the other fund creditors.

Deriving from the transfer of the assets and liabilities of the group’s insurance companies involved in privatisation processes, the “Transfers of tangible assets and non-current assets held for sale” entry in the investment property movements table for 2013 included €322,342 thousand in property held, related with the activity of the referred to business units and gains and losses on their revaluation which, at 31 December of the said year, were recognised in non-current assets held for sale (note 12).

*Measurement methodology and fair value assessment*

The measurement of fair value on investment properties, in addition to other relevant factors for their assessment, takes into consideration the nature, characteristics and geographic location of properties, with the objective of assessing the best price to be achieved on their disposal under normal market conditions. Fair value is assessed by individual appraisers who should use at least two of the following methods:

- Market comparison method: The amount of a specific transaction is assessed by the use of prices and other relevant information on market deals involving identical or comparable (similar) properties. It generally uses statistical methods after harmonising the various market data. This is the principal method used whenever there is a significant number of known transactions;
- Income method: Estimates the value of an item of property using the technique of capitalising the annual amount of rents or annual operating income generated by the activity being performed in the building. When, over time, the changes in income are more significant than generally expected in the market, DCF (discounted cash flows) are used. The income method applies in the case of an effective rental of the property, when the property is for rental purposes, when the rental market for the type of property being valued is active or when the property is to be exploited economically;
- Cost method: Estimates the value of property on the basis of the amount which would currently be needed to obtain an alternative property, as a copy of the original or with an equivalent use, adjusted for obsolescence. It is obtained by the sum of the amount of the acquisition of the land with construction costs, including costs, depreciation based on the property's present physical, functional, environmental and economic conditions plus commercialisation costs and a developer's margin/risk. This method is used as the main approach when there is no market information available on transactions of similar property and there is no potential income associated with the property.

  The availability of relevant data and its relative subjectivity may affect the choice of the valuation method/techniques. The choice, in each case, should be particularly based on those which maximise the use of relevant observable variables.

The most relevant variables considered for each of the above referred to valuation methods are as follows:

(i) Market comparison method

- presumed sales price per sqm or presumed sales price per unit (when what is relevant is not the area but rather the use provided by the property e.g. car parks). In liquid markets, these variables are based on directly or indirectly observable data in the transaction market, although they may need to be adjusted (harmonised) depending on the specific characteristics of the property being valued.

(ii) Income method

*Capitalisation technique*

- Amount of the monthly rent per sqm or monthly rent per unit (when what is relevant is not the area but rather the use provided by the property e.g. car parks). When the rental market is active, these variables are based on directly or indirectly observable data in the transaction market, although they may need to be adjusted (harmonised) depending on the specific characteristics of the property being valued.

- Variables which contribute towards the assessment of the operating income generated by the property. These variables may vary in line with the type of property and are generally gauged by the property's potential income generating capacity, taking into account the information available on the assumptions of market players. The data supplied by the entity operating the property may be used in the absence of reasonably available information indicating that market players would employ assumptions.

- Capitalisation rate. Associated with the risk on capital invested, income, liquidity, tax burden, risk-free interest rate, market evolution expectations. In active markets, it establishes the existence of a linear relationship at a certain point of time between the rental and purchase/sales market, for a certain geographic zone and a specific property product segment, with an identical risk and identical evolution of rents.

*Discounted cash flow technique:*

Diverse variables may contribute to the cash flow estimate based on the type of property. This technique is reliant on current expectations of changes in the values and times of the occurrence of future cash flows and it is usually necessary to include a risk adjustment factor based on the uncertainty of this type of measurement.

- Discount rate – considered to be the value of money over time, associated with a risk-free interest rate and price to be paid on the uncertainty involved in cash flows (risk premium).

(iii) Cost method

- Construction cost per sqm - a variable which is essentially reliant on the construction characteristics of the property but in which a contributory factor is the place of construction. It is based on directly or indirectly observable construction market data.

In compliance with IFRS 13 requirements, information on investment properties in the group's portfolio, at 31 December 2014 and 2013, is herein submitted. They are classified on the basis of their type, state of development regarding their preparation for use and current occupancy, considering the valuation methodology used to measure their fair value.

| | | | 31-12-2014 | | | |
|---|---|---|---|---|---|---|
| Property type | State development | Occupacion | Book value | Measurement techniques | Relevants inputs | Reference range of relevant inputs |
| Shoping center | Under construction | Unoccupied | 65,750 | Income capitalisation method | Estimated rental value per m2 | 14.5 |
| | | | | | Average occupancy rate (cruising years) | 97% |
| | | | | | Discount rate | [8,0%] |
| | Concluded | Rented | 18,501 | Income capitalisation method | Estimated rental value per m2 (area less than 250 m2) | 5 |
| | | | | | Estimated rental value per m2 (other area) | 7,5 |
| | | | | | Discount rate | [8,0%] |
| | | | 84,251 | | | |
| Offices | Concluded | Rented | 90 | Market comparable method | Estimated rental value per m2 | 572 |
| | | | 1,730 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | 1,00-10,3 |
| | | | | | Estimated rental value per m2 | 570-1820 |
| | | | 6,348 | Market comparable method / Income capitalisation method | Estimated rental value per m2 | 606-974 |
| | | | | | Estimated rental value per m2 | 4,5-10,7 |
| | | | | | Capitalisation rate | [6,0%-9,0%] |
| | | | 162,501 | Market comparable method / Income capitalisation method | Estimated rental value per m2 | 1041-2671 |
| | | | | | Estimated rental value per m2 | 6,5-17,2 |
| | | | | | Capitalisation rate | [6,0%-9,0%] |
| | | | 122,165 | Market comparable method / Income capitalisation method | Estimated rental value per m2 | 2001-2900 |
| | | | | | Estimated rental value per m2 | 9,05-21,81% |
| | | | | | Capitalisation rate | [4,1%-10,3%] |
| | | | 32,299 | Market comparable method / Income capitalisation method | Estimated rental value per m2 | 3104-3478 |
| | | | | | Estimated rental value per m2 | 15,17-25,40% |
| | | | | | Capitalisation rate | [6,25%-7,5%] |
| | | | 132,329 | Market comparable method / Income capitalisation method | Estimated rental value per m2 | 6-14 |
| | | | | | Discount rate | [7%-8,7%] |
| | | | 35,543 | DCF / Market comparable method / Income capitalisation method | Estimated rental value per m2 | 500-2275 |
| | | | | | Estimated rental value per m2 | 3,53-18,27 |
| | | | | | Capitalisation rate | [7%-9,5%] |
| | | | 34,491 | DCF / Market comparable method / Income capitalisation method | Estimated rental value per m2 | 2011-3669 |
| | | | | | Estimated rental value per m2 | 14-28 |
| | | | | | Capitalisation rate | [7%-8,5%] |
| | | | 29,178 | Income capitalisation method / Market comparable method / Costh method | Estimated rental value per m2 | 984-1875 |
| | | | | | Capitalisation rate | [6%-8,5%] |
| | | Capitalisation / sale | 300 | Market comparable method / Income capitalisation method | Estimated rental value per m2 / Estimated rental value per m2 | 860-880 / 1,3-1,5 |
| | | | 6,919 | Replacement cost method / DCF / Market comparable method | Estimated rental value per m2 | 1840-2220 |
| | | Unoccupied | 6,424 | Market comparable method / Income capitalisation method | Estimated rental value per m2 | 4,1-6,8 / 12,5 |
| | | | | | Estimated rental value per m2 | 910-1480 |
| | | | | | Discount rate | 8.00% |
| | Under construction | Capitalisation / sale | 11,759 | Replacement cost method / DCF / Market comparable method | Estimated sale value per m2 | 1840-2220 |
| | | | 582,076 | | | |
| Housing | Concluded | Rented | 385 | Income capitalisation method | Estimated rental value per m2 | 4 |
| | | | 44,220 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | 0,6-5,1 |
| | | | | | Estimated rental value per m2 | 370-2520 |
| | | | 9,013 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | 5,0-13,3 |
| | | | | | Estimated rental value per m2 | 600-2520 |
| | | Unoccupied | 36,670 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | 0,9-6,1 |
| | | | | | Estimated rental value per m2 | 210-1180 |
| | | | 30,429 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | 5,0-10,8 |
| | | | | | Estimated rental value per m2 | 770-2080 |
| | Under construction | Capitalisation / sale | 27,456 | Replacement cost method / DCF / Market comparable method | Estimated sale value per m2 | [500-625]/[1370-1820] |
| | | | 148,175 | | | |

| | | | 31-12-2014 | | | |
|---|---|---|---|---|---|---|
| Property type | State development | Occupacion | Book value | Measurement techniques | Relevants inputs | Reference range of relevant inputs |
| Stores | Concluded | Rented | 1,045 | Market comparable method | Estimated rental value per m2 | 615-2414 |
| | | | 4,678 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | 0,4-32,5 |
| | | | | | Estimated rental value per m2 | 410-4040 |
| | | | 17,040 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | 433-1090 |
| | | | | | Capitalisation rate | [6,4%-9,75%] |
| | | | 31,103 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | 1176-16739 |
| | | | | | Capitalisation rate | [5,60%-11,05%] |
| | | | 30,605 | DCF / Market comparable method / Income capitalisation method | Estimated rental value per m2 | [716-3247] |
| | | | | | Capitalisation rate | [7%-9%] |
| | | Unoccupied | 2,130 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | 3,3-18,2 |
| | | | | | Estimated rental value per m2 | 610-2910 |
| | Under construction | Capitalisation / sale | 3,604 | Replacement cost method / DCF / Market comparable method | Estimated sale value per m2 | 700-2150 |
| | | | 90,206 | | | |
| Parking | Concluded | Rented | 566 | Income capitalisation method / Market comparable method | Estimated rental monthly amount | 18-170 |
| | | | | | Value of sales per parking | 2300-17500 |
| | | | 56,087 | Market comparable method / Income capitalisation method | Estimated rental monthly amount | 35-244 |
| | | | | | Value of sales per parking | 8700-56105 |
| | | | | | Capitalisation rate | [4,0%-12,5%] |
| | | | 7,007 | Income capitalisation method / Market comparable method / Costh method / DCF | | 6872-49421 |
| | | | | | Capitalisation rate | [7,0%-8,5%] |
| | | Unoccupied | 251 | Income capitalisation method / Market comparable method | Estimated rental monthly amount | 10-80 |
| | | | | | Value of sales per parking | 1750-17500 |
| | Under construction | Capitalisation / sale | 844 | Replacement cost method / DCF / Market comparable method | Value of sales per parking | 500-750 |
| | | | 496 | Replacement cost method / DCF / Market comparable method | Value of sales per parking | 6000-6500 |
| | | | 65,251 | | | |
| Land | n.a. | Capitalisation / sale | 55,185 | Replacement cost method / DCF / Market comparable method | Estimated sale value per m2 | 900-2000 |
| | | | | | Estimated sale amount per infraestruted lot | 265 |
| | | | | | Discount rate | [8,5%-10%] |
| | | | 220 | Market comparable method / Table of expropriations | Estimated value of the land per m2 | 5 |
| | | | 2,615 | Replacement cost method / Income capitalisation method | Estimated value of the land per m2 of construction | 90-120 / 500-800 |
| | | Rented | 13 | Market comparable method | Estimated rental value per m2 | 7-8 |
| | | | 58,033 | | | |
| Warehouses | Concluded | Rented | 1,456 | Market comparable method | Estimated rental value per m2 | 313-627 |
| | | | 11 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | 2,8-3,0 |
| | | | | | | 310-350 |
| | | | 22,908 | Costh method / Market comparable method | Estimated rental value per m2 | 390-720 |
| | | | | | Estimated rental value per m2 | 2,44-4,30 |
| | | | 103,538 | Costh method / Market comparable method / DCF / Income capitalisation method | Estimated rental value per m2 | 0,63-12,14 |
| | | | | | Capitalisation rate | [3,17%-11%] |
| | | Unoccupied | 660 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | 1,1-1,6 |
| | | | | | Estimated rental value per m2 | 220-260 |
| | | | 128,573 | | | |
| | | | 1,156,565 | | | |
| | | | | | | |
| Other | | | 32,681 | | | |
| | | | 1,189,246 | | | |

| | | | 31-12-2013 | | | |
|---|---|---|---|---|---|---|
| Property type | State development | Occupacion | Book value | Measurement techniques | Relevants inputs | Reference range of relevant inputs |
| | Under construction | Unoccupied | 71,270 | Income capitalisation method / DCF | Estimated rental value per m2 | 5-6 (shopping center) / 10-30 (stores) |
| | | | | | Capitalisation rate | [7,75%-8,25%] |
| | | | 71,270 | | | |
| | Concluded | Rented | 173 | Market comparable method | Estimated rental value per m2 | 960-970 |
| | | | 4,372 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | 3,6-9,8 |
| | | | | | Estimated rental value per m2 | 1000-1800 |
| | | Capitalisation / sale | 567 | Market comparable method | Estimated rental value per m2 | 860 |
| | | | 7,211 | Replacement cost method / DCF / Market comparable method | Estimated sale value per m2 | 1940-2300 |
| | Under construction | Capitalisation / sale | 12,401 | Replacement cost method / DCF / Market comparable method | Estimated sale value per m2 | 1940-2300 |
| | | | 24,723 | | | |
| Housing | Concluded | Rented | 482 | Market comparable method | Estimated rental value per m2 | 882-1842 |
| | | | 83,906 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | [0,3-5,9] |
| | | | | | Estimated rental value per m2 | [210-1690] |
| | | | 42,977 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | [5,0-13,3] |
| | | | | | Estimated rental value per m2 | [610-2680] |
| | | | 4 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | 20 |
| | | | | | Estimated sale value per parking lot | [4000-5000] |
| | | Capitalisation / sale | 1,468 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | [3,4-5,7] |
| | | | | | Estimated rental value per m2 | [810-1230] |
| | Under construction | Capitalisation / sale | 32,476 | Replacement cost method / DCF / Market comparable method | Estimated sale value per m2 | [500-520][1420-1950] |
| | | | 161,312 | | | |
| Stores | Concluded | Rented | 1,023 | Market comparable method | Estimated rental value per m2 | [594-2619] |
| | | | 77 | Income capitalisation method | Estimated rental value per m2 | 7,69 |
| | | | 3,532 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | [0,4-9,5] |
| | | | | | Estimated rental value per m2 | [410-1900] |
| | | | 1,913 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | [10-35,3] |
| | | | | | Estimated rental value per m2 | [1640-3060] |
| | | Capitalisation / sale | 275 | Market comparable method | Estimated rental value per m2 | 1527 |
| | | | 626 | Income capitalisation method / Market comparable method | Estimated rental value per m2 | [3,1-16] |
| | | | | | Estimated rental value per m2 | [870-2711] |
| | Under construction | Capitalisation / sale | 3,577 | Replacement cost method / DCF / Market comparable method | Estimated sale value per m2 | [700-1550] |
| | | | 11,022 | | | |
| Parking | Concluded | Rented | 1,331 | Income capitalisation method / Market comparable method | Estimated rental monthly amount | [7-140] |
| | | | | | Value of sales per parking | [2000-19500] |
| | Under construction | Capitalisation / sale | 2,672 | Replacement cost method / DCF / Market comparable method | Value of sales per parking | [500-750] |
| | | | 507 | Replacement cost method / DCF / Market comparable method | Value of sales per parking | [6000-6500] |
| | | | 4,510 | | | |
| Land | n.a | Capitalisation / sale | 58,015 | Replacement cost method / DCF / Market comparable method | Estimated sale value per m2 | [950-2000] |
| | | | | | Estimated sale amount per infraestruted lot | 214 |
| | | | | | Discount rate | 8,5%-10% |
| | | | 236 | Market comparable method / Table of expropriations | Estimated value of the land per m2 | 5 |
| | | Rented | 373 | Replacement cost method / Income capitalisation method | Estimated value of the land per m2 of construction | [90-130] |
| | | | 58,623 | | | |
| Industrial building | Concluded | Rented | 1,665 | Market comparable method | Estimated rental value per m2 | [588-716] |
| | | | 333,125 | | | |
| Other | | | 6,994 | | | |
| | | | 340,120 | | | |

The balance on the investment properties account heading at 31 December 2013, also included €826,842 thousand and €141,291 thousand in property owned by the Fundimo and Fundiestamo funds, respectively and which as a result of the adoption of IFRS 10 - "Consolidated financial statements" are now included in the group’s perimeter (note 2.4.).

As already referred to, valuations of land and buildings maximise the use of observable market data. However, as most valuation techniques also consider non-observable data, they are classified at level 3 of the fair value ranking of IFRS 13.

# 14. OTHER TANGIBLE ASSETS

Other tangible asset movements, net, in 2014 and 2013 were as follows:

| | Balances at 31-12-2013 | | | | | | | | | | Balances at 31-12-2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross value | Accumulated depreciation and impairment losses | Changes in consolidation perimeter | Additions | Exchange differences | Transfers | Other transfers and adjustments | Depreciation for the year | impairment losses, net of reversals, for the year | Sales and write-offs | Gross value | Accumulated depreciation and impairment losses |
| Premises for own use | | | | | | | | | | | | |
| Land | 84,342 | - | (166) | - | 31 | 137 | (1,009) | - | - | - | 83,335 | - |
| Buildings | 598,350 | (250,781) | (2,198) | 10,946 | 5,025 | 287 | 6,177 | (14,459) | (3,682) | (5,113) | 610,606 | (266,054) |
| Leasehold improvements | 168,236 | (108,563) | (183) | 2,760 | 315 | 407 | 4,903 | (9,827) | (889) | (2,260) | 162,153 | (107,254) |
| Other premises | - | - | - | 150 | - | - | - | - | - | - | 150 | - |
| Equipment | | | | | | | | | | | | |
| Fittings and office equipment | 85,972 | (70,224) | (135) | 2,727 | 343 | 76 | 835 | (3,895) | - | (328) | 87,054 | (71,683) |
| Machinery and tools | 22,006 | (18,901) | (2) | 1,112 | 67 | (1) | 310 | (1,388) | - | (7) | 22,614 | (19,418) |
| Computer equipment | 198,809 | (170,990) | (39) | 12,523 | 427 | 64 | 7,982 | (15,003) | - | (1,746) | 222,570 | (190,543) |
| Indoor facilities | 338,814 | (253,938) | - | 3,943 | 109 | 399 | 3,041 | (16,771) | (112) | (779) | 341,371 | (266,665) |
| Transport material | 14,207 | (9,451) | (140) | 2,128 | 92 | - | (732) | (824) | - | (89) | 15,439 | (10,248) |
| Safety/security equipment | 45,159 | (36,201) | - | 1,530 | 104 | - | 452 | (2,931) | - | (3) | 47,307 | (39,197) |
| Other equipment | 9,613 | (7,498) | (85) | 367 | 25 | - | 2,112 | (1,087) | - | (857) | 9,630 | (7,040) |
| Assets under finance lease | 43,298 | (39,008) | - | - | - | (489) | - | (1,814) | - | (306) | 28,716 | (27,035) |
| Other tangible assets | 15,551 | (10,327) | - | 17 | 218 | - | (156) | (1,352) | - | (43) | 15,715 | (11,807) |
| Tangible assets in progress | 26,570 | - | (867) | 39,187 | 637 | (880) | (27,906) | - | - | (150) | 36,591 | - |
| | 1,650,926 | (975,881) | (3,815) | 77,390 | 7,393 | - | (3,991) | (69,351) | (4,683) | (11,681) | 1,683,251 | (1,016,944) |

| | Balances at 31-12-2012 | | | | | | | | | | Balances at 31-12-2013 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross value | Accumulated depreciation and impairment losses | Changes in consolidation perimeter | Additions | Exchange differences | Transfers | Other transfers and adjustments | Depreciation for the year | impairment losses, net of reversals, for the year | Sales and write-offs | Gross value | Accumulated depreciation and impairment losses |
| Premises for own use | | | | | | | | | | | | |
| Land | 169,594 | - | - | 26 | (243) | - | (49,244) | - | - | (35,791) | 84,342 | - |
| Buildings | 742,613 | (278,996) | 1,461 | 2,449 | (6,832) | 32,254 | (131,173) | (14,637) | 624 | (194) | 598,350 | (250,781) |
| Leasehold improvements | 167,192 | (92,083) | - | 690 | (1,009) | 21,430 | 1,114 | (13,734) | (3,840) | (20,087) | 168,236 | (108,563) |
| Other premises | 80 | - | - | 1,980 | - | - | (1,980) | - | - | (80) | - | - |
| Equipment | | | | | | | | | | | | |
| Fittings and office equipment | 105,974 | (88,566) | (48) | 2,556 | (374) | 625 | 5,006 | (4,228) | - | (5,197) | 85,972 | (70,224) |
| Machinery and tools | 39,001 | (32,992) | - | 653 | (92) | 179 | (2,146) | (1,469) | - | (30) | 22,006 | (18,901) |
| Computer equipment | 186,322 | (158,454) | 1,754 | 11,195 | (679) | 4,598 | (835) | (15,142) | - | (940) | 198,809 | (170,990) |
| Indoor facilities | 358,494 | (262,157) | - | 6,113 | (140) | 4,733 | (3,814) | (17,170) | (87) | (1,097) | 338,814 | (253,938) |
| Transport material | 13,876 | (8,219) | (410) | 1,420 | (183) | 1,317 | (870) | (1,933) | - | (242) | 14,207 | (9,451) |
| Safety/security equipment | 44,911 | (34,016) | - | 996 | (173) | 1,210 | (456) | (3,493) | - | (21) | 45,159 | (36,201) |
| Other equipment | 12,562 | (10,385) | 21 | 678 | (122) | 155 | 743 | (1,522) | - | (15) | 9,613 | (7,498) |
| Assets under finance lease | 71,792 | (61,397) | - | 265 | - | (373) | (297) | (5,698) | - | (2) | 43,298 | (39,008) |
| Other tangible assets | 11,570 | (8,383) | - | 352 | 9 | 42 | 3,152 | (1,259) | - | (259) | 15,551 | (10,327) |
| Tangible assets in progress | 52,822 | - | 3,667 | 23,292 | (892) | (66,170) | 13,851 | - | - | - | 26,570 | - |
| | 1,976,803 | (1,035,648) | 6,445 | 52,665 | (10,730) | - | (166,948) | (80,285) | (3,303) | (63,955) | 1,650,926 | (975,881) |

Accumulated impairment on other tangible assets, at 31 December 2014 and 2013, totalled €11,502 thousand and €6,818 thousand, respectively (note 36).

Deriving from the transfer of the assets and liabilities of the group's insurance companies involved in privatisation processes, the "Other transfers and adjustments" column in the table of tangible assets movements" for 2013 includes €191,001 thousand, €9,380 thousand €195 thousand, €14 thousand and €27,738 thousand in respect of assets net of depreciation and accumulated impairment recognised on property for own use, equipment, leased assets, other tangible assets and tangible assets in progress respectively related with the activity of the referred to business units which, at 31 December of the said year were recognised in non-current assets and liabilities held for sale (note 12).

The "Depreciation for period" column, in 2013, included €3,302 thousand in extraordinary depreciation recognised by Banco Caixa Geral in Spain for tangible fixed assets allocated to branches or central services areas involved in closure proceedings in the sphere of the implementation of reorganisation and optimisation measures developed by this unit in line with CGD's undertakings in the restructuring plan approved by the European Commission in July of the same year**.**

## 15. INTANGIBLE ASSETS

Movements in this account heading, for 2014 and 2013 were as follows:

| | Balances at 31-12-2013 | | | | | | | | | Balances at 31-12-2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross value | Accumulated depreciation and impairment losses | Changes in consolidation perimeter | Additions | Net disposals | Other transfers and adjustments | Exchange differences | Depreciation for the year | Impairment losses (Note 36) | Gross value | Accumulated depreciation and impairment losses |
| Goodwill | | | | | | | | | | | |
| CGD Investimentos CVC | 33,759 | - | - | - | - | - | 387 | - | (20,400) | 34,146 | (20,400) |
| Banco Caixa Geral Totta Angola | 20,762 | - | - | - | - | - | 1,567 | - | - | 22,329 | - |
| Software | 703,918 | (601,155) | (234) | 8,454 | (62) | 19,008 | 655 | (40,780) | - | 731,431 | (641,626) |
| Other intangible assets | 13,848 | (3,557) | - | 189 | (458) | 106 | 244 | (560) | - | 13,819 | (4,006) |
| Intangible assets in progress | 26,107 | - | - | 22,775 | - | (22,901) | 43 | - | - | 26,024 | - |
| | 798,395 | (604,712) | (234) | 31,418 | (520) | (3,786) | 2,895 | (41,339) | (20,400) | 827,748 | (666,031) |

| | Balances at 31-12-2012 | | | | | | | | Balances at 31-12-2013 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Gross value | Accumulated depreciation and impairment losses | Additions | Net disposals | Other transfers and adjustments | Exchange differences | Depreciation for the year | Impairment losses (Note 36) | Gross value | Accumulated depreciation and impairment losses |
| Goodwill | | | | | | | | | | |
| Fidelidade - Companhia de Seguros (ex - Império Bonança) | 146,707 | - | - | - | (146,707) | - | - | - | - | - |
| CGD Investimentos CVC | 42,645 | - | - | - | - | (8,886) | - | - | 33,759 | - |
| Banco Caixa Geral Totta Angola | 24,531 | - | - | - | - | (3,769) | - | - | 20,762 | - |
| Value-in-force - Império Bonança | 46,386 | (39,394) | - | - | (6,992) | - | - | - | - | - |
| Software | 805,023 | (684,535) | 19,460 | (179) | 18,878 | (3,159) | (52,725) | - | 703,918 | (601,155) |
| Other intangible assets | 30,598 | (2,954) | 54,331 | (6,265) | (16,050) | (555) | (892) | (47,922) | 13,848 | (3,557) |
| Intangible assets in progress | 43,876 | - | 33,475 | - | (50,770) | (474) | - | - | 26,107 | - |
| | 1,139,766 | (726,883) | 107,266 | (6,443) | (201,640) | (16,843) | (53,617) | (47,922) | 798,395 | (604,712) |

Intangible assets in progress at 31 December 2014 and 2013, essentially refer to expenses incurred on the development of software which had still not come into operation at the said dates.

Deriving from the transfer of the assets and liabilities of the group's insurance companies involved in privatisation processes, the "Transfers and adjustments" column in the table of intangible assets movements" for 2013 included €146,707 thousand, €6,992 thousand, €14,211 thousand, €15,059 thousand and €8,553 thousand in respect of assets net of depreciation and accumulated impairment recognised for goodwill, value-in-force, software, other intangible assets and intangible assets in progress respectively related with the activity of the referred to business units which, at 31 December of the said year were recognised in non-current assets and liabilities held for sale (note 12).

At 31 December 2014 and 2013, accumulated impairment on intangible assets totalled €20,401 thousand and €239 thousand, respectively (note 36).

*Goodwill – Banco Caixa Geral Totta Angola (BCGTA)*

Impairment tests were carried out on the goodwill of BCGTA, based on an independent assessment made for the said purpose with reference to 31 December 2014.

The assessment incorporates the available information on its production date, namely macroeconomic conditions, the situation of the markets in which the bank operates, *inter alia*. It was noted that the asset's recoverable value exceeded its respective book value and that there was accordingly no need to recognise impairment losses.

The following is a description of the methodology and the main assumptions used to produce the assessment:

(i) *Assessment methodology*

The dividend discount model valuation methodology was applied, which assumes that an institution's value should be estimated by the present value of its cash flows available to shareholders that it will tend to generate in the future, discounted at a yield reflecting the opportunity cost of equity. Owing to the non-existence of any separation between operating and funding activities for this type of entity, this methodology is considered to be adequate for bank valuation purposes.

*Flows available to shareholders*

Flows available to shareholders essentially translate the funds available for appropriation based on the cash flows generated by the activity and any investment operations, after potential capital requirements have been met and after complying with the regulatory requirements to which the entity is subject.

In the case of a bank, the flows generated by its activity essentially comprise its consolidated net operating income, other operating or non-operating income and the results of its associates which are consolidated by the equity accounting method (when not measured separately) net of employee costs and other administrative expenses, use of provisions or impairment and taxes on operating activity.

The needs/funding surpluses in respect of the development of a bank's operations, such as an increase in credit or changes in other balance sheet headings having an impact on the use of own funds are also considered.

*Discount rate*

The discount rate on the flows available to shareholders comprise the opportunity cost of equity, assessed on the basis of the capital asset pricing model, considering the application of the formula Kcp = Rf + CRP + Beta* (Rm-Rf), in which:

Kcp = Return on equity requirement

Rf = Interest rate on a risk-free investment

CRP = Country risk premium

(Rm-Rf) = Average market risk premium

Beta = Beta coefficient for equity or systemic activity risk

*Residual value*

The residual value was calculated by the formula VR = DIVt / (Kcpt-g), in which:

VR = Residual value

DIVt = Dividend for year t (first year of perpetuity)

Kcpt = Required return on long term equity for the year t

g = Nominal growth rate in perpetuity

*Equity value*

The equity value was based on the updating of the assessment of the flows available to shareholders resulting from economic-financial projections produced on the bank's activity up to the date of the report.

(ii) *Principal assumptions underpinning the assessment*

The following components were assessed to calculate the discount rate:

. Risk-free interest rate - A risk-free interest rate of 7.0% was considered for the Angolan market, reflecting the risk associated with Angola's medium and long term public debt in USD;

. Market risk premium - A rate of 5.5%, corresponding to the risk premium used for mature markets, was used;

. Beta - Approximation to the beta value comprised a comparative analysis with listed, comparable companies in terms of activity. A beta 1 level was considered, resulting from the beta averages presented by the universe of comparable institutions.

Taking into consideration the parameters appropriate to the characteristics of flows available to shareholders, a discount rate of 12.5% denominated in US dollars was used and retained over the projection period.

*(iii) Sensitivity analysis*

Based on the valuation methodology applied, sensitivity tests were performed on the value of the discount rate used, with changes of +50 bp and -50 bp, enabling the following deviations from the estimated amount of the bank's equity at the valuations' reference date to be calculated:

**SENSITIVITY OF PROJECTED EQUITY**

| - 50 bp | + 50 bp |
|---|---|
| 21,415 | (18,944) |

***Goodwill – CGD Investimentos CVC***

Impairment tests were carried out on the goodwill of CGD Investimentos CVC, based on an independent assessment made for the said purpose, at 31 December 2014.

The assessment incorporates the information available at the date of production, namely macroeconomic conditions, the situation of the markets in which the institution operates, *inter alia,* with impairment having been recognised at the amount of the assessment.

The following is a description of the methodology and the main assumptions used to produce the assessment:

(i) *Assessment methodology*

The dividend discount model valuation methodology was applied which assumed that an institution's value should be estimated by the present value of cash flows available to shareholders that it will tend to generate in the future, discounted at a yield reflecting the opportunity cost of equity. Owing to the non-existence of any separation between operating and funding activities for this type of entity, this methodology is considered to be adequate for the valuation of a financial services company.

*Flows available to shareholders*

The flows available to shareholders essentially translate the funds available for appropriation based on the cash flows generated by the activity and any investment operations, after meeting potential capital requirements and complying with the regulatory requirements to which the entity is subject.

In the case of a brokerage company, the flows generated by its activity will essentially comprise revenue from brokerage commissions and investment income (float) and other operating or non-operating income, net of employee costs and other administrative expenses and other costs incurred, including the payment of tax.

The needs/funding surpluses in respect of the development of activity such as the float, credit and securities portfolios or changes in other balance sheet headings having an impact on the use of own funds are also considered.

*Discount rate*

The discount rate on available flows comprise a shareholder's opportunity cost, assessed on the basis of the capital asset pricing model, considering the application of the formula Kcp = Rf + CRP + Beta * (Rm-Rf), in which:

Kcp = Return on equity requirement

Rf = Interest rate on a risk-free investment

CRP = Country risk premium

(Rm-Rf) = Average market risk premium

Beta = Beta coefficient on equity or systemic activity risk

*Residual value*

The residual value was calculated by the formula VR = DIVt / (Kcpt-g), in which:

VR = Residual value

DIVt = Dividend for year t (first year of perpetuity)

Kcpt = Required return on long term equity for the year t

g = Nominal growth rate in perpetuity

*Equity value*

The equity value was based on the updating of the assessment of the flows available to shareholders resulting from economic-financial projections produced on the activity of CGD Investimentos up to the date of the report.

(ii) *Principal assumptions underpinning the assessment*

The following components were assessed to calculate the discount rate:

. Risk-free interest rate and country risk premium - A risk-free interest rate of 2.17% reflecting the average yield on the public debt securities of the United States of America, with a residual maturity of around 10 years was considered. The country risk premium which reflects the average yield on securities issued by the Republic of Brazil in US dollars with the same residual maturity as securities issued by the USA, was fixed at 2.02%;

. Market risk premium - A rate of 5.5% corresponding to the average assessments of historical long term analyses made and published by various entities was used;

. Beta - Approximation to the beta value comprised a comparative analysis with listed, comparable companies in terms of activity. A beta 0.95% level was considered, resulting from the beta averages presented by the universe of comparable institutions.

Taking into consideration the parameters appropriate to the characteristics of flows available to shareholders, a discount rate of 9.74% denominated in US dollars was used and retained over the projection period.

*(iii) Sensitivity analysis*

Based on the valuation methodology applied, sensitivity tests were performed on the value of various critical valuation variables, enabling the following minimum and maximum gaps in comparison to the estimated amount of the broker's equity for the calculation’s reference date to be calculated:

**SENSITIVITY OF PROJECTED EQUITY**

| Deviation from the minimum value | Deviation from the maximum value |
|---:|---:|
| (1,700) | 1,900 |

*Research and development expenses*

Caixa spent €1,675 thousand and €2,715 thousand, on its development of research and development and innovation projects, in 2014 and 2013, respectively.

## 16. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The composition of this account heading, at 31 December 2014 and 2013, is set out below:

| | 31-12-2014 | | 31-12-2013 | |
|---|---|---|---|---|
| | Effective participating interest (%) | Book Value | Effective participating interest (%) | Book Value |
| **Jointly controlled entities** | | | | |
| Locarent, S.A. | 50.00 | 8,898 | 50.00 | 6,535 |
| Esegur, S.A. | 50.00 | 6,910 | 50.00 | 6,074 |
| | | 15,808 | | 12,609 |
| **Associated companies** | | | | |
| Fidelidade – Companhia de Seguros, S.A | 19.99 | 252,752 | - | - |
| Cares - Companhia de Seguros, S. A. | 20.00 | 5,024 | - | - |
| Multicare - Seguros de Saúde, S.A. | 20.00 | 10,506 | - | - |
| SIBS - Sociedade Interbancária de Serviços, S.A. | 21.60 | 19,866 | 21.60 | 16,559 |
| Banco Internacional de São Tomé e Príncipe, S.A. | 27.00 | 3,259 | 27.00 | 3,108 |
| Torre Ocidente Imobiliária, S.A. | 25.00 | 4,577 | 25.00 | 3,181 |
| Prado - Cartolinas da Lousã, S.A. | 38.15 | 3,613 | 38.15 | 3,691 |
| Other | | 3,440 | | 3,226 |
| | | 303,038 | | 29,765 |
| | | 318,846 | | 42,373 |

Information on the statutory financial data (unaudited financial statements) of the main associates and jointly controlled enterprises, at 31 December 2014 and 2013, is set out below:

| | | 31-12-2014 | | | | |
|---|---|---|---|---|---|---|
| Business sector / Entity | Registered office | Assets | Liabilities | Equity (a) | Net income | Total income |
| **Banking** | | | | | | |
| Banco Internacional de São Tomé e Príncipe | São Tomé | 93,836 | 81,761 | 12,075 | 1,238 | 8,323 |
| **Property** | | | | | | |
| Torre Ocidente, Imobiliária, S.A. | Lisbon | 64,039 | 45,730 | 18,309 | 5,585 | 9,421 |
| Vale do Lobo, Resort Turístico de Luxo, S.A. | Lisbon | 360,015 | 480,328 | (120,313) | (18,969) | 28,510 |
| **Insurance** | | | | | | |
| Fidelidade – Companhia de Seguros, S.A (b) | Lisbon | 14,100,835 | 12,762,915 | 1,296,552 | 178,232 | 1,512,767 |
| Cares - Companhia de Seguros, S. A. | Lisbon | 56,099 | 36,901 | 19,199 | 6,003 | 44,469 |
| Multicare - Seguros de Saúde, S.A. | Lisbon | 127,431 | 77,130 | 50,301 | 4,797 | 199,002 |
| **Other** | | | | | | |
| Esegur, S.A. | Lisbon | 37,366 | 23,546 | 13,820 | 1,530 | 51,134 |
| Locarent, S.A. | Lisbon | 239,293 | 221,500 | 17,792 | 4,148 | 78,032 |
| Companhia de Papel do Prado, S.A. | Tomar | 4,441 | 1,057 | 3,384 | (11) | - |
| Prado - Cartolinas da Lousã, S.A. | Lousã | 15,092 | 5,622 | 9,470 | 1,841 | 19,930 |
| SIBS - Sociedade Interbancária de Serviços, S.A. | Lisbon | 155,007 | 63,028 | 91,979 | 19,137 | 149,702 |

(a) Equity includes net income for the year and excludes non-controlling interests.

(b) Data taken from the consolidated financial statements.

| Business sector / Entity | Registered office | 31-12-2013 | | | | |
|---|---|---|---|---|---|---|
| | | Assets | Liabilities | Equity (a) | Net income | Total income |
| **Banking** | | | | | | |
| Banco Internacional de São Tomé e Príncipe | São Tomé | 79,420 | 67,903 | 11,517 | 1,175 | 8,357 |
| **Property** | | | | | | |
| Torre Ocidente, Imobiliária, S.A. | Lisbon | 58,197 | 45,473 | 12,724 | (3,658) | 1,730 |
| Vale do Lobo, Resort Turístico de Luxo, S.A. | Lisbon | 375,853 | 476,834 | (100,981) | (17,214) | 13,478 |
| **Other** | | | | | | |
| Esegur, S.A. | Lisbon | 35,648 | 23,500 | 12,148 | 850 | 50,963 |
| Locarent, S.A. | Lisbon | 239,920 | 226,850 | 13,070 | 4,316 | 91,861 |
| Companhia de Papel do Prado, S.A. | Tomar | 4,406 | 1,008 | 3,398 | (7) | - |
| Prado - Cartolinas da Lousã, S.A. | Lousã | 16,676 | 7,000 | 9,676 | 925 | 20,541 |
| SIBS - Sociedade Interbancária de Serviços, S.A. | Lisbon | 149,829 | 73,164 | 76,665 | 11,325 | 144,085 |

(a) Equity includes net income for the year and excludes non-controlling interests.

As set out in greater detail in note 12, the group completed its disposal of 80% of the share capital of Fidelidade – Companhia de Seguros, S.A., Cares – Companhia de Seguros, S.A. and Multicare - Seguros de Saúde, S.A. to Fosun International Limited in May 2014. The equity stakes in the referred to entities retained by the group following this transaction were recognised as investments in associates, in accordance with the conditions described in note 2.6..

The sales operation on the group's equity stake in Banco para Promoção e Desenvolvimento (BPD) was completed in first half 2013.

The corporate object of this financial institution, formed on 14 February 2011 in a public deed entered into 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., is to perform a banking operation with the latitude permitted by law.

The sales contract for CGD group companies' disposal of their stake to Sonangol group entities Sociedade Nacional de Combustíveis de Angola, Empresa Pública (Sonangol EP) and Sonip - Sonangol Imobiliária e Propriedades, LDA (Sonip), for a total amount of USD 29,664,249 was entered into at 31 December 2012. Its completion at the said date was contingent upon the necessary permits for the transfer of corporate holdings and capital export licences to be issued by the National Bank of Angola.

The group recognised €8,604 thousand in capital gains on this transaction, of which an amount of €2,695 thousand was recognised in "Foreign exchange results – revaluation of foreign exchange position" (note 31) and €5,909 thousand in "Other operating results – gains made by subsidiaries and jointly owned enterprises" (note 32).

## 17. INCOME TAX

Tax assets and liabilities balances, at 31 December 2014 and 2013, were as follows:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Current tax assets** | | |
| Income tax recoverable | 40,468 | 104,993 |
| Other | 14,479 | 23,727 |
| | 54,947 | 128,720 |
| **Current tax liabilities** | | |
| Income tax payable | 8,960 | 12,610 |
| Other | 29,573 | 57,514 |
| | 38,533 | 70,123 |
| | 16,414 | 58,596 |
| **Deferred tax assets** | | |
| Temporary differences | 1,087,235 | 1,195,307 |
| Reported tax losses | 337,947 | 179,941 |
| | 1,425,182 | 1,375,248 |
| **Deferred tax liabilities** | 370,362 | 180,574 |
| | 1,054,819 | 1,194,674 |

The following table provides details and information on deferred tax assets movements in 2014 and 2013:

| | Balance at 31-12-2013 | Change in | | Other | Balance at 31-12-2014 |
|---|---|---|---|---|---|
| | | Equity | Profit or loss | | |
| Impairment and adjustments to property and tangible and intangible assets | 20,486 | 293 | 11,827 | (352) | 32,254 |
| Provisions and impairment temporarily not tax deductible | 880,521 | - | (58,537) | 3,669 | 825,653 |
| Measurement of derivatives | (13,207) | - | 1,917 | (99) | (11,389) |
| Measurement of available-for-sale assets | 9,354 | (163,010) | - | 1,273 | (152,383) |
| Measurement of other securities | 11,036 | - | (15,696) | (87) | (4,747) |
| Tax loss carry forward | 179,941 | - | 158,006 | - | 337,947 |
| Employee benefits | 154,708 | 3,937 | 203 | (1,174) | 157,674 |
| Commissions | 18,110 | - | (2,388) | (5) | 15,717 |
| Legal revaluation of other tangible assets | (4,522) | - | 534 | - | (3,988) |
| Other | (61,754) | - | (58,010) | (22,155) | (141,919) |
| | 1,194,674 | (158,780) | 37,857 | (18,930) | 1,054,819 |

| | Balance at 31-12-2012 | Change in | | Other | Balance at 31-12-2013 |
|---|---|---|---|---|---|
| | | Equity | Profit or loss | | |
| Impairment and adjustments to property and tangible and intangible assets | 74,085 | 270 | (5,099) | (48,770) | 20,486 |
| Provisions and impairment temporarily not tax deductible | 875,346 | - | 66,752 | (61,577) | 880,521 |
| Measurement of derivatives | (11,264) | - | (932) | (1,010) | (13,207) |
| Measurement of available-for-sale assets | 69,608 | (88,861) | 19 | 28,588 | 9,354 |
| Measurement of other securities | 4,184 | - | 283 | 6,569 | 11,036 |
| Tax loss carry forward | 63,464 | - | 117,212 | (734) | 179,941 |
| Employee benefits | 165,981 | 1,449 | 3,820 | (16,542) | 154,708 |
| Commissions | 18,183 | - | 253 | (326) | 18,110 |
| Legal revaluation of other tangible assets | (4,742) | - | 222 | (2) | (4,522) |
| Other | 16,703 | - | (29,808) | (48,648) | (61,754) |
| | 1,271,546 | (87,142) | 152,723 | (142,453) | 1,194,674 |

The "Other" column in the deferred tax assets and liabilities table for 2013 included €144,772 thousand related with the activity of the group's insurance businesses, involved in privatisation processes at the said date and deriving from the transfer of their assets to non-current assets and liabilities held for sale (note 12).

The group changed the accounting policy on its recognition of actuarial gains and losses on pension plans and other post-employment benefits in 2011, under which actuarial gains and losses arising from the revaluation of pensions and healthcare liabilities and pension fund yield forecasts were fully recognised as a charge to a shareholders' equity account heading. Up to 2010 these gains and losses were being processed by the corridor method.

Under the terms of article 183 of the state budget law for 2012 (law 64-A/2011 of 30 December) the negative equity changes deriving from the change in the accounting policy on the recognition of actuarial gains and losses on pension plans and other defined benefit post employment benefits in respect of contributions made in the said period or former taxation periods are not included in the limits referred to in numbers 2 and 3 of article 43 of the IRC code and are tax deductible, in equal parts, over the ten taxation periods starting on or after 1 January 2012.

Information on income tax costs recognised in results, in addition to the fiscal burden measured by the tax appropriation and net profit for the period before tax ratio, is set out below.

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Current tax** | | |
| For the period | 48,262 | (5,385) |
| Extraordinary contribution on the banking sector | 29,788 | 25,125 |
| Prior year adjustments (net) | (10,413) | (20,964) |
| | 67,636 | (1,223) |
| **Deferred tax** | (37,857) | (152,723) |
| Total | 29,780 | (153,947) |
| Consolidated income before tax and non-controlling interests | (233,515) | (673,170) |
| Tax charge | (12.75%) | 22.87% |

Information on "Adjustments for past years" in 2014 and 2013, is set out below:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Insufficiency / (excess) of estimated tax for 2013 and 2012 | (8,306) | (18,709) |
| Adjustments to previous years taxable income | (1,840) | (2,198) |
| Other | (267) | (57) |
| | (10,413) | (20,964) |

The following is an analysis of the reconciliation between nominal rate and effective tax rate in 2014 and 2013:

| | 31-12-2014 | | 31-12-2013 | |
|---|---|---|---|---|
| | Rate | Tax | Rate | Tax |
| Income before income tax | | (233,515) | | (673,170) |
| Tax at the nominal rate | 27.35% | (63,866) | 29.35% | (197,575) |
| Investments recorded in accordance with the equity method | 35.76% | (83,508) | 6.14% | (41,337) |
| Impact of companies with tax rates different from the nominal rate in Portugal | 3.54% | (8,273) | 0.98% | (6,610) |
| Definitive differences to be deducted: | | | | |
| Tax exempted capital gains | 0.36% | (850) | 1.05% | (7,069) |
| Non deductable provisions | 0.00% | - | 1.90% | (12,821) |
| Other | 0.55% | (1,282) | 0.19% | (1,269) |
| Definitive difference to be added: | | | | |
| Non deductable provisions | (4.61%) | 10,763 | 0.00% | - |
| Other | (1.93%) | 4,500 | (0.47%) | 3,184 |
| Impairment on available-for-sale financial assets, net of write-offs | 1.20% | (2,792) | (0.07%) | 496 |
| Annulment of tax losses (not recoverable) | (0.80%) | 1,870 | (5.00%) | 33,629 |
| Differential of tax rate on tax losses carry forward (*) | (22.34%) | 52,169 | (7.86%) | 52,886 |
| Autonomous taxation | (1.36%) | 3,169 | (0.55%) | 3,698 |
| Contribution on the banking sector | (12.76%) | 29,788 | (3.73%) | 25,125 |
| | (30.33%) | 70,837 | 0.00% | - |
| Other | (10.95%) | 25,563 | (1.95%) | 13,131 |
| | (16.31%) | 38,087 | 19.98% | (134,531) |
| Tax adjustments relative to prior years | | | | |
| Insufficiency / (excess) of tax estimate, net of deferred tax | 3.44% | (8,040) | 2.88% | (19,358) |
| Other | 0.11% | (267) | 0.01% | (57) |
| | 3.56% | (8,307) | 2.88% | (19,415) |
| | (12.75%) | 29,780 | 22.87% | (153,947) |

(*) The computation of deffered taxes relating to tax losses carry forward is based on a regulatory tax rate of 21% (23% in 2013), and does not include State or Municipal subcharges

CGD's nominal tax rate, in 2014, considering the state surcharges applicable to its operations was 27.35% (29.35% at 31 December 2013).

The assessment of CGD's nominal tax rate considers the increase in the municipal and state surcharges on taxable profit. In the case of the state surcharge reference should be made to the change in the wording of article 87-A of the IRC code by law 2-2014 of 16 January (IRC reform law) whose number 1 provides (for the fiscal years starting on or after 1 January 2014) for the application of the following rates on taxable profit in the following bands:

- a rate of 3% between €1,500 thousand and €7,500 thousand;
- a rate of 5% between €7,500 thousand and €35,000 thousand;
- a rate of 7% on more than €35,000 thousand.

The changes made by the state budget law for 2015, also revised the nominal IRC rate on taxable income (with the exceptions provided for by current legislation) which was reduced from 23% to 21%.

At 31 December 2014 the balance of deferred tax assets relative to the carry-back of tax losses included the recognition of €303,673 thousand in Caixa's financial statements, of which €172,062 originating in the year in progress and the remainder in 2013. During the course of 2013, Caixa cancelled the deferred tax assets on its carry-back of tax losses assessed in 2010, for the amount of €20,129 thousand, as it considered the recoverability prospects up to the end of the regulatory period available for the purposes (end of 2014) to be remote.

According to the changes made under the law reforming the IRC code, the period for reporting the carry-back of tax losses for tax periods starting after 1 January 2014 was extended to 12 years. As regards the carry-back of tax losses originated in 2013, the recovery period is five years. However, for the tax periods starting on or after 1 January 2014, the deduction of tax losses may not exceed 70% of the respective taxable profit.

Deriving from the dispositions of article 141 of the state budget law for 2011 (law 55-A/2010 of 31 December), which introduced a new contribution regime applicable to the banking sector, the group recognised of €29,788 thousand and €25,125 thousand, in 2014 and 2013, respectively for the costs of this tax. The basis upon which the new contribution, regulated under the terms of Ministerial Order 121/2011 of 30 March is levied is the amount of the liabilities of credit institutions headquartered on Portuguese territory, net of own and complementary funds therein included, as well as deposits covered by the deposit guarantee fund and the notional amount of derivatives other than hedge derivatives. The subsidiaries of credit institutions headquartered outside Portuguese territory as well as the branches in Portugal of credit institutions headquartered outside the European Union, are also subject to the tax.

The tax authorities are normally entitled to review the tax situation during a certain period, which in Portugal is four years (except for cases in which losses have been made, in addition to any other reduction or tax credit whose expiry period is the year of the said right), with the eventual possibility of adjustments being made to the taxable profit of former years (2011 to 2014 in the case of most entities headquartered in Portugal. In the case of Caixa Geral de Depósitos, inspections were carried out in 2011 and 2012, the latter of which on its separate activity). Any possible adjustments, given the nature thereof, cannot be quantified at present. Caixa's board of directors considers, however, that any adjustment for the above years is unlikely to have a significant effect on the consolidated financial statements.

## 18. OTHER ASSETS

This account heading comprises the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Other assets | | |
| Debt certificates of the Territory of Macau | 630,413 | 451,675 |
| Other | 9,724 | 9,436 |
| Debtors and other investments | | |
| Central and local government | 7,489 | 11,937 |
| Shareholders' loans | 210,378 | 221,777 |
| Debtors - futures contracts | 42,513 | 40,433 |
| Amount receivable from the sale of EDP | 481,456 | 481,456 |
| Other debtors | 1,571,417 | 1,366,773 |
| Grants receivable from | | |
| The State | 22,117 | 32,727 |
| Other entities | 13,811 | 11,636 |
| Amount receivable from the sale of assets received as settlement of defaulting loans | 11,749 | 27,335 |
| Other | 229,963 | 213,179 |
| Income receivable | 47,526 | 39,779 |
| Deferred costs | | |
| Rent | 5,569 | 6,042 |
| Other | 25,779 | 20,485 |
| Deferred income | (5,999) | (4,451) |
| Operations pending settlement | 129,107 | 166,855 |
| Stock exchange operations | 9,131 | 4,128 |
| | 3,442,141 | 3,101,201 |
| Impairment (Note 36) | (235,456) | (235,257) |
| | 3,206,685 | 2,865,944 |

Information on impairment movements on debtors and other investments for 2013 and 2014 is set out in note 36.

The amount receivable on the sale of EDP, at 31 December 2014 and 2013, derives from CGD's disposal of an equity stake in the company to Parpública.

The "Debtors and other investments – other debtors" account heading at 31 December 2014 and 2013, included €1,148,158 thousand and €928,104 thousand, respectively, for surety accounts in several financial institutions. The referred to sureties derive from liquidity-providing operations collateralised by financial assets and from "Interest rate swaps" (IRS) with these entities.

The "Debtors and other investments – other debtors" account heading, at 31 December 2014 and 2013, included €50,282 thousand for a Caixa surety deposit with the tax authorities as part of the suspension of the fiscal execution of a tax settlement, referred to in greater detail in note 22.

Under the contract to issue notes between Banco Nacional Ultramarino, S.A. (Macau) and the Territory of Macau, the bank provides the Territory with convertible currency corresponding to the counter value of notes in circulation, receiving in return, a debt certificate for an equivalent amount to cover the liability resulting from the currency issues (note 24). The amounts to be provided to the Territory by the bank are reconciled on a monthly basis, in the first fifteen days of each month, based on the preceding month's average daily balances. The debt certificate of the Macau government, at 31 December 2014 and 2013, totalled €630,413 and €451,675 thousand, respectively. No interest is payable on the certificate, as the consideration for the functions attributed to Banco Nacional Ultramarino, S.A. (Macau) is given by a permanent non-interest-bearing deposit.

Shareholders' loans, at 31 December 2014 and 2013, comprised the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Locarent - Companhia Portuguesa de Aluguer de Viaturas, S.A. | 86,000 | 86,000 |
| Moretextile, SGPS, S.A. | 35,191 | 34,062 |
| A. Silva & Silva - Imobiliário & Serviços, S.A. | 28,977 | 28,977 |
| Sagesecur - Estudo, Desenvolvimento e Participações em Projetos, S.A. | 13,643 | 14,130 |
| PP3E - Projetos e Participações em Empreendimentos de Energia Elétrica, S.A. | 10,200 | 10,200 |
| Other | 36,367 | 48,408 |
| | 210,378 | 221,777 |

Details on shareholders' loans to Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A., at 31 December 2014 and 2013 are set out below:

- A shareholder's loan of €36,000 thousand at 3 month Euribor plus a spread of 0.75%. Interest is paid quarterly and in arrears on 1 February, May, August and November of each year. An addendum to the loan extending the maturity up to 30 June 2018 was signed in first half 2014.
- A shareholder's loan of €50,000 thousand. Quarterly interest at the 3 month Euribor rate plus a spread of 3% is paid in arrears on 1 January, 1 April, 1 July and 1 October each year. An addendum to the initial loan contract was signed in second half 2014 under which the parties entered into a new shareholders' loan contract under which the maturity period of 30 September of the said year was extended for another year. No other changes were made to the terms and conditions in force.

Pursuant to the financial restructuring agreement for the Coelima, JMA - José Machado de Almeida and AAF – António Almeida & Filhos textiles groups, Caixa made shareholders' loans of €31 182 thousand to Moretextile, SGPS, S.A. Interest at the 6 month Euribor rate plus a spread of 2.5% is charged on these shareholders' loans which are repayable in full (principal and interest) in a lump sum on 13 May 2018. This term is renewable for an additional period of five years. The repayment of these shareholders' loans is subordinated to Moretextile's and its associated companies' settlement of the overdue and unpaid loans of other creditors. Caixa recognised an impairment loss on unrealised capital losses of €34,661 thousand of which €1,003 thousand during the course of 2014.

This account heading at 31 December 2014 and 2013 also included an assignment of credit rights over 19.5% of the partners' loans made to Sagesecur by Parpública, in the sphere of the payment of the entity's share capital, at the date of its formation.

## 19. RESOURCES OF CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

This account heading comprises the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Resources of central banks** | | |
| Resources - European Central Bank | | |
| Loans, deposits and other resources | | |
| Caixa Geral de Depósitos | 1,500,000 | 4,750,000 |
| Other Group entities | 1,610,330 | 1,584,500 |
| Resources of other central banks | | |
| Deposits and other resources | | |
| Of domestic credit institutions | 467 | 219 |
| Of foreign credit institutions | 101,384 | 79,020 |
| Sales operations with repurchase agreement | 17,305 | - |
| Other resources | 1,701 | 664 |
| Interest payable | 12,399 | 70,601 |
| | 3,243,587 | 6,485,004 |
| **Resources of other credit institutions** | | |
| Deposits and other resources | | |
| Of domestic credit institutions | 684,256 | 1,035,558 |
| Of foreign credit institutions | 838,449 | 1,062,383 |
| Interbank money market resources | 170,000 | 32,000 |
| Immediate short term resources | | |
| Of domestic credit institutions | 287,747 | 364,923 |
| Of foreign credit institutions | 38,150 | 21,864 |
| Loans | | |
| Of foreign credit institutions | 27,562 | 32,251 |
| Resources of international financial entities | 57,353 | 60,349 |
| Sale operations with repurchase agreement | 644,115 | 624,648 |
| Adjustments to liabilities under hedging operations | 2,302 | 203 |
| Interest payable | 10,488 | 15,817 |
| Charges with deferred cost | (2,323) | (351) |
| | 2,758,100 | 3,249,645 |
| | 6,001,687 | 9,734,649 |

The “Resources of central banks– resources – European Central Bank” account heading at 31 December 2014 and 2013, refers to loans obtained from the European Central Bank, collateralised by debt instruments and other loans in the group’s portfolio. These assets are not available for free circulation and are recognised at their nominal value in “Asset-backed guarantees” (note 22) in off-balance sheet account headings.

“Sales operations with a repurchase agreement”, at 31 December 2014 and 2013, refer to contracts for the assignment of financial assets with an agreement to purchase at a future date at a predefined price, entered into between the group and various financial institutions.

The assignment of financial instruments in sales operations with a repurchase agreement is not derecognised in the balance sheet and continues to be measured in accordance with the accounting policies applicable to the underlying assets (note 9). The difference between sales and repurchase prices is recognised as interest expense and deferred over the contract's lifetime.

The referred to operations were contracted for under global master repurchase agreements (GMRAs) or bilateral liquidity injection agreements providing for mechanisms to strengthen the collateral associated with these transactions, based on the evolution of their respective market value assessed in conformity with the specifications agreed between the counterparties, usually comprising surety deposits.

## 20. CUSTOMER RESOURCES AND OTHER LOANS

This account heading comprises the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Savings deposits | 1,702,130 | 1,758,681 |
| Other debts | | |
| Repayable on demand | 21,339,112 | 19,366,138 |
| Term | | |
| Deposits | 45,961,403 | 44,833,633 |
| Mandatory deposits | 299,100 | 306,922 |
| Other resources: | | |
| Cheques and orders payable | 70,184 | 69,160 |
| Loans | 198,932 | 86,855 |
| Operations with repurchase agreement | 99,227 | 45,970 |
| Other | 982,008 | 752,999 |
| | 47,610,855 | 46,095,539 |
| | 68,949,966 | 65,461,677 |
| Interest payable | 452,029 | 621,651 |
| Deferred costs net of deferred income | (11,955) | (8,430) |
| Commissions associated with amortised cost (deferred) | (8,825) | (9,179) |
| Adjustments to liabilities under hedging operations | 50,830 | 18,524 |
| | 482,080 | 622,567 |
| | 71,134,176 | 67,842,925 |

## 21. DEBT SECURITIES

This account heading comprises the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Bonds issued:** | | |
| Bonds issued under the EMTN Programme | | |
| - Remuneration indexed to interest rates | 74,402 | 124,402 |
| - Fixed interest rate | 1,842,181 | 3,281,790 |
| - Remuneration indexed to shares / indexes | 36,000 | 114,000 |
| - Remuneration indexed to exchange rates | 298,674 | 420,236 |
| | 2,251,257 | 3,940,428 |
| **Covered bonds** | 4,484,986 | 3,736,100 |
| **Public sector covered bonds** | - | 622,700 |
| **Other cash bonds** | | |
| - Remuneration indexed to interest rates | 60,247 | 62,442 |
| | 60,247 | 62,442 |
| | 6,796,490 | 8,361,670 |
| **Other** | | |
| Issues under the Euro Commercial Paper and Certificates of Deposit Programme | | |
| - Commercial Paper | 100,738 | 20,976 |
| Securities issued under securitisation operations (Note 11) | | |
| - Mortgage loans | 79,074 | 223,118 |
| - Other collateralized emissions | 14,392 | - |
| | 194,204 | 244,094 |
| | | |
| Adjustments to liabilities under hedging operations | 51,206 | 9,812 |
| Deferred costs net of income | (13,183) | (12,152) |
| Interest payable | 145,761 | 187,963 |
| | 7,174,478 | 8,791,387 |

The breakdown of the debt securities account heading, at 31 December 2014 and 2013, is net of the accumulated repurchased debt balances, whose amounts are broken down as follows:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Bonds issued under the EMTN programme | 15,388 | 15,388 |
| Covered bonds | 2,400,000 | 3,700,000 |
| Public sector bonds | - | 135,450 |
| Other cash bonds | - | 3,600,000 |
| | 2,415,388 | 7,450,838 |

Caixa issued Portuguese state-backed bond loans for €1,800,000 thousand and €2,800,000 thousand, at 19 July and 23 December 2011, respectively, according to the following terms:

. Issuance of a bond loan of €1,800,000 thousand (1st issuance) – interest at the 3 month Euribor rate plus a spread of 4.95% is payable on such bonds which mature on 19 July 2014;

. Issuance of a bond loan of €2,800,000 thousand (2nd issuance) - interest at the 6 month Euribor rate plus a spread of 5% is payable on such bonds which mature on 23 December 2014;

The referred to issuances comply with the dispositions of law 60-A/2008 of 20 October, law 55-A/2010 of 31 December and ministerial orders 1219-A/2008 of 23 October and 946/2010 of 22 September.

These issuances, used to collateralise European Central Bank liquidity injection operations, were repurchased in full by Caixa.

CGD settled these loans in full in 2014.

CGD uses the following specific programmes to diversify its funding sources:

(i) Euro commercial paper and certificates of deposit (ECP and CCP)

Under the "€10,000,000,000 euro commercial paper and certificates of deposit" programme, CGD (either directly or through its France and London branches) is entitled to issue certificates of deposit (CD) and notes with a maximum maturity of five years and one year, respectively, in euros, US dollars, sterling, Japanese yen or any other currency agreed between the parties. Fixed or variable-rate interest is payable on these issuances which may also be indexed to indices or shares.

(ii) US commercial paper

Under this programme, CGD North America Finance LLC is entitled to issue notes for up to a total amount of USD 2,000,000,000. The notes have a maximum maturity of 1 year and a minimum amount of USD 250,000. The notes may be issued at a discount or at par. All issuances are guaranteed by CGD.

(iii) Euro medium term notes (EMTN)

CGD group, through CGD (either directly or through its France and London branches) and CGD Finance, are entitled to issue debt securities under this programme for a maximum amount of €15,000,000,000. The France branch guarantees all CGD Finance issuances.

Bonds may be issued in any currency with minimum maturities of one month and 5 years for subordinated and non-subordinated issuances, respectively. There are no maximum maturities on these operations.

These securities may be issued at a discount. Fixed or variable-rate interest is payable on these issuances which may also be indexed to indices or shares.

(iv) Covered bonds

CGD initiated a covered bond programme, to be directly issued by CGD, for up to a current maximum amount of €15,000,000 thousand, in November 2006. The bonds are backed by a mortgage loan portfolio which must, at any point of time, comply with the minimum conditions required by the regulation applicable to issuances of such assets, i.e. decree law 59/2006, official notices 5, 6, 7 and 8 and Bank of Portugal instruction 13.

The bonds may be issued in any currency with a minimum maturity of 2 and a maximum maturity of 50 years. Fixed or variable-rate interest is payable on these issuances which may also be indexed to indices or shares.

These bonds entitle their holders to special credit rights – over any other creditors – on assets which have been set aside in the issuing entity's balance sheet to guarantee the debt and to which bondholders enjoy access, in the event of insolvency.

Assets eligible for the constitution of an asset pool comprise mortgage loans for housing or commercial purposes in a European Union member state or, alternatively, loans and advances to central governments or the regional and local authorities of one of the European Union member states and loans with an express and legally binding guarantee of such entities. Mortgage loans cannot exceed 80% of the mortgaged assets given as collateral on property for housing (60% for other property).

In accordance with the issuance conditions defined by the programme, the following criteria must also be complied with during the period of the issuances:

- The total nominal value of covered bonds in circulation may not exceed 95% of the total value of mortgage loans and other assets allocated to the referred to bonds;
- The average maturity of covered bonds issuances may not, for issuances as a whole, exceed the average lives of their associated mortgage loans;
- The total amount of interest on the covered bonds may not, for issuances as a whole, exceed the amount of interest charged to borrowers of mortgage loans associated with the referred to bonds;
- The present value of the covered bonds may not exceed the present value of their associated assets, which ratio must be maintained for parallel shifts of 200 basis points on the yield curve.

The asset pool may also include autonomous assets, up to a maximum of 20% of its value, substitution assets in the form of deposits at the Bank of Portugal or securities eligible for Eurosystem credit operations among others defined by law.

The nominal value of covered bonds issued by Caixa, at 31 December 2014 and 2013, totalled €6,901,450 thousand and €7,451,450 thousand, respectively, with the following characteristics:

| DESIGNATION | Nominal | | Date of issue | Date of redemption | Interest payment | Remuneration | Interest rate at 31-12-2014 | Interest rate at 31-12-2013 |
|---|---|---|---|---|---|---|---|---|
| | 31-12-2014 | 31-12-2013 | | | | | | |
| Hipotecárias Série 1 2006/2016 1st tranche | 1,256,450 | 1,256,450 | 06-12-2006 | 06-12-2016 | Annually, on 6 December | Fixed rate | 3.875% | 3.875% |
| Hipotecárias Série 2 2007/2015 (*) | 900,000 | 900,000 | 30-03-2007 | 30-09-2015 | Half yearly, on 30 March and 30 September | 6 month Euribor rate + 0.04% | 0.223% | 0.377% |
| Hipotecárias Série 4 2007/2022 | 250,000 | 250,000 | 28-06-2007 | 28-06-2022 | Quarterly, on 28 March, June, September and December | 3 month Euribor rate + 0.05% | 0.129% | 0.344% |
| Hipotecárias Série 6 2008/2016 (*) | - | 200,000 | 27-02-2008 | 29-02-2016 | Half yearly, on 27 February and 27 August | 6 month Euribor rate + 0.16% | - | 0.504% |
| Hipotecárias Série 7 2008/2016 | 150,000 | 150,000 | 31-03-2008 | 15-03-2016 | Quarterly, on 15 March, June, September and December | 3 month Euribor rate - 0.012% | 0.070% | 0.265% |
| Hipotecárias Série 1 2006/2016 2nd tranche | 150,000 | 150,000 | 09-09-2008 | 06-12-2016 | Annually, on 6 December | Fixed rate | 3.875% | 3.875% |
| Hipotecárias Série 8 2008/2038 | 20,000 | 20,000 | 01-10-2008 | 01-10-2038 | Annually, on 1 October | Fixed rate | 5.380% | 5.380% |
| Hipotecárias 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% | 0.763% | 0.916% |
| Hipotecárias Série 10 2010/2020 | 1,000,000 | 1,000,000 | 27-01-2010 | 27-01-2020 | Annually, on 27 January | Fixed rate | 4.250% | 4.250% |
| Hipotecárias Série 12 2011/2021 FRN (*) | - | 350,000 | 28-04-2011 | 28-04-2021 | Quarterly, on 28 January, April, July and October | 3 month Euribor rate + 0.75% | - | 0.975% |
| Hipotecárias Série 13 2011/2021 FRB (*) | - | 750,000 | 28-04-2011 | 28-04-2021 | Quarterly, on 28 January, April, July and October | 3 month Euribor rate + 0.75% | - | 0.975% |
| Hipotecárias Série 14 2012/2022 (*) | 1,500,000 | 1,500,000 | 31-07-2012 | 31-07-2022 | Quarterly, on 31 January, April, July and October | 3 month Euribor rate + 0.75% | 0.838% | 0.978% |
| Hipotecárias Série 15 2013/2018 | 750,000 | 750,000 | 18-01-2013 | 18-01-2018 | Annually, on 18 January | Fixed rate | 3.750% | 3.750% |
| Hipotecárias Série 16 2013/2019 | 750,000 | - | 15-01-2014 | 15-01-2019 | Annually, on 15 January | Fixed rate | 3.000% | - |
| | 6,901,450 | 7,451,450 | | | | | | |

(*) Issue fully repurchased by CGD. These securities are collaterising liquidity providing operations with the European Central Bank
(*) Issue which has been repaid during the first half of 2014

The assets pool used to collateralise the issuances includes mortgage loans made in Portugal with a book value of €11,527,525 thousand and €9,945,587 thousand at 31 December 2014 and 2013, respectively (note 11).

The assets pool used to collateralise the issuances of mortgage bonds at 31 December 2014 and 2013 also comprised debt securities, with a book value of €127,537 thousand and €124,380 thousand respectively (note 7).

The Moody's and Fitch ratings on these covered bonds, at 31 December 2014, were Baa2 and BBB, respectively.

(v) Bonds for the public sector

CGD initiated a programme for issuances of bonds for the public sector up to a maximum amount of €5,000,000 thousand, in February 2009. The bonds are backed by a public sector loan portfolio which must, at any point of time, comply with the minimum conditions required by the regulations applicable to issuances of such instruments, i.e. decree law 59/2006, official notices 5, 6, 7 and 8 and instruction 13 of the Bank of Portugal .

The bonds may be issued in any currency with a minimum maturity of 2 and a maximum maturity of 50 years. Fixed or variable-rate interest is payable on these issuances whose income may also be indexed to indices or shares.

These bonds entitle their holders to special credit rights – over any other creditors – to assets which have been set aside in the issuing entity's balance sheet to guarantee the debt and to which bondholders enjoy access, in the event of the insolvency of the issuing entity.

Assets eligible for the constitution of an assets pool comprise amounts owed by central governments or the regional and local authorities of one of the European Union member states and loans with the express and legally binding guarantee of the same entities.

In accordance with the issuance conditions defined by the programme, the following criteria must also be complied with during the period of the issuance:

- The total amount of loans to central governments or regional and local authorities of one of the European Union member states and loans with the express and legally binding guarantee of the same entities, and substitution assets, associated with bonds for the public sector in circulation should comprise at least 100% of the nominal total value of the referred to bonds;
- The average maturity of bond issuances for the public sector may not, for issuances as a whole, exceed the average lifetime of the mortgage loans associated with them;
- The total amount of interest payable on the bonds for the public sector may not, for issuances as a whole, exceed the amount of interest charged on the eligible assets associated with the referred to bonds;
- The present value of the bonds for the public sector may not exceed the present value of their associated assets, which ratio must be maintained for parallel shifts of 200 basis points on the yield curve.

The asset pool may also include autonomous assets, up to a maximum of 20% of its value, substitution assets in the form of deposits at the Bank of Portugal or securities eligible for Eurosystem credit operations, sight or term deposits with credit institutions with a credit rating of "A-" or higher or equivalent in other assets defined in an official notice issued by the Bank of Portugal.

Under this programme Caixa made only one public issuance in the institutional market in July 2009 for the amount of €1,000 thousand, maturing in July 2014.

The nominal value of bonds for the public sector, issued by Caixa at 31 December 2013 totalled €800,000 thousand.

The assets pool used to collateralise the issuance comprises loans and advances to the public sector, made in Portugal, with a book value of €1,215,109 thousand at 31 December 2013 (note 11).

Caixa decided to scrap its bonds for the public sector programme at the end of 2014.

Moody's and Fitch's ratings on the bond issuances for the public sector, at 31 December 2013, were Baa3 and BBB- respectively.

Details on bond issuances, by type of interest and periods to maturity, in the financial statements, at 31 December 2014 and 2013, are set out below:

| | 31-12-2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Type of asset or underlying index used to calculate the remuneration | | | | Covered bonds | Other bonds | Total |
| | Shares / Indexes | Exchange rate | Interest rate | Sub total | | | |
| Up to one year | 36,000 | 35,595 | 1,237,209 | 1,308,804 | - | - | 1,308,804 |
| One to five years | - | 155,943 | 513,493 | 669,436 | 3,220,596 | 60,247 | 3,950,279 |
| Five to ten years | - | 24,148 | 155,881 | 180,029 | 1,244,390 | - | 1,424,419 |
| Over ten years | - | 82,988 | 10,000 | 92,988 | 20,000 | - | 112,988 |
| | 36,000 | 298,674 | 1,916,583 | 2,251,257 | 4,484,986 | 60,247 | 6,796,490 |

| | 31-12-2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Type of asset or underlying index used to calculate the remuneration | | | | Covered bonds | Other bonds | Total |
| | Shares / Indexes | Exchange rate | Interest rate | Sub total | | | |
| Up to one year | 78,000 | 78,280 | 1,448,959 | 1,605,239 | - | 622,700 | 2,227,939 |
| One to five years | 36,000 | 193,750 | 1,705,915 | 1,935,665 | 2,471,650 | 22,405 | 4,429,720 |
| Five to ten years | - | 23,202 | 241,318 | 264,520 | 1,244,450 | 40,037 | 1,549,007 |
| Over ten years | - | 125,004 | 10,000 | 135,004 | 20,000 | - | 155,004 |
| | 114,000 | 420,236 | 3,406,192 | 3,940,428 | 3,736,100 | 685,142 | 8,361,670 |

Derivatives were contracted for to convert the amounts of most EMTN Programme issuances into euros and their respective interest into 3 or 6 month Euribor rates net of a spread.

## 22. PROVISIONS AND CONTINGENT LIABILITIES

**Provisions**

Movements in provisions for employee benefits and for other risks, in 2014 and 2013, were as follows:

| | Balance at 31-12-2013 | Additions and reversals | Write-offs | Exchange differences | Transfers and other | Balance at 31-12-2014 |
|---|---|---|---|---|---|---|
| Provision for employee benefits (Note 34) | 539,438 | (1,319) | (23,859) | 388 | 57,739 | 572,386 |
| | | | | | | |
| Provision for litigation | 15,083 | 213 | - | 49 | 583 | 15,928 |
| Provision for guarantees and other commitments | 207,763 | (57,959) | - | 497 | (1) | 150,300 |
| Provision for other risks and charges | 118,961 | (3,783) | (7,516) | 393 | (5,011) | 103,044 |
| | 341,807 | (61,529) | (7,516) | 939 | (4,428) | 269,272 |
| | 881,245 | (62,849) | (31,375) | 1,327 | 53,310 | 841,658 |

| | Balance at 31-12-2012 | Additions and reversals | Write-offs | Exchange differences | Transfers and other | Balance at 31-12-2013 |
|---|---|---|---|---|---|---|
| Provision for employee benefits (Note 34) | 549,950 | 2,826 | (23,851) | (931) | 11,444 | 539,438 |
| | | | | | | |
| Provision for litigation | 24,134 | (652) | - | (1,074) | (7,325) | 15,083 |
| Provision for guarantees and other commitments | 193,490 | 14,331 | (311) | (191) | 444 | 207,763 |
| Provision for other risks and charges | 205,229 | (18,261) | (10,525) | (441) | (57,041) | 118,961 |
| | 422,854 | (4,583) | (10,836) | (1,706) | (63,922) | 341,807 |
| | 972,804 | (1,757) | (34,687) | (2,637) | (52,478) | 881,245 |

Information on the composition of and movements in provisions for employee costs and benefits is given in note 34.

Provisions for other risks and liabilities cover contingencies arising from the group's activity.

Provisions for legal contingencies comprise the group's best estimate of any amounts to be spent on their resolution, based on estimates of the legal department and its attendant lawyers.

Deriving from the transfer of the assets and liabilities of the group's insurance companies involved in privatisation processes, the "Transfers and other" column of the provisions movements table for 2013 included €23,375 thousand, €7,924 thousand and €57,326 thousand for the recognition of accumulated provisions for employee benefits, legal contingencies and other risks, respectively, related with the activity of these business units, which, at 31 December of the said year were recognised in non-current assets held for sale (note 12).

Contingent liabilities and commitments

Contingent liabilities associated with banking activity are recognised in off-balance sheet account headings, as follows:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Contingent liabilities** | | |
| Assets given as collateral | 14,912,605 | 21,411,996 |
| Guarantees and sureties | 4,066,099 | 4,264,031 |
| Open documentary credits | 670,168 | 469,238 |
| Stand by letters of credit | 53,400 | 58,148 |
| Other contingent liabilities | 377,878 | 105,198 |
| | 20,080,151 | 26,308,611 |
| **Commitments** | | |
| Revocable commitments | 8,289,653 | 7,215,333 |
| Securities subscription | 2,019,997 | 2,110,894 |
| Irrevocable lines of credit | 1,474,941 | 1,535,594 |
| Term liabilities relating to annual contributions to the Deposit Guarantee Fund | 155,553 | 155,553 |
| Term operations | 155,936 | 97,705 |
| Investor Compensation System | 35,911 | 36,147 |
| Forward deposit agreements | | |
| Receivable | 128,571 | 36,256 |
| To be created | - | 666 |
| Other | 121,253 | 132,316 |
| | 12,381,814 | 11,320,464 |
| | | |
| **Deposit and custody of securities** | 38,613,510 | 52,379,010 |

The composition of asset-backed guarantees is as follows:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Debt Instruments** | | |
| Consigned resources | | |
| EIB - European Investment Bank | 803,000 | 976,500 |
| Bank of Portugal (*) | 13,898,131 | 20,186,353 |
| Deposit Guarantee Fund | 167,440 | 184,940 |
| Royal Bank of Scotland | 15,000 | 15,000 |
| Investor Compensation System (futures) | 21,430 | 28,695 |
| Euronext | 6,500 | 5,000 |
| **Other Assets** | | |
| European Central Bank | - | 15,000 |
| Other | 1,104 | 508 |
| | 14,912,605 | 21,411,996 |

(*) 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 and other interbank money market transactions.

Asset-backed guarantees, at 31 December 2014 and 2013, are for debt instruments classified in assets held-for-trading, available-for-sale financial assets, loans and advances to customers and debt securities accounts (note 21). The market value of debt instruments given as collateral, at 31 December 2014 and 2013, was €15,085,127 and €21,189,671 thousand, respectively.

At 31 December 2013, the "Other asset-backed guarantees" account heading also comprised loans for the amounts of €15,000 thousand made by the group as a guarantee to the European Central Bank.

The market value of group securities collateralising term liabilities for annual contributions to the deposit guarantee fund and investors' indemnity system was €220,975 and €217,445 thousand, at 31 December 2014 and 2013, respectively.

The object of the deposit guarantee fund is to guarantee customers' deposits in conformity with the limits defined by the general credit institutions regime to which regular annual contributions are made. In past years, a part of these liabilities took the form of an irrevocable commitment to make the referred to contributions when requested by the fund. This amount is not recognised as a cost. Commitments since 1996 total €155,553 thousand. The group recognised costs of €18,680 thousand and €22,959 thousand, respectively at 31 December 2014 and 2013 for its annual contribution to the deposit guarantee fund.

Asset-backed guarantees are not available for the group's free use and are recognised at their nominal value in off-balance sheet accounts.

In 2009, CGD was notified by the Portuguese tax authorities of their inspection report for 2005 on an adjustment of €155,602 thousand to taxable income for the year. In addition to other situations, the referred to amount included an adjustment of €135,592 thousand owing to the fact that Caixa had benefited from the full elimination of double taxation on its share of Caixa Brasil SGPS, S.A.'s results in the said period. Caixa contested the referred to adjustment, considering that the procedure adopted by it was in compliance with the fiscal legislation in force, as it was possessed data enabling it to show that tax was paid on Caixa Brasil, S.A.'s earnings. No provision for the said adjustment was therefore made in the financial statements at 31 December 2014 and 2013. The court of first upheld Caixa's contestation during the course of 2014.

As a result of these fiscal executive actions deriving from the referred to past adjustments made by the tax authorities, in 2010, Caixa constituted a surety deposit for the suspension of the tax settlement procedure. The referred to surety deposit for the amount of €50,282 thousand, has been recognised in "Other assets – debtors and other investments – other debtors" account heading (note 18).

The board of directors of the Bank of Portugal decided to apply a resolution measure to Banco Espírito Santo, S.A. ("BES") on 3 August 2014, in which most of the activity and assets of BES were transferred to Novo Banco S.A., a new transitional banking institution set up for the purpose and whose share capital is fully owned by the resolution fund.

Following the resolution measure, capital requirements of €4,900,000 thousand were assessed for Novo Banco, S.A. to be paid up by the sole shareholder under the terms of the legislation in force. Considering that the resolution fund did not have the necessary own resources on the date in question, the capital subscription was made by raising two loans:

- €3,900,000 thousand from the Portuguese state; and

- €700,000 thousand from eight fund members (of which €174,000 thousand paid by CGD).

Under the terms of article 153-I of decree law 345/98 of 9 November, if the resources of the resolution fund are insufficient to meet its obligations, it may be decided by statute that member institutions should make special contributions and define the amounts, instalments and other terms of such contributions. Also under the terms of the same article, a member institution may be exempted from making special contributions on the basis of its solvency situation.

The group's contributions to the resolution fund in 2013 and 2014 represented 18.98% of the total contributions made by domestic financial institutions.

The process for the disposal of Novo Banco, S.A. is currently in progress. The information available to-date does not, however, permit an assessment to be made of the eventual impact of this situation on CGD's financial statements, as any costs to be borne are contingent upon Novo Banco, S.A.'s disposal price and resolutions passed by the Ministry of Finance pursuant to its legal competencies.

## 23. OTHER SUBORDINATED LIABILITIES

This account heading comprises the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Bonds | 2,388,244 | 2,489,653 |
| Loans | 21,209 | 21,209 |
| | 2,409,453 | 2,510,862 |
| Interest payable | 49,007 | 45,783 |
| Deferred income net of charges | (26,012) | (32,780) |
| Adjustment to liabilities under hedging operations | (4,543) | (165) |
| | 2,427,905 | 2,523,700 |

At 29 June 2012, CGD issued €900,000 thousand in hybrid financial instruments eligible as core tier 1 own funds, fully subscribed for by the Portuguese state (conditions defined in ministerial order 8840-C/2012 of 28 June 2012). These bonds are convertible into shares in the following circumstances:

- CGD's full or part cancellation or suspension of the payment of interest on the hybrid financial instruments;
- Materially relevant non-compliance with the recapitalisation plan;
- CGD's failure to repurchase the full amount of the hybrid financial instruments up to the term of the investment period (five years);
- Exercising of conversion rights specified by the state in the issue conditions;
- If the hybrid financial instruments cease to be eligible as core tier 1 own funds.

The following is a summary of the conditions attached to the main issuances:

| Issuer | Bonds | Currency | Value of issue | Book value at 31-12-2014 | Book value at 31-12-2013 | 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 | 29-06-2012 | 29-06-2017 | 1st year 8.5%, 2nd year 8.75%, 3rd year 9%, 4th year 9.5% and 5th year 10%. Half yearly interest payment on 29 June and December. | The redemption option can be made at any time, with prior authorisation of the Bank of Portugal. |
| Caixa Geral de Depósitos | Step Up Switchable Subordinated Notes due May 2019 | EUR | 538,552 | 536,748 | 536,729 | 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 2008/2018 (1st issue) | EUR | 369,045 | 368,530 | 368,522 | 03-11-2008 | 05-11-2018 | 2nd year, 12 month Euribor rate + 0.125%; 3rd year, 12 month Euribor rate + 0.250%, 4th year, 12 month Euribor rate + 0.500% and 5th year, 12 month Euribor rate + 1.00%. If there is no early redemption, 12 month Euribor rate + 1.50%. Annual interest payment on 3 November. | With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 5th year. |
| Caixa Geral de Depósitos | Floating Rate Notes due December 2017 | EUR | 125,000 | 125,000 | 125,000 | 27-12-2007 | 27-12-2017 | 5.733%. If there is no early redemption, 3 month Euribor rate + 1.70%. Annual interest rate payment on 27 December. Quarterly interest payment on 27 March, June, September and December ( if there is no early redemption). | With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 27 December 2012. |
| Caixa Geral de Depósitos | Floating Rate Notes due December 2017 | EUR | 120,000 | 104,720 | 104,720 | 17-12-2007 | 17-12-2017 | 3 month Euribor rate + 1.08%. 3 month Euribor rate + 1.58%, if there is no early redemption . Quarterly interest payment on 17 March, June, September and December. | With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 17 December 2012. |
| CGD (France branch) | Floating Rate Undated Subordinated Notes | EUR | 110,000 | 209 | 209 | 18-12-2002 | Perpetual | 3 month Euribor rate + 1.30%. 3 month Euribor rate + 2.80%, if there is no early redemption. Quarterly interest payment on 18 March, June, September and December. | With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 18 December 2012. |

| Issuer | Bonds | Currency | Value of issue | Book value at 31-12-2014 | Book value at 31-12-2013 | Date of issue | Date of redemption | Interest rate/ payment | Early redemption clause |
|---|---|---|---|---|---|---|---|---|---|
| Caixa Geral de Depósitos | Lower Tier 2 due March 3, 2028 | EUR | 100,000 | 100,000 | 100,000 | 03-03-2008 | 03-03-2028 | 5.980%. Annual interest payment on 3 March. | N/A. |
| Caixa Geral de Depósitos | Caixa Subordinadas CGD 2007/2017 (2nd issue) | EUR | 81,595 | 81,245 | 81,245 | 12-11-2007 | 13-11-2017 | 1st year 5.00%, 2nd year 5.50%, 3rd year 6.00%, 4th and 5th years 7.50% and 10%, if the weight of all underlying assets is over its initial value, otherwise it will pay 0.00%. 3 month Euribor rate + 0.7%, if there is no early redemption. Annual interest payment on 12 November. Quarterly interest payment on 12 February, May, August and November (if there is no early redemption). | With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 5th year. |
| Caixa Geral de Depósitos | Floating Rate Notes due December 2017 | EUR | 50,000 | 50,000 | 50,000 | 28-12-2007 | 28-12-2017 | 3 month Euribor rate + 1.08%. 3 month Euribor rate + 1.58%, if there is no early redemption . Quarterly interest payment on 28 March, June, September and December. | With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 28 December 2012. |
| CGD (France branch) | Floating Rate Notes | EUR | 21,000 | 21,000 | 21,000 | 14-07-2005 | 28-06-2016 | 6 month Euribor rate + 0.22%. Half yearly interest payment on 28 June and December. | N/A. |
| Caixa Geral de Depósitos | Fixed to Floating Rate Notes due July 2017 | EUR | 20,000 | - | 20,000 | 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 | 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 at 31-12-2014 | Book value at 31-12-2013 | 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 | 30-07-2007 | 31-07-2017 | 1st coupon 22.00%. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2010. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption). | With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012. |
| Caixa Geral de Depósitos | Fund Linked to Floating Rate Notes due July 2017 | EUR | 20,000 | - | 20,000 | 30-07-2007 | 31-07-2017 | 1st coupon indexed to Fundo Caixagest Ações Portugal. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2011. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption). | With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012. |
| Caixa Geral de Depósitos | Fund Linked to Floating Rate Notes due July 2017 | EUR | 20,000 | - | 20,000 | 30-07-2007 | 31-07-2017 | 1st coupon indexed to Fundo Caixagest Ações Portugal. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2012. Interest payment on 30 October, January, April and July (if there is no early redemtion). | With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012. |
| Caixa Geral de Depósitos | Fixed to Floating Rate Notes December 2017 | EUR | 6,000 | 6,000 | 6,000 | 03-12-2007 | 04-12-2017 | 1st coupon 22.50%.3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2008. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption). | With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012. |
| Caixa Geral de Depósitos | Fixed to Floating Rate Notes December 2017 | EUR | 6,000 | 6,000 | 6,000 | 03-12-2007 | 04-12-2017 | 1st coupon 23.00%. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2009. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption). | With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012. |

| Issuer | Bonds | Currency | Value of issue | Book value at 31-12-2014 | Book value at 31-12-2013 | Date of issue | Date of redemption | Interest rate/ payment | Early redemption clause |
|---|---|---|---|---|---|---|---|---|---|
| Caixa Geral de Depósitos | Fixed to Floating Rate Notes December 2017 | EUR | 6,000 | 6,000 | 6,000 | 03-12-2007 | 04-12-2017 | 1st coupon 23.50%. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2010. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption). | With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012. |
| Caixa Geral de Depósitos | Fund Linked to Floating Rate Notes December 2017 | EUR | 6,000 | 6,000 | 6,000 | 03-12-2007 | 04-12-2017 | 1st coupon indexed to Fundo Caixagest Ações Oriente. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 5 December 2011. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption). | With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012. |
| Caixa Geral de Depósitos | Fund Linked to Floating Rate Notes December 2017 | EUR | 6,000 | 6,000 | 6,000 | 03-12-2007 | 04-12-2017 | 1st coupon indexed to Fundo Caixagest Ações Oriente. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2012. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption). | With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012. |
| CGD Finance | Floating Rate Undated Subordinated Notes | EUR | 110,000 | 765 | 771 | 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. |
| CGD 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. |
| CGD Finance | Floating Rate Notes due 2016 | USD | 265,000 | 18,490 | 16,278 | 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 at 31-12-2014 | Book value at 31-12-2013 | Date of issue | Date of redemption | Interest rate/ payment | Early redemption clause |
|---|---|---|---|---|---|---|---|---|---|
| Banco Comercial e de Investimentos | Subordinanted bonds BCI 2008-2018 | MZN | 216,000 | 4,944 | 4,888 | 16-10-2008 | 16-10-2018 | 1st coupon 15.25%. Following coupons indexed to the average weighted rate of the last six Treasury Bills issues with maturities equal or over 90 days, plus 1%. Quarterly interest payment on 16 January, April, July and October. | The issuer has an early redemption option, in full or in part, at par, by reduction from nominal value at the date of the 2nd period of calculation of interest and subsequently, at each interest payment date. |
| Banco Comercial do Atlântico | Bonds BCA Crescente 2017 | CVE | 500,000 | 2,691 | 3,617 | 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 | Bonds BI 2014 | CVE | 500,000 | 4,210 | 3,910 | 08-07-2008 | 08-07-2018 | 6 month Euribor rate + 0.9% until the 2nd coupon. 6.0% until July 2013 . From this date on, the rate of the last five year Treasury Bonds issue + 0,5%. Half yearly interest payment on 8 January and July. | The issuer has an early redemption option at nominal or partly value of the outstanding debt at the end of the 1st year and, after this date, every six months, with a 0.5% premium payment over the nominal value of the bonds that would be amortised in subsequent periods. |
| Banco Comercial e de Investimentos | Subordinated loan IFC | USD | 8,500 | 2,824 | 6,250 | 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 | Subordinated loan BPI | USD | 3,704 | 3,077 | 2,723 | 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. |

## 24. OTHER LIABILITIES

This account heading comprises the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Creditors | | |
| Consigned resources | 638,901 | 775,705 |
| Suppliers of finance leasing assets | 13,124 | 15,700 |
| Other suppliers | 54,892 | 69,993 |
| Resources - collateral account | 173,520 | 214,198 |
| Resources - subscription account | 70,395 | 40,774 |
| Resources - secured account | 1,988 | 2,962 |
| Other creditors: | | |
| Creditors for factoring ceded | 43,012 | 22,421 |
| Caixa Geral de Aposentações | 5,554 | 3,892 |
| CGD's Pension Fund | 67,531 | - |
| Creditors for futures contracts | 26,161 | 26,464 |
| Creditors for operations on securities | 114 | 133 |
| Other | 1,076,363 | 1,069,496 |
| Other liabilities: | | |
| Notes in circulation - Macau (Note 18) | 646,506 | 469,364 |
| Withholding taxes | 50,360 | 50,061 |
| Social Security contributions | 16,261 | 11,600 |
| Other taxes payable | 9,164 | 13,255 |
| Collections on behalf of third parties | 281 | 361 |
| Other | 29,012 | 17,836 |
| Accrued costs | 237,651 | 236,237 |
| Deferred income | 60,738 | 64,396 |
| Liabilities pending settlement | 305,860 | 378,748 |
| Stock exchange operations | 2 | - |
| | 3,527,392 | 3,483,597 |

The “Resources – collateral account” heading at 31 December 2014 and 2013, included €158,853 thousand and €195,393 thousand relating to interest rate swap (IRS) contracts deposits made in CGD by several financial institutions.

The "Miscellaneous creditors - other" account heading at 31 December 2014 and 2013 includes €671,535 thousand and €586,671 thousand, respectively, relative to financial liabilities to minority shareholders of investment funds included in CGD group’s consolidation perimeter.

The following table summarises the conditions attached to the “Consigned resources” account at 31 December 2014.

| DESIGNATION | COUNTERPART | Balances at 31-12-2014 | Start date | Payment date |
|---|---|---|---|---|
| CGD Empréstimo Global XI | Banco Europeu de Investimento | 120,000 | 25-06-2003 | 15-06-2023 |
| CGD Empréstimo Global X | Banco Europeu de Investimento | 106,667 | 21-11-2002 | 15-09-2022 |
| Mid-Cap I taxa revisível | Banco Europeu de Investimento | 73,580 | 29-11-2007 | 15-09-2022 |
| CGD - Empréstimo Global XII - B | Banco Europeu de Investimento | 62,500 | 19-11-2004 | 15-09-2024 |
| CGD - Empréstimo Global XIII | Banco Europeu de Investimento | 56,250 | 12-10-2006 | 15-09-2026 |
| Hospital Braga | Banco Europeu de Investimento | 51,071 | 03-06-2009 | 09-06-2020 |
| Projeto Scut Açores | Banco Europeu de Investimento | 57,143 | 14-12-2007 | 15-09-2034 |
| CGD Reabilitação Urbana | Banco Europeu de Investimento | 44,500 | 11-12-2003 | 15-12-2023 |
| Projeto Tejo Energia CCGT | Banco Europeu de Investimento | 40,627 | 09-12-2009 | 15-09-2026 |
| CEB - PARES | CEB - Council of Europe Development Bank | 15,374 | 23-12-2009 | 23-12-2024 |
| CEB - Educação | CEB - Council of Europe Development Bank | 11,059 | 21-11-2008 | 21-11-2023 |
| Other | | 130 | | |
| | | 638,901 | | |

Interest on the “Consigned resources” account, at 31 December 2014, was paid at an average annual rate of 0.397%.

## 25. CAPITAL

At 31 December 2014 and 2013, CGD's share capital was totally held by the Portuguese state, as follows:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Number of shares | 1,180,000,000 | 1,180,000,000 |
| Unit price (Euros) | 5 | 5 |
| Share capital | 5,900,000,000 | 5,900,000,000 |

## 26. RESERVES, RETAINED EARNINGS AND RESULTS ATTRIBUTABLE TO SHAREHOLDER CGD

Reserves and retained earnings, at 31 December 2014 and 2013, were as follows:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Fair value reserve, net of deferred tax | | |
| - Current activity | | |
| Available-for-sale financial assets (Note 8) | 398,836 | 3,539 |
| Assets with repurchase agreement | 12,974 | 2,246 |
| | 411,810 | 5,785 |
| - Non-current activity (Note 12) | | |
| Available-for-sale financial assets | - | 204,819 |
| Held-to-maturity investments | - | (146,657) |
| | - | 58,161 |
| | 411,810 | 63,947 |
| Other reserves and retained earnings | | |
| - Legal reserve - CGD | 862,906 | 862,906 |
| - Other reserves | 951,652 | 628,811 |
| - Retained earnings | (2,252,495) | (1,082,079) |
| | (437,937) | 409,638 |
| Net income attributable to the shareholder of CGD | (348,044) | (578,890) |
| | (374,171) | (105,306) |

According to CGD's articles of association a minimum of 20% of its annual results must be transferred to the legal reserve. This reserve may only be used to cover accumulated losses or to increase capital.

"Other reserves and retained earnings" at 31 December 2014 and 2013, included CGD's legal reserves for the amount of €862,906 thousand and the legal reserves, free reserves and legal revaluation reserves of its subsidiaries, jointly controlled enterprises and associates. Legal revaluation reserves may only be used to cover accumulated losses or to increase capital. On account of the above, CGD set up non-distributable reserves of €110,425 thousand in compliance with the following legislation:

| | |
|---|---|
| Tangible fixed assets | |
| Decree-Law nº 219/82, of 2 June | 1,752 |
| Decree-Law nº 399 - G/84, of 28 December | 1,219 |
| Decree-Law nº 118 - B/86, of 27 May | 2,304 |
| Decree-Law nº 111/88, of 2 April | 8,974 |
| Decree-Law nº 49/91, of 25 January | 22,880 |
| Decree-Law nº 264/92, of 24 November | 24,228 |
| Decree-Law nº 31/98, of 11 February | 48,345 |
| Financial fixed assets | 723 |
| | 110,425 |

The “Fair value reserve” recognises unrealised capital gains and losses on available-for-sale financial assets and assets with repurchase agreements as a charge to shareholders’ equity, net of the corresponding fiscal effect.

The currency translation reserve, which recognises the effect of translating subsidiaries’ financial statements in foreign currency, is included in “Other reserves”.

The net contribution made by branches and subsidiaries to CGD's consolidated results at 31 December 2014 and 2013 was as follows:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Caixa Geral de Depósitos, S.A.** | | |
| Caixa Geral de Depósitos | (602,967) | (558,148) |
| Spain Branch | (66,110) | (113,871) |
| France Branch | (41,074) | 23,417 |
| London Branch | 11,792 | 2,059 |
| Cayman Branch | (9,710) | (11,682) |
| New York Branch | 3,890 | 297 |
| East Timor Branch | 3,320 | 5,552 |
| Luxembourg Branch | (1,750) | (5,052) |
| Macau Branch | 856 | 774 |
| Zhuhai Branch | (69) | 13 |
| Madeira Offshore Financial Branch | - | 19 |
| | (701,821) | (656,621) |

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Contribution of subsidiaries to net income:** | | |
| Caixa Seguros e Saúde, SGPS, S.A. (a) | 277,739 | 124,634 |
| Caixa Imobiliário, S.A. | (46,663) | (40,740) |
| Banco Nacional Ultramarino, S.A. (Macau) | 41,939 | 47,544 |
| Banco Caixa Geral, S.A. | 20,103 | (57,294) |
| Banco Caixa Geral Totta Angola, S.A. | 18,112 | 13,827 |
| Banco Comercial e de Investimentos, S.A.R.L. | 15,630 | 13,993 |
| Caixa – Banco de Investimento, S.A. (a) | 14,418 | 2,408 |
| Fundo de Capital de Risco – Grupo CGD - Caixa Capital | (12,061) | (14,987) |
| Mercantile Bank Holdings, Ltd. | 8,913 | 10,717 |
| Caixa Leasing e Factoring – Instituição Financeira de Crédito, S.A. | 8,378 | (10,643) |
| Cibergradual, Investimento Imobiliário, S.A. | (8,263) | (15,296) |
| Inmobiliaria Caixa Geral, S.A.U. | (7,768) | (11,376) |
| CGD Investimentos CVC, S.A. | (7,161) | (3,529) |
| Caixagest Imobiliário Internacional - Fundo Especial de Investimento | 5,379 | 8,581 |
| Caixagest Private Equity - Fundo Especial de Investimento | 5,207 | 5,563 |
| Parcaixa, SGPS, S.A. (a) | 5,149 | 8,872 |
| Fundiestamo - Fundo de Investimento Imobiliário Fechado | 3,931 | 2,149 |
| Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A. | 3,894 | 5,045 |
| Banco Caixa Geral Brasil, S.A. | 3,819 | 857 |
| Beirafundo - Fundo de Investimento Imobiliário Fechado | (3,506) | (4,406) |
| Caixagest - Técnicas de Gestão de Fundos, S.A. | 3,130 | 2,544 |
| Imocaixa - Gestão Imobiliária, S.A. | (2,909) | (15,570) |
| Fundolis - Fundo de Investimento Imobiliário Fechado | (2,759) | - |
| Ibéria - Fundo Especial de Investimento Imobiliário Fechado | (2,348) | - |
| Caixagest Infra-Estruturas - Fundo Especial de Investimento | 1,962 | 4,065 |
| Banco Comercial do Atlântico, S.A.R.L. | 1,886 | (130) |
| Fundimo - Fundo de Investimento Imobiliário Aberto | (1,834) | 1,717 |
| CGD Pensões, S.A. | 1,451 | 950 |
| Caixa Imobiliário - Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional | (1,215) | (524) |
| Fundo de Capital de Risco Caixa Fundos | (888) | (1,408) |
| Fundo de Capital de Risco Empreender Mais | (432) | (1,681) |
| Nostrum Mortgages (Fundo e Plc) | (274) | 9,125 |
| Wolfpart, SGPS, S.A. | (48) | (15,295) |
| Caixagest Seleção Global | - | 1,956 |
| Caixagest Oportunidades - Fundo Especial de Investimento | - | 1,228 |
| Other | 751 | (454) |
| | 343,664 | 72,440 |
| **Contribution of associates and jointly controlled entities to net income:** | | |
| SIBS – Sociedade Interbancária de Serviços, S.A. | 4,012 | 2,446 |
| Locarent, S.A. | 2,172 | 2,158 |
| Torre Ocidente, Imobiliária S.A. | 1,396 | (914) |
| Esegur – Empresa de Segurança, S.A. | 765 | 425 |
| Prado - Cartolinas da Lousã, S.A. | 702 | 353 |
| Fundo Turismo | 671 | 670 |
| Other | 396 | 153 |
| | 10,114 | 5,291 |
| **Consolidated net income attributable to the shareholder of CGD** | (348,044) | (578,890) |

(a) Data taken from the consolidated financial statements.

As referred to in greater detail in note 3, after obtaining the necessary legal and regulatory approvals, CGD – Sucursal Offshore de Macau initiated its operations on 1 February 2013, managing resources hitherto managed by CGD – Subsidiária Offshore de Macau.

A resolution was passed, in December 2013, to close down the Madeira offshore branch, in consideration of the fact that its operations had been discontinued following the term of the special regime for financial entities licensed to operate in the Madeira free trade zone.

***Appropriation of results for the year***

*2013*

A resolution was passed by the shareholders' meeting held in May 2014, to recognise the €1,090,515 thousand in losses, made in 2013, in "Other reserves and retained earnings" in the balance sheet.

*2012*

A resolution was passed by the shareholders' meeting held in May 2013, to recognise €679,067 thousand in losses, made in 2012, in "Other reserves and retained earnings" in the balance sheet.

## 27. NON-CONTROLLING INTERESTS

Third party investments in subsidiaries are distributed among the following entities:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Parcaixa, SGPS, S.A. (b) | 493,642 | 482,043 |
| Banco Caixa Geral Totta Angola, S.A. | 153,362 | 121,175 |
| Caixa Geral Finance | 96,249 | 96,248 |
| Banco Comercial e de Investimentos, S.A.R.L. | 85,017 | 73,585 |
| Partang, SGPS, S.A. | 78,595 | 61,376 |
| Fundiestamo - Fundo de Investimento Imobiliário Fechado | 32,055 | 32,350 |
| Caixa Arrendamento - Fundo de Investimento Imobiliário de Arrendamento Habitacional | 14,150 | 259 |
| Banco Comercial do Atlântico, S.A.R.L. | 11,187 | 6,914 |
| Imobci, Lda. | (5,693) | (4,054) |
| Banco Interatlântico, S.A.R.L. | 4,465 | 4,283 |
| A Promotora - Sociedade de Capital de Risco, S.A.R.L. | 1,518 | 1,189 |
| Banco Caixa Geral, S.A. | 1,014 | 925 |
| Caixa Seguros e Saúde, SGPS, S.A. (a) | - | 2,887 |
| Other | 1,370 | 1,744 |
| | 966,931 | 880,924 |

(a) Data taken from the consolidated financial statements

(b) Includes the activity of Caixa Leasing e Factoring – IFIC, S.A.

Caixa Geral Finance is a company headquartered in the Cayman Islands with a share capital of €1,000. The company issued €250,000 thousand non-voting preference shares, at 28 June 2004. If a resolution to pay dividends is passed by its board members, a quarterly dividend equivalent to annual interest at the 3 month Euribor rate plus 0.8% up to 28 June 2014 and 1.8% thereinafter, will be paid to shareholders. Caixa Geral Finance may redeem the preference shares, in part or in full, from 28 June 2014, at their nominal price of €1,000 per share plus the monthly payment of dividends accrued since the last payment.

On 30 September 2005 Caixa Geral Finance issued €350,000 thousand in non-voting preference shares. If a resolution to pay dividends is passed, a quarterly dividend equivalent to annual interest at the 3 month Euribor rate plus 0.77% up to 30 September 2015 and 1.77% thereinafter, will be paid to shareholders. Caixa Geral Finance may redeem the preference shares, in part or in full, from 30 September 2015, at their nominal price of €50 per share, plus the monthly payment of dividends accrued since the last payment.

During the course of its activity, the group repurchased the preference shares issued by Caixa Geral Finance for an accumulated amount of €505,166 thousand, at 31 December 2014 and 2013.

Information on the amount of consolidated net profit attributable to non-controlling interest shareholders, in 2014 and 2013, is set out below:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Banco Caixa Geral Totta Angola, S.A. | 51,850 | 39,656 |
| Banco Comercial e de Investimentos, S.A.R.L. | 14,861 | 17,511 |
| Parcaixa, SGPS, S.A. (a) | 14,950 | 309 |
| Banco Comercial do Atlântico, S.A.R.L. | 2,053 | (89) |
| Fundiestamo - Fundo de Investimento Imobiliário Fechado | 770 | 609 |
| Caixagest Imobiliário Internacional - Fundo Especial Investimento | - | 947 |
| Other | 264 | 724 |
| | 84,749 | 59,667 |

(a) Inclui a atividade da Caixa Leasing e Factoring – IFIC, S.A.

## 28. INTEREST AND INCOME AND INTEREST AND SIMILAR COSTS

Information on the composition of these account headings is set out below:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Interest and similar income** | | |
| Interest on loans and advances to domestic credit institutions | 8,259 | 19,685 |
| Interest on loans and advances to foreign credit institutions | 26,048 | 19,525 |
| Interest on domestic credit | 1,209,511 | 1,330,441 |
| Interest on foreign credit | 564,970 | 569,281 |
| Interest on overdue credit | 51,113 | 46,513 |
| Interest on financial assets held for trade | | |
| - Derivatives | 686,483 | 744,366 |
| - Securities | 21,586 | 20,914 |
| Interest on financial assets at fair value through profit or loss | 1,708 | 3,532 |
| Interest on available-for-sale financial assets | 425,154 | 493,577 |
| Interest on hedging derivatives | 18,035 | 24,088 |
| Interest on debtors and other investments | 14,402 | 16,185 |
| Interest on cash equivalents | 10,262 | 13,773 |
| Interest on other loans and other amounts receivable | 165,488 | 185,099 |
| Other interest and similar income | 3,715 | 2,335 |
| Commissions received relating to amortised cost | 132,511 | 122,450 |
| | 3,339,246 | 3,611,765 |
| **Interest and similar costs** | | |
| Interest on deposits of | | |
| - Central and local government | 5,977 | 10,128 |
| - Other residents | 797,890 | 910,472 |
| - Emigrants | 51,491 | 55,963 |
| - Other non-residents | 274,101 | 305,268 |
| - Other | 507 | 1,959 |
| Interest on resources of foreign credit institutions | 39,963 | 48,740 |
| Interest on resources of domestic credit institutions | 22,201 | 47,495 |
| Interest on swaps | 688,330 | 746,024 |
| Interest on other trading liabilities | 13,809 | 12,892 |
| Interest on unsubordinated debt securities | 304,458 | 437,896 |
| Interest on hedging derivatives | 3,781 | 4,265 |
| Interest on subordinated liabilities | 120,451 | 152,444 |
| Other interest and similar costs | 19,664 | 16,100 |
| Commissions paid relating to amortised cost | 7,886 | 7,269 |
| | 2,350,511 | 2,756,916 |

"Interest and similar costs - interest on subordinated liabilities" at 31 December 2014 and 2013 included €78,476 thousand and €76,319 thousand on CGD's issuance of a total amount of €900 million in hybrid financial instruments, eligible as core tier 1 own funds, at 29 June 2012. These securities were fully subscribed for by the Portuguese state (note 23).

## 29. INCOME FROM EQUITY INSTRUMENTS

This account heading comprises the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| ADP - Águas de Portugal, S.A. | 5,985 | 4,465 |
| EDP - Energias de Portugal, S.A. | 5,205 | 7,571 |
| Galp Energia, SGPS, S.A. | 1,185 | 1,050 |
| Portucel S.A. | 1,040 | - |
| REN - Redes Energéticas Nacionais, SGPS, S.A. | 1,011 | 1,064 |
| Ascendi Beiras Litoral e Alta, AEBLA, S.A. | 286 | 1,203 |
| Portugal Telecom, SGPS, S.A. | 29 | 20,865 |
| Income received from investment funds | 30,900 | 30,558 |
| Other | 3,912 | 2,195 |
| | 49,554 | 68,970 |

## 30. INCOME AND COSTS OF SERVICES AND COMMISSIONS

Information on the composition of these account headings is set out below:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Income from services rendered and commissions:** | | |
| On guarantees provided | 67,535 | 74,096 |
| On commitments to third parties | 23,703 | 31,008 |
| On operations on financial instruments | 909 | 814 |
| On services provided | | |
| Deposit and safekeeping of valuables | 19,823 | 19,906 |
| Collection of valuables | 6,766 | 9,197 |
| Management of securities | 13,663 | 15,040 |
| Collective investment in transferable securities | 24,455 | 18,065 |
| Transfer of valuables | 25,125 | 24,634 |
| Cards managements | 16,493 | 13,873 |
| Annuities | 46,492 | 39,972 |
| Assembly operations | 37,590 | 42,510 |
| Credit operations | 37,486 | 32,284 |
| Other services rendered | 193,571 | 195,158 |
| On operations carried out on behalf of third parties | 10,269 | 10,002 |
| Other commissions received | 135,174 | 146,493 |
| | 659,055 | 673,050 |
| **Cost of services and commissions:** | | |
| On guarantees received | 4,516 | 665 |
| On commitments assumed by third parties | 189 | 1 |
| On operations on financial instruments | 369 | 424 |
| On banking servicers rendered by third parties | 120,061 | 127,195 |
| On operations carried out by third parties | 9,018 | 15,175 |
| Other commissiond paid | 9,886 | 16,122 |
| | 144,039 | 159,582 |

## 31. RESULTS FROM FINANCIAL OPERATIONS

Information on the composition of these account headings is set out below:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Result from foreign exchange operations:** | | |
| Revaluation of foreign exchange position | (2,739) | 125,680 |
| Results from currency derivatives | 69,432 | (29,981) |
| | 66,692 | 95,699 |
| **Result from financial assets and liabilities held for trading:** | | |
| Securities: | | |
| Debt instruments | 9,223 | (6,332) |
| Equity instruments | (8,808) | (7,285) |
| Other instruments | 886 | 1,036 |
| | 1,301 | (12,581) |
| Derivatives: | | |
| Interest rate | (267,730) | 35,918 |
| Shares and indexes | 3,945 | 3,025 |
| Credit default | 1,033 | 3,521 |
| Other | 38,770 | 1,702 |
| | (223,981) | 44,166 |
| | (222,680) | 31,585 |

| (cont) | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Result from other financial assets at fair value through profit or loss** | | |
| Debt instruments | 474 | 969 |
| Equity instruments | 4,789 | (4,389) |
| Other securities | 17,182 | 156 |
| Loans and other amounts receivable | (173) | (237) |
| | 22,273 | (3,502) |
| **Result from the sale of loans and advances to customers** | (1,459) | (424) |
| **Result from available-for-sale financial assets:** | | |
| | 334,539 | 89,038 |
| Equity instruments | | |
| REN - Redes Energéticas Nacionais (Note 8) | 6,933 | - |
| GALP Energia (Note 8) | 1,903 | 2,729 |
| EDP - Energias de Portugal | 2 | 390 |
| Portugal Telecom (Note 8) | - | 26,838 |
| Banco Comercial Português (Note 8) | - | 7,541 |
| Other | (2,614) | 275 |
| | 6,225 | 37,774 |
| | 340,763 | 126,813 |
| Other securities | 3,570 | 7,947 |
| | 344,334 | 134,759 |
| **Result of hedging operations:** | | |
| Hedging derivatives | 93,177 | (20,000) |
| Value adjustments of hedged assets and liabilities | (92,782) | 13,521 |
| | 394 | (6,479) |
| **Other** | | |
| Results in the repurchase of liabilities issued | 4,967 | 14,752 |
| Other | (12,863) | (3,225) |
| | (7,897) | 11,527 |
| | 201,657 | 263,166 |

The "Foreign exchange results - revaluation of foreign exchange position" account heading at 31 December 2013, included €2,695 thousand from the group's sale of its equity stake in BPD (note 16).

The “Other – other” account heading at 31 December 2014 and 2013 includes €13,003 thousand and €3,178 thousand, respectively, in respect of minority interests in the investment funds included in CGD group’s consolidation perimeter.

During the course of 2014 and 2013, the group disposed of a global amount of approximately €131,766 thousand and €249,084 thousand of loans and advances to customers from its corporate portfolio, excluding asset assignment operations. Losses of €1,459 thousand (€424 thousand in 2013) were made on these transactions in 2014.

## 32. OTHER OPERATING INCOME

Information on the composition of these account headings is set out below:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Other operating income:** | | |
| Rendering of services | 31,358 | 33,625 |
| Expense reimbursement | 4,637 | 5,196 |
| Gains on subsidiaries and joint ventures | - | 5,909 |
| Lease income under operating lease agreements | 62,427 | 58,265 |
| Gains on non-financial assets: | | |
| - Non-current assets held for sale | 20,860 | 19,214 |
| - Other tangible assets | 3,651 | 471 |
| - Investment property | 22,812 | 48,231 |
| - Other | 350 | 232 |
| Secondment of employees to Caixa Geral de Aposentações | 693 | 598 |
| Sale of cheques | 13,300 | 16,981 |
| Other | 55,046 | 63,746 |
| | 215,133 | 252,467 |
| **Other operating costs:** | | |
| Donations and subscriptions | 6,773 | 6,270 |
| Losses on non-financial assets: | | |
| - Non-current assets held for sale | 40,765 | 41,375 |
| - Other tangible assets | 2,715 | 783 |
| - Investment property | 79,734 | 74,500 |
| - Other | 202 | 199 |
| Other taxes | 25,959 | 22,713 |
| Contribution to the Deposit Guarantee Fund | 18,680 | 22,959 |
| Contribution to the Resolution Fund | 6,394 | 10,255 |
| Fines and penalties | 776 | 2,499 |
| Other | 49,682 | 56,499 |
| | 231,678 | 238,053 |
| | (16,545) | 14,414 |

At 31 December 2013, all "Gains made by subsidiaries and jointly controlled enterprises" comprised proceeds on the group's sale of its equity stake in BPD (note 16).

"Investment properties" at 31 December 2014 and 2013, include unrealised capital losses of €43,952 thousand and €26,146 thousand, respectively (note 13).

"Other operating costs", in 2013, include €8,456 thousand for costs deriving from the implementation of the reorganisation and optimisation process developed by the group's business units in Spain, in conformity with CGD's undertakings in the sphere of the restructuring plan as approved by the European Commission in July of the same year. The referred to amounts are essentially for indemnities on the early rescission of space rental contracts as a result of branch closures and a reduction of the area occupied by the central services.

The resolution fund was created by decree law 31-A/2012 of 10 February which introduced a resolution regime in the general credit institutions and financial companies regime approved by decree law 298/92 of 31 December.

The measures provided for in the new regime have been designed, as the case may be, to recover or prepare the orderly liquidation of credit institutions and certain investment companies in financial distress and comprise three intervention stages by the Bank of Portugal, in the form of corrective intervention, provisional administration and resolution.

The resolution fund's principal mission, herein, is to provide financial support to the application of the resolution mechanisms adopted by the Bank of Portugal.

Caixa posted its initial and periodic contributions to the resolution fund for the amounts of €2,451 thousand and €7,804 thousand, respectively in 2013. The amount of its periodic contribution, in 2014, was €6,394 thousand.

## 33. EMPLOYEE COSTS

This account heading comprises the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Remuneration of management and supervisory bodies | 12,033 | 11,734 |
| Remuneration of staff | 535,217 | 565,713 |
| Provision for suspension of labour agreements | 330 | (156) |
| | 547,580 | 577,291 |
| Other charges relating to remuneration | 40,844 | 44,918 |
| Healthcare - CGD | | |
| - Normal cost (Note 34) | 26,618 | 27,788 |
| - Contributions relating to current staff | 21,788 | 26,392 |
| Pension liability - CGD (Note 34) | | |
| - Normal cost | 59,713 | 57,564 |
| - Retirements before the normal retirement age | 1,803 | 2,022 |
| Other pension costs | | |
| Other | 2,920 | 3,448 |
| Other mandatory social charges | 13,030 | 13,126 |
| | 166,716 | 175,258 |
| Other staff costs | 15,284 | 40,445 |
| | 729,580 | 792,993 |

The average number of employees in Caixa and its subsidiaries in 2013 and 2014, by type of function, was as follows:

| | 31-12-2014 | 31-12-2013 | | |
|---|---|---|---|---|
| | Group | Banking | Insurance and health care | Group |
| Senior management | 523 | 527 | 104 | 631 |
| Management | 2,827 | 2,868 | 585 | 3,453 |
| Technical staff | 5,109 | 5,137 | 1,370 | 6,507 |
| Administrative staff | 7,040 | 7,204 | 1,481 | 8,685 |
| Auxiliary | 346 | 382 | 67 | 449 |
| | 15,845 | 16,118 | 3,607 | 19,724 |
| | | | | |
| **Number of employees at the end of the period** | 15,834 | 15,930 | 3,605 | 19,535 |

These numbers, at 31 December 2014 and 2013, did not include employees in the Caixa Geral de Aposentações support department (255 and 250 respectively), employees assigned to CGD's social services (62 and 66 respectively) and other situations, i.e. secondments or extended absences (134 and 173 respectively).

The employee costs account heading, in 2013, included €37,201 thousand for the costs of indemnities and other costs associated with the mass redundancy process of Banco Caixa Geral workers in Spain, in respect of the agreement reached with the representatives legally empowered for the purpose, as regards the terms of its execution. The readjustment of the bank's employee complement aims to organise and optimise the activity performed by the group's business units in Spain, in line with CGD's undertakings in the sphere of the restructuring plan approved by the European Commission in July of the same year**.**

## 34. RETIREMENT PENSIONS AND OTHER LONG TERM BENEFITS

**Retirement pensions and death grants after retirement age**

*Liabilities for CGD employees*

Under article 39 of decree law 48.953 of 05 of April 1969 and decree law 161/92 of 1 August, CGD is responsible for the payment of retirement pensions for the sickness, disability and old age and survivors' pensions of its employees engaged after 1 January 1992. Caixa Geral de Aposentações ("CGA") was responsible for the survivors' pensions of employees engaged prior to 1 January 1992. These employees discounted 2.5% of their remuneration to CGA, for the purpose in question.

In conformity with the "vertical" collective wage bargaining negotiations in force in the banking sector, the former BNU also undertook to grant its employees cash payments on early retirement and for old age, disability and survivors' pensions. These payments comprised a percentage, increasing in line with the number of years' service, on the salary scales annually negotiated with banking employee unions. In 2001, following BNU's incorporation into CGD, pensions liabilities for BNU employees were transferred to CGD. Former BNU employees, still active at the date of the merger, were therefore included in CGD's current pensions and benefits plan. The pensions plan in force at the date of the respective retirements continues to be applied to BNU retirees and pensioners.

All retirement pension liabilities for Caixa employees, relative to the length of service provided up to 31 December 2000, under decree laws 240-A/2004 of 29 December and 241-A/2004 of 30 December, were transferred to CGA with reference to 30 November 2004. The transfer included a liability for death grants after the standard retirement age, relative to the above referred to length of service.

Caixa's pensions liabilities, at 31 December 2014 and 2013, therefore comprised the following:

- Liabilities for the services of active employees up to 31 December 2000;
- Part share of liabilities for the length of service provided in the said period, for employees retiring between 1 January 2001 and 31 December 2014;
- Liabilities for retirement pensions and respective survivors' pensions being paid to BNU employees at the merger date;
- Liabilities for death grants on the length of service provided after 31 December 2000.

The pensions are paid on the basis of a worker's length of service and respective compensation upon the retirement date and are revised on the basis of the remuneration of active employees.

CGD's pension plan does not apply to current active employees hired by CGD after 1 January 2006.

Caixa makes the necessary contributions to cover its pensions liabilities, for which it set up a pension fund, in December 1991. Under the regime applicable to Caixa, employees pay the following percentages of their remuneration into the pension fund:

- Employees hired before 1 January 1992 - 7.5%
- Employees hired after 1 January 1992 - 10.0%

The full amount of the latters' contribution is paid into the pension fund which is liable for the respective survivors' pensions.

The transfer of liabilities to CGA implied the transfer of an equivalent amount of pension fund assets.

The liability for defined benefit plans recognised in the balance sheet comprises the difference between the present value of liabilities and fair value of pension fund assets. Total liabilities are assessed annually by specialised actuaries, using the unit credit projected method and adequate actuarial premises. The rate used for liabilities discounting procedures is based on market interest rates on investment grade corporate bonds denominated in the currencies in which the liabilities are paid and with similar periods to maturity to the average settlement period on liabilities.

Gains and losses on the differences between actuarial and financial premises and the effective amounts of liabilities and pension fund yield projections, as well as on changes in actuarial premises are directly recognised in a shareholders' equity account heading.

Retirement pensions and healthcare costs for the period, including current servicing requirements and interest costs, net of the expected yield, are recognised in the net amount of the "Employee costs" account heading.

The impact of employees' early retirements, as defined in the actuarial study, is directly recognised in "Employee costs".

*Assessment of liabilities for retirement pensions and death grants after retirement age*

Actuarial studies have been produced by specialised entities to assess liabilities on current retirement pensions and the past services of active employees, with reference to 31 December 2014 and 2013.

The hypotheses and technical bases used for CGD in 2014 and 2013 were as follows**:**

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Actuarial method | Projected Unit Credit | Projected Unit Credit |
| Mortality table | | |
| . Men | TV 73/77 (-2 year) | TV 73/77 (-1 year) |
| . Women | TV 88/90 (-2 year) | TV 88/90 (-1 year) |
| Disability table | EKV 80 | EKV 80 |
| Discount rate | 2.50% | 4.00% |
| Salary growth rate | 0,3% on 2015/2017 and 1,0% from that date | 0,5% on 2014/2017 and 2,0% from that date |
| Pension growth rate | 0% on 2015/2017 and 0,5% from that date | 0% on 2014/2017 and 1,0% from that date |
| Turnover rate: | | |
| . Under 30 years old | 5% | 5% |
| . Between 30 and 40 years old | 1% | 1% |
| . Older than 40 years | 0% | 0% |

The studies performed on CGD in 2014 and 2013, considered the standard retirement age to be 60.

As defined under IAS 19, the discount rate is assessed on the basis of market rates on low risk bonds, with a similar maturity to Caixa's liabilities (20 years). The economic environment and sovereign debt crisis, essentially in Southern Europe, have implied significant instability in the eurozone debt market and a consequently very large drop in market yields on the debt of the companies with the highest ratings, as well as a reduction of the available bonds basket. To reflect these circumstances and maintain the representativeness of the discount rate at 31 December 2014 and 2013, Caixa incorporated the information on yields which can be obtained for bonds issued by eurozone entities considered to be of high quality in terms of credit risk.

Information on the comparison between the actuarial and financial assumptions used to assess CGD's pension costs for 2014 and 2013 and their effective amounts is set out in the following table:

| | 31-12-2014 | | 31-12-2013 | |
|---|---|---|---|---|
| | Assumption | Real | Assumption | Real |
| Rate of return of fund asset | 2.50% | 5.73% | 4.00% | 5.70% |
| Salary growth rate | 0.30% | 0.26% | 0.50% | 0.20% |
| Pension growth rate | 0.00% | 0.27% | 0.00% | (5.06%) |

Pension growth in 2014 is related with the restoring of the amounts of the pension cuts made in the state budget for 2014, in the second half of the year.

Mandatory seniority-based promotions and the projection of continuity payments are autonomously and directly considered in the estimate of the evolution of salaries and are not considered in salary growth assumptions. Salary growth based on continuity payments was 0.39% and 0.4%, respectively at 31 December 2014 and 2013.

Salary growth assumptions reflect other remuneratory changes in the form of increases in salary scales and merit-based promotions.

At the end of December 2014, CGD changed its salaries discount rate to 0.3% between 2015 and 2017 and 1% thereafter, in addition to its pensions growth rate from 0% between 2015 and 2017 and 0.5% thereafter.

Liabilities for the group's past services in accordance with actuarial studies and the funds and provisions available for their cover, at 31 December 2014 and 2013 totalled:

| | 31-12-2014 | | | 31-12-2013 | | |
|---|---|---|---|---|---|---|
| | CGD | Other | Total | CGD | Other | Total |
| Past service liability: | | | | | | |
| Current employees | 1,499,590 | 30,962 | 1,530,552 | 1,134,546 | 35,580 | 1,170,126 |
| Retired and early retired employees | 711,973 | 18,735 | 730,708 | 577,660 | 20,958 | 598,618 |
| | 2,211,563 | 49,697 | 2,261,260 | 1,712,206 | 56,539 | 1,768,745 |
| | | | | | | |
| Autonomous pension funds | 2,144,032 | 949 | 2,144,981 | 1,712,206 | 937 | 1,713,143 |
| Provision for pensions and similar charges | - | 48,771 | 48,771 | - | 53,836 | 53,836 |
| | 2,144,032 | 49,720 | 2,193,752 | 1,712,206 | 54,773 | 1,766,979 |
| Difference | (67,531) | 23 | (67,508) | - | (1,765) | (1,765) |
| | | | | | | |
| Funding level | 96.95% | 100.05% | 97.01% | 100.00% | 96.88% | 99.90% |

Under the Bank of Portugal's official notice 4/2005 of 28 February, financial entities headquartered in Portugal must fully finance their liabilities for retirees and pre-retirees with a minimum financing level of 95% of the liabilities for the past services of active employees. Caixa's liabilities, at 31 December 2014 and 2013 were 96.95% and 100% funded, respectively.

CGD had €67,531 thousand in liabilities related to past services (note 24) at 31 December 2014.

The value of the pension fund reflects the market value of its assets and contributions still to be made at 31 December 2014.

At 31 December 2014, the sensitivity analysis on the change of the main actuarial assumptions applied on the time span under assessment would have the following impacts on the current value of liabilities for past services:

| | % | Value |
|---|---|---|
| **Change in the discount rate** | | |
| Increase of 0,5% | (8.77%) | (193,904) |
| Decrease of 0,5% | 10.05% | 222,232 |
| **Change in the salary growth rate** | | |
| Increase of 0,5% | 2.41% | 53,252 |
| Decrease of 0,5% | (2.26%) | (49,970) |
| **Change in pension growth rate** | | |
| Increase of 0,5% | 5.73% | 126,723 |
| Decrease of 0,5% | (5.26%) | (116,326) |
| **Changes in mortality table** | | |
| Increase of 1 year in the life expectancy | 2.93% | 64,856 |

Liabilities for the future services of active CGD employees, at 31 December 2014 and 2013, totalled €1,137,567 and €928,300 thousand, respectively.

At 31 December 2014 and 2013, the provisions for pensions and similar costs of "Other entities", included €11,150 thousand and €9,300 thousand, respectively, for healthcare costs.

The number of beneficiaries in 2014 and 2013 was as follows:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Current employees | 8,062 | 8,406 |
| Retired and early retired employees | 6,088 | 5,779 |
| | 14,150 | 14,185 |

Pension funds, mathematical provisions and provisions for pensions and similar costs movements, for 2014 and 2013, were as follows:

| | CGD | Caixa Seguros e Saúde | Other | Total |
|---|---|---|---|---|
| Balances at 31 December 2012 | 1,560,979 | 207,771 | 54,863 | 1,823,613 |
| Transfer to non-current assets and liabilities held for sale - Subsidiaries | - | (207,771) | - | (207,771) |
| Contributions paid | | | | |
| Regular contributions | | | | |
| By employees | 24,272 | - | 176 | 24,448 |
| By the entity | 86,394 | - | 310 | 86,704 |
| Change in provisions for pensions and similar charges | - | - | 4,877 | 4,877 |
| Pensions paid | (40,097) | - | (1,557) | (41,653) |
| Net income of the pension fund | 80,657 | - | 66 | 80,723 |
| Other changes | - | - | (3,961) | (3,961) |
| Balances at 31 December 2013 | 1,712,206 | - | 54,773 | 1,766,979 |
| Contributions paid | | | | |
| Regular contributions | | | | |
| By employees | 23,108 | - | 174 | 23,283 |
| By the entity | 58,095 | - | 302 | 58,397 |
| From extraordinary nature | 297,277 | - | | 297,277 |
| Change in provisions for pensions and similar charges | - | - | (3,348) | (3,348) |
| Pensions paid | (44,279) | - | (1,709) | (45,988) |
| Net income of the pension fund | 97,624 | - | 240 | 97,864 |
| Other changes | - | - | (713) | (713) |
| Balances at 31 December 2014 | 2,144,032 | - | 49,720 | 2,193,752 |

The estimated contribution of Caixa's workers, for 2015, will be €23,178 thousand and €77,727 thousand for Caixa itself.

The pension funds of CGD and Caixa Seguros e Saúde, at 31 December 2014 and 2013, were managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A.

Information on the composition of the elements comprising Caixa employee pension fund's assets, at 31 December 2014 and 2013 is set out below:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| | | |
| Equity investments categorised by sector: | | |
| Consumer industry | 27,060 | 24,761 |
| Manufacturing industry | 25,259 | 22,947 |
| Energy | 9,356 | 11,298 |
| Financial institutions | 19,964 | 20,686 |
| Health and care | 10,575 | 8,379 |
| Telecom | 4,527 | 5,585 |
| Subtotal | 96,742 | 93,656 |
| Debt instruments categorised by issuer' credit rating: | | |
| A | 23,168 | - |
| BBB | 55,911 | 1 |
| BB and lower | 327,730 | 282,877 |
| Not rated | 29 | 46 |
| Subtotal | 406,839 | 282,924 |
| Properties | 451,441 | 460,698 |
| Investiment funds | 397,539 | 295,854 |
| Deposits on credit institutions | 791,471 | 571,137 |
| Other (net liability) | - | 7,937 |
| Balances at the end of the year | 2,144,032 | 1,712,206 |

An amount of €7,448 thousand for an adjustment deriving from the fair value measurement of public debt securities accounted for in the fund's assets at amortised cost was added to the value of CGD's pension fund, calculated by the CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A., at 31 December 2014.

The following is an analysis of shares and bonds, at 31 December 2014 and 2013:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Portuguese shares | 25,585 | 25,205 |
| Listed | 100.00% | 100.00% |
| Foreign shares | 71,157 | 68,450 |
| Listed | 100.00% | 100.00% |
| Fixed rate bonds | 337,219 | 220,141 |
| Listed | 64.95% | 46.30% |
| Floating rate bonds | 69,620 | 62,783 |
| Listed | 100.00% | 100.00% |

CGD's pension fund, at 31 December 2014 and 2013, had buildings rented to group companies for the amounts of €396,192 thousand and €408,276, respectively. It also had €271,012 thousand and €243,045 thousand, in securities issuances and investment units in funds managed by group companies, respectively.

CGD's pension fund, at 31 December 2014 and 2013, had deposits of €792,449 thousand and €578,210 thousand with Caixa Geral de Depósitos, respectively. Of this amount, €355,372 thousand and €86,394 thousand comprised contributions received at the end of 2014 and 2013, respectively.

The fund's assets are subject to interest rate, equity market, property market, liquidity and foreign exchange risk.

The fund's investment policy involves exposures to equities, bonds and property markets and also defines an exposure to alternative investments such as private equity and infrastructure funds.

The fund's investment policy aims to mitigate a part of interest rate and inflation risks. This protection comprises the defined allocation of investments in long term variable-rate bonds, affording some protection against the oscillations of the financial market's long term yield curve.

The fund may use futures and options on share indices and forward exchange rates to mitigate market and foreign exchange risk.

The economic environment over the last few years, allied with the scarcity of alternative, longer maturity investments, has not made it possible to match different asset categories to the average duration of liabilities, based on an ALM (asset liability matching) approach.

The evolution of the liabilities and balance of CGD's pension fund in addition to its actuarial gains and losses during the current and over the last 4 years is analysed below:

| | 31-12-2014 | | 31-12-2013 | | 31-12-2012 | | 31-12-2011 | | 31-12-2010 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Retirement pensions | Medical plan | Retirement pensions | Medical plan | Retirement pensions | Medical plan | Retirement pensions | Medical plan | Retirement pensions | Medical plan |
| Liabilities | 2,211,563 | 500,622 | 1,712,206 | 466,908 | 1,541,754 | 452,245 | 1,307,899 | 415,857 | 1,308,213 | 436,698 |
| Value of the fund | 2,144,032 | - | 1,712,206 | - | 1,560,979 | - | 1,423,271 | - | 1,424,864 | - |
| Provisions | - | 500,622 | - | 466,908 | - | 452,245 | - | 415,857 | - | 436,698 |
| Under (Over) financed liabilities | 67,531 | - | - | - | (19,225) | - | (115,372) | - | (116,651) | - |
| Gains / (Losses) resulting from liabilities | (391,003) | (28,967) | (56,942) | (9,053) | (123,745) | (27,354) | 120,947 | 30,850 | 163,567 | 36,095 |
| Gains / (Losses) resulting from the fund's assets | 29,616 | | 10,908 | - | 75,617 | - | (116,514) | - | (45,628) | - |
| | (361,388) | (28,967) | (46,034) | (9,053) | (48,128) | (27,354) | 4,433 | 30,850 | 117,939 | 36,095 |

Information on changes in the spread between the group's liabilities for past services and respective cover and corresponding impact in the financial statements, at 31 December 2014 and 2013, is given below:

| | CGD | Caixa Seguros e Saúde | Other | Total |
|---|---|---|---|---|
| **Situation at 31 December 2012** | 19,225 | 6,328 | 95 | 25,648 |
| Transfer to non-current assets and liabilities held for sale - Subsidiaries | - | (6,328) | - | (6,328) |
| Current service cost | (58,943) | - | (4,856) | (63,799) |
| Expected return on plan assets | 1,379 | - | 40 | 1,419 |
| Normal cost for the year (Note 33) | (57,564) | - | (4,816) | (62,380) |
| Increase in liabilities due to early retirements (Note 33) | (2,022) | - | - | (2,022) |
| Other | - | - | (389) | (389) |
| **Changes with impact on profit or loss** | (59,586) | - | (5,206) | (64,792) |
| Liability | (56,942) | - | 2,089 | (54,853) |
| Income | 10,908 | - | 2,188 | 13,096 |
| **Actuarial gains and losses** | (46,034) | - | 4,276 | (41,758) |
| Contributions made | 86,394 | - | 310 | 86,704 |
| Other | - | - | (1,240) | (1,240) |
| **Situation at 31 December 2013** | - | - | (1,765) | (1,765) |
| Transfer to non-current assets and liabilities held for sale - Subsidiaries | - | - | - | - |
| Current service cost | (59,713) | | (1,385) | (61,098) |
| Interest cost | - | | 2 | 2 |
| Normal cost for the year (Note 33) | (59,713) | - | (1,383) | (61,096) |
| Increase in liabilities due to early retirements (Note 33) | (1,803) | | | (1,803) |
| Other | - | | 4,365 | 4,365 |
| **Changes with impact on profit or loss** | (61,516) | - | 2,982 | (58,534) |
| Liability | (391,003) | | (229) | (391,232) |
| Income | 29,616 | | (3,070) | 26,545 |
| **Actuarial gains and losses** | (361,388) | - | (3,299) | (364,687) |
| Contributions made | 355,372 | | 302 | 355,675 |
| Other | - | | 1,804 | 1,804 |
| **Situation at 31 December 2014** | (67,531) | - | 23 | (67,508) |

The composition of liabilities deviations, on a CGD level, in 2014 and 2013 was as follows:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Change in the salary growth rate | 104,042 | 32,960 |
| Change in pension growth rate | 107,370 | 17,886 |
| Change in the discount rate | (547,438) | (139,397) |
| Other actuarial gains and losses | (54,977) | 31,610 |
| | (391,003) | (56,942) |

## Healthcare

Healthcare for CGD's (headquarters) active and retired employees is also provided by Caixa Geral de Depósitos's social services. CGD's annual contribution to its social services comprises 7.8% of salaries and pension payments (the contribution rate, in 2013, was 8.95%). Caixa also has liabilities to SAMS (Medico-Social Assistance Services) for former BNU workers retired up to 23 July 2001.

Healthcare liabilities for past services were assessed by actuarial studies produced by specialised entities based on identical actuarial assumptions to those presented above for pensions liabilities.

Liabilities for past services are recognised in "Provisions" and totalled €500,622 thousand and €466,908 thousand, at 31 December 2014 and 2013, respectively.

At 31 December 2014, a 0.5% reduction of the actuarial discount rate in the timeframe under assessment would increase the amount of the current liabilities for past services on healthcare to €38,376 thousand. A similar increase in the discount rate would reduce liabilities by €34,067 thousand.

Other long term benefits

Caixa pays a bonus of one, two or three months' wages to all employees in the year they complete ten, twenty or thirty years of full time service. A bonus for an amount proportional to the amount they would have received if they had continued to be employed until reaching the following band is also paid to workers on their transfer to retirement status. The corresponding liabilities of €35,977 thousand and €35,028 thousand, respectively (note 24) at 31 December 2014 and 2013, were recognised in "Other liabilities".

Caixa also assesses its liabilities for death grants prior to the standard retirement age. The corresponding liabilities of €356 thousand and €363 thousand, at 31 December 2014 and 2013, respectively, are recognised in "Provisions".

The France branch also pays long term benefits to its workers. Liabilities at 31 December 2014 and 2013 were €11,150 thousand and €9,300 thousand, respectively.

Provisions

Information on the composition of provisions for the costs of employee benefits, at 31 December 2014 and 2013, is set out below:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **CGD** | | |
| Provision for post-employment healthcare | 500,622 | 466,908 |
| Provision for labour suspension agreements | 4,599 | 4,269 |
| Provision for death grant liability | 356 | 363 |
| France branch liability | 11,150 | 9,300 |
| | 516,727 | 480,840 |
| **Provision for pension and other liabilities** | | |
| Banco Comercial do Atlântico | 42,500 | 47,869 |
| Banco Comercial de Investimento (Mozambique) | 2,918 | 2,459 |
| Other | 669 | 671 |
| | 46,086 | 50,999 |
| **Provision for post-employment healthcare** | | |
| Banco Comercial do Atlântico | 2,716 | 2,551 |
| Mercantile | 2,372 | 2,019 |
| Other | 191 | 191 |
| | 5,279 | 4,762 |
| **Other** | 4,294 | 2,837 |
| | 572,386 | 539,438 |

Caixa recognises a specific liability for the impact of the change to non-active status of workers with whom it has agreed voluntary redundancy arrangements.

Information on the composition of provisions for the costs of employee benefits movements, in 2014 and 2013 is set out below (note 22):

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Balances at the beginning of the year | 539,438 | 549,950 |
| Provisions recognised as staff costs: | | |
| Healthcare – CGD (Note 33) | 26,618 | 27,788 |
| Labour suspension agreements (Note 33) | 330 | (156) |
| Actuarial gain and loss on post-employment healthcare liability: | 29,549 | 6,577 |
| Other | 602 | (1,673) |
| | 57,098 | 32,536 |
| | | |
| Net increase recorded by corresponding entry to “Provisions” | (1,319) | 2,826 |
| Payments to SAMS and CGD’s Social Services | (21,870) | (22,178) |
| Other | (960) | (23,697) |
| Balances at the end of the year | 572,386 | 539,438 |

## 35. OTHER ADMINISTRATIVE COSTS

This account heading comprises the following:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Specialised services | | |
| - IT services | 85,786 | 87,030 |
| - Safety and security | 11,934 | 10,826 |
| - Studies and consultancy | 11,180 | 6,207 |
| - Cleaning | 7,761 | 7,758 |
| - Contracts and service fees | 7,445 | 4,817 |
| - Information services | 7,294 | 6,732 |
| - Other | 92,508 | 84,923 |
| Leases | 77,709 | 79,541 |
| Communications and postage | 39,966 | 42,117 |
| Maintenance and repairs | 35,991 | 36,557 |
| Advertising and publications | 33,995 | 32,878 |
| Water, energy and fuel | 23,109 | 22,888 |
| Transport of cash and other values | 12,402 | 12,624 |
| Travel, lodging and representation expenses | 11,145 | 11,093 |
| Standard forms and office supplies | 9,144 | 8,900 |
| Other | 20,022 | 21,417 |
| | 487,393 | 476,309 |

Information on the composition of total future operating lease payments, at 31 December 2014 and 2013, under the terms of the main contracts in force at the referred to dates, is as follows:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Up to one year | 21,133 | 20,900 |
| One to five years | 73,744 | 70,958 |
| Over five years | 183,622 | 200,703 |

Information on the statutory auditors' fees, in 2014 and 2013, for their statutory revision of the annual accounts and other services, is detailed below:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Statutory audit of annual accounts | 243 | 256 |
| Other services | 80 | 80 |
| | 323 | 336 |

(a) Balances include VAT

## 36. ASSET IMPAIRMENT

Information on impairment movements, for 2014 and 2013, is set out below:

| | Balances at 31-12-2013 | Addition and reversals | Write-offs | Exchange differences | Transfers and other | Balances at 31-12-2014 | Credit recovery, interest and expenses |
|---|---|---|---|---|---|---|---|
| Impairment of loans and advances to customers (Note 11) | 4,512,411 | 884,247 | (274,797) | 13,211 | 95,219 | 5,230,292 | (30,124) |
| Impairment of loans and advances to credit institutions (Note 6) | 11,996 | (322) | - | 144 | - | 11,817 | |
| Impairment of available-for-sale financial assets (Note 8) | | | | | | | |
| Equity instruments | 89,973 | 19,543 | (1,604) | 247 | 250 | 108,408 | |
| Debt instruments | 835 | 13 | (181) | - | 1 | 668 | |
| Other instruments | 153,081 | 40,669 | (2,078) | 12,875 | - | 204,547 | |
| Impairment of other tangible assets (Note 14) | 6,818 | 4,683 | - | - | - | 11,502 | |
| Impairment of intangible assets (Note 15) | 239 | 20,400 | - | - | (238) | 20,401 | |
| Impairment of non-current assets held for sale (Note 12) | | | | | | | |
| Property and equipment | 331,025 | 61,907 | (19,497) | 59 | (83) | 373,411 | |
| Equipament | 3,530 | 1,860 | (2,703) | - | - | 2,687 | |
| Impairment of other assets (Note 18) | 235,257 | 9,573 | (6,266) | 85 | (3,192) | 235,456 | |
| | 832,754 | 158,326 | (32,329) | 13,409 | (3,263) | 968,896 | - |
| | 5,345,165 | 1,042,573 | (307,126) | 26,620 | 91,956 | 6,199,188 | (30,124) |

| | Balances at 31-12-2012 | Addition and reversals | Write-offs | Exchange differences | Transfers and other | Balances at 31-12-2013 | Credit recovery, interest and expenses |
|---|---|---|---|---|---|---|---|
| Impairment of loans and advances to customers (Note 11) | 4,189,393 | 852,355 | (526,878) | (7,402) | 4,943 | 4,512,411 | (34,596) |
| Impairment of loans and advances to credit institutions (Note 6) | 12,413 | (228) | - | (53) | (136) | 11,996 | |
| Impairment of available-for-sale financial assets (Note 8) | | | | | | | |
| Equity instruments | 526,964 | 31,549 | (405,907) | (82) | (62,552) | 89,973 | |
| Debt instruments | 12,794 | 387 | (9,284) | (62) | (3,000) | 835 | |
| Other instruments | 165,158 | 24,738 | (2,662) | (969) | (33,183) | 153,081 | |
| Impairment of other tangible assets (Note 14) | 14,026 | 3,303 | - | - | (10,510) | 6,818 | |
| Impairment of intangible assets (Note 15) | 1,196 | 47,922 | (47,922) | - | (957) | 239 | |
| Impairment of non-current assets held for sale | | | | | | | |
| Property and equipment (Note 12) | 234,867 | 119,792 | (7,792) | (114) | (12,199) | 334,555 | |
| Impairment of other assets (Note 18) | 207,814 | 82,027 | (3,041) | (378) | (51,165) | 235,257 | |
| | 1,175,231 | 309,489 | (476,608) | (1,658) | (173,702) | 832,754 | - |
| | 5,364,624 | 1,161,844 | (1,003,485) | (9,060) | (168,759) | 5,345,165 | (34,596) |

Deriving from the transfer of the assets and liabilities of the group's insurance companies involved in privatisation processes, the "Transfers and other" column in the table of impairment movements for 2013 includes €98,281 thousand, €10,360 thousand, €957 thousand and €49,743 thousand for accumulated impairment recognised on available-for-sale, tangible, intangible and other assets, respectively, related with the activity of the referred to business units which, at 31 December of the said year were recognised in non-current assets and liabilities held for sale (note 12).

The whole of the "Increases" column in the intangible assets impairment movements table for 2013 referred to the recognition of losses associated with the recognition of goodwill in the first consolidation of the Fundolis fund, which was latterly derecognised from the balance sheet on the basis of the use of the accumulated impairment balance at the said date.

## 37. SEGMENT REPORTING

The group has adopted the following business segments to comply with IFRS 8 requirements and to assess own funds requirements on operational risk, using the standard method under the Bank of Portugal's official notice 9/2007 of 18/04/2007:

- Trading and sales: includes banking activity related with the management of the own securities portfolio, management of debt instrument issuances, money and foreign exchange markets operations, repo type operations, securities lending operations and wholesale brokerage. Claims and investments in other credit institutions and derivatives are also included in this segment;

- Retail banking: comprises banking operations with individual customers, the self-employed and micro-enterprises. This segment also includes consumer finance, mortgage lending, credit cards and deposits taken from individual customers;

- Commercial banking: includes lending operations and resource-taking from major enterprises and SMEs. This segment includes loans, current accounts, investment project finance, bill discounting operations, venture capital, factoring, equipment and property leasing, syndicated loans underwriting in addition to loans to the public sector;

- Asset management: includes activities associated with the management of customer portfolios, open-ended or closed end unit trust and property funds and discretionary wealth management funds;

- Corporate finance: includes activities related with acquisitions, mergers, restructuring operations, privatisations, subscriptions for and placements of securities (primary market), securitisations, preparation and organisation of syndicated loans (merchant banking – loan placements), investment management, market and corporate financial analyses and advisory services;

- Other: includes all segments not described in the above business areas.

Information on the appropriation of results and main balance sheet aggregates divided up by business areas and geographic markets, in 2014 and 2013, is given below:

<u>Business areas</u>

| | 31-12-2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Trading and sales | Retail banking | Commercial banking | Asset management | Corporate Finance | Other | Total |
| Net interest income | ( 56 200) | 784 810 | 171 707 | 4 520 | 82 580 | 1 318 | 988,735 |
| Income from equity instruments | 14 741 | 2 | 8 320 | 24 628 | 335 | 1 528 | 49,554 |
| Income from services rendered and commissions | 40 399 | 184 649 | 100 297 | 34 621 | 51 214 | 247 876 | 659,055 |
| Cost of services and commissions | ( 14 203) | ( 6 331) | ( 8 708) | ( 6 601) | ( 297) | ( 107 898) | (144,039) |
| Results from financial operations | 134 443 | ( 221) | 37 479 | 24 090 | 8 695 | ( 2 829) | 201,657 |
| Other net operating income | ( 9 230) | ( 4 659) | ( 4 992) | 14 861 | 429 | ( 12 954) | (16,545) |
| Net operating income from banking and insurance operations | 109,949 | 958,250 | 304,103 | 96,119 | 142,956 | 127,042 | 1,738,417 |
| Other costs and income | | | | | | | (2 086 461) |
| Net income attributable to the shareholder of CGD | | | | | | | (348,044) |
| Cash balances and loans and advances to credit institutions (net) | 4 611 137 | 463 421 | 32 450 | 7 135 | - | 15 848 | 5,129,991 |
| Investments in securities and derivatives (net) | 18 962 358 | 116 201 | 408 899 | 643 738 | ( 5 956) | 205 862 | 20,331,102 |
| Loans and advances to customers (net) | 1 417 230 | 35 141 387 | 30 027 774 | 174 400 | 92 725 | 10 056 | 66,863,572 |
| Total net assets | 25 067 683 | 35 043 208 | 32 277 075 | 2 037 908 | 138 386 | 5 587 773 | 100,152,034 |
| Resources of central banks and credit institutions | 5 284 867 | 230 835 | 392 420 | 85 376 | - | 8 189 | 6,001,687 |
| Customer resources | 1 260 602 | 52 743 726 | 16 939 596 | 147 223 | - | 43 029 | 71,134,176 |
| Debt securities | 7 043 396 | 79 102 | 51 979 | - | - | - | 7,174,478 |

| | 31-12-2013 (Restatement) (*) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Trading and sales | Retail banking | Commercial banking | Asset management | Corporate Finance | Other | Total |
| Net interest income | ( 215 681) | 965 363 | ( 27 805) | 3 165 | 124 223 | 5 584 | 854,849 |
| Income from equity instruments | 16 706 | - | 24 209 | 25 436 | 187 | 2 432 | 68,970 |
| Income from services rendered and commissions | 34 733 | 180 930 | 121 010 | 29 995 | 60 967 | 245 415 | 673,050 |
| Cost of services and commissions | ( 21 580) | ( 9 536) | ( 9 264) | ( 5 904) | ( 589) | ( 112 709) | (159,582) |
| Results from financial operations | 257 592 | 13 803 | 8 108 | 2 933 | ( 14 735) | ( 4 535) | 263,166 |
| Other net operating income | ( 8 453) | ( 9 304) | ( 9 199) | 26 505 | ( 136) | 15 000 | 14,414 |
| Net operating income from banking and insurance operations | 63,317 | 1,141,257 | 107,059 | 82,130 | 169,917 | 151,187 | 1,714,866 |
| Other costs and income | | | | | | | (2 293 756) |
| Net income attributable to the shareholder of CGD | | | | | | | (578,890) |
| Cash balances and loans and advances to credit institutions (net) | 3 812 699 | 407 786 | 121 383 | 4 466 | 109 | 10 281 | 4,356,724 |
| Investments in securities and derivatives (net) | 17 619 234 | 22 347 | 676 625 | 551 786 | ( 44 241) | 254 653 | 19,080,404 |
| Loans and advances to customers (net) | 2 507 615 | 33 528 817 | 33 822 028 | 65 806 | 75 416 | 17 829 | 70,017,511 |
| Total net assets | 24 562 879 | 34 060 493 | 35 056 738 | 1 936 908 | 77 050 | 17 800 499 | 113,494,567 |
| Resources of central banks and credit institutions | 8 994 047 | 9 439 | 695 227 | 26 248 | - | 9 689 | 9,734,649 |
| Customer resources | 2 699 279 | 50 793 096 | 14 255 498 | 57 108 | - | 37 943 | 67,842,925 |
| Debt securities | 8 528 159 | 223 191 | 40 037 | - | - | - | 8,791,387 |

The comparative financial statements have been restated as a result of the adoption of IFRS 10

## Geographic markets

| | 31-12-2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Portugal | Rest of European Union | North America | Latin America | Asia | Africa | Other | Total |
| Net interest income | 530,395 | 197,207 | 9,997 | 25,946 | 62,979 | 189,144 | (26,934) | 988,735 |
| Income from equity instruments | 161,191 | 7,729 | - | - | 109 | 16,215 | (135,690) | 49,554 |
| Income from services rendered and commissions | 510,357 | 46,533 | 641 | 16,942 | 35,754 | 94,910 | (46,080) | 659,055 |
| Cost of services and commissions | (139,542) | (12,602) | (49) | (4,325) | (16,509) | (18,912) | 47,900 | (144,039) |
| Results from financial operations | 56,365 | 18,175 | (57) | (2,706) | 7,006 | 91,325 | 31,549 | 201,657 |
| Other net operating income | 76,129 | (10,547) | (113) | (2,808) | 5,767 | 5,469 | (90,443) | (16,545) |
| Net operating income from banking and insurance operations | 1,194,894 | 246,496 | 10,419 | 33,048 | 95,106 | 378,150 | (219,697) | 1,738,417 |
| Other costs and income | | | | | | | | (2,086,461) |
| Net income attributable to the shareholder of CGD | | | | | | | | (348,044) |
| Cash balances and loans and advances to credit institutions (net) | 11,522,500 | 3,513,460 | 1,951,179 | 70,897 | 3,567,960 | 1,356,902 | (16,852,907) | 5,129,991 |
| Investments in securities and derivatives (net) | 24,250,993 | 2,009,272 | 62,035 | 186,786 | 83,975 | 1,168,154 | (7,430,114) | 20,331,102 |
| Loans and advances to customers (net) | 52,178,219 | 11,989,965 | 612,719 | 222,395 | 2,277,653 | 2,924,054 | (3,341,434) | 66,863,572 |
| Total net assets | 101,347,118 | 17,893,197 | 2,627,905 | 531,924 | 6,604,753 | 5,960,024 | (34,812,886) | 100,152,034 |
| Resources of central banks and credit institutions | 10,899,739 | 6,991,300 | 2,067,894 | 137,533 | 212,139 | 139,253 | (14,446,171) | 6,001,687 |
| Customer resources | 58,084,728 | 5,106,098 | 649,734 | 210,355 | 5,221,368 | 4,477,330 | (2,615,438) | 71,134,176 |
| Debt securities | 8,297,564 | 5,035,501 | - | - | - | 74,646 | (6,233,233) | 7,174,478 |

| | 31-12-2013 (Restatement) (*) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Portugal | Rest of European Union | Rest of Europe | North America | Latin America | Asia | Africa | Other | Total |
| Net interest income | 430,846 | 188,411 | 540 | 7,488 | 22,691 | 58,882 | 166,243 | (20,253) | 854,849 |
| Income from equity instruments | 128,234 | 11,205 | - | - | - | 132 | 14,664 | (85,265) | 68,970 |
| Income from services rendered and commissions | 535,880 | 57,216 | - | 943 | 16,556 | 32,478 | 81,430 | (51,453) | 673,050 |
| Cost of services and commissions | (150,992) | (18,706) | - | (52) | (5,441) | (16,723) | (18,987) | 51,319 | (159,582) |
| Results from financial operations | 166,245 | (4,290) | - | (354) | (4,436) | 3,252 | 84,461 | 18,287 | 263,166 |
| Other net operating income | 107,260 | (26,387) | (513) | (102) | (2,186) | 3,072 | 23,425 | (90,154) | 14,414 |
| Net operating income from banking and insurance operations | 1,217,474 | 207,449 | 27 | 7,923 | 27,184 | 81,093 | 351,235 | (177,519) | 1,714,866 |
| Other costs and income | | | | | | | | | (2,293,756) |
| Net income attributable to the shareholder of CGD | | | | | | | | | (578,890) |
| Cash balances and loans and advances to credit institutions (net) | 9,894,074 | 3,072,998 | - | 1,657,975 | 97,644 | 3,935,818 | 1,191,306 | (15,493,091) | 4,356,724 |
| Investments in securities and derivatives (net) | 22,863,349 | 2,545,678 | - | 29,042 | 119,752 | 43,077 | 970,733 | (7,491,228) | 19,080,404 |
| Loans and advances to customers (net) | 56,978,146 | 12,562,786 | - | 572,270 | 172,311 | 1,562,812 | 2,331,661 | (4,162,477) | 70,017,511 |
| Total net assets | 115,561,758 | 18,524,361 | - | 2,260,149 | 444,695 | 6,052,194 | 4,892,468 | (34,241,059) | 113,494,567 |
| Resources of central banks and credit institutions | 15,383,899 | 6,658,402 | - | 1,691,961 | 83,490 | 160,974 | 125,716 | (14,369,792) | 9,734,649 |
| Customer resources | 54,225,667 | 5,497,144 | - | 637,363 | 158,823 | 4,973,660 | 3,530,552 | (1,180,284) | 67,842,925 |
| Debt securities | 10,166,601 | 5,213,565 | - | - | - | - | 62,442 | (6,651,221) | 8,791,387 |

(*) The comparative financial statements have been restated as a result of the adoption of IFRS 10

The "Other” column includes balances between group companies, eliminated in the consolidation process.

Contributions to the group’s results by business area, for 2014 and 2013, based on internal management criteria is broken-down as follows:

| | 31-12-2014 | | | | | |
|---|---|---|---|---|---|---|
| | Banking business in Portugal | International business | Investment banking | Insurance | Other | Total |
| Interest and similar income | 2,753,896 | 956,510 | 202,498 | - | (573,659) | 3,339,246 |
| Interest and similar costs | (2,298,833) | (472,398) | (174,724) | - | 595,445 | (2,350,511) |
| Income from equity instruments | 7,933 | 8,487 | 1,728 | - | 31,405 | 49,554 |
| **Net interest income** | 462,996 | 492,600 | 29,502 | - | 53,191 | 1,038,289 |
| Income from services rendered and commissions | 417,009 | 194,778 | 53,092 | - | (5,823) | 659,055 |
| Cost of services and commissions | (90,611) | (51,235) | (9,397) | (3) | 7,208 | (144,039) |
| Results from financial operations | 64,887 | 113,273 | (14,737) | (468) | 38,702 | 201,657 |
| Other net operating income | 5,032 | (2,231) | 1,611 | 40 | (20,997) | (16,545) |
| **Net operating income** | 396,317 | 254,584 | 30,568 | (431) | 19,090 | 700,128 |
| **NET OPERATING INCOME FROM BANKING** | 859,314 | 747,184 | 60,070 | (431) | 72,281 | 1,738,417 |
| Other costs and income | (1,462,280) | (749,999) | (59,196) | 278,171 | (93,158) | (2,086,461) |
| **Net income attributable to the shareholder of CGD** | (602,967) | (2,815) | 874 | 277,739 | (20,877) | (348,044) |

| | 31-12-2013 (Restatement) (*) | | | | | |
|---|---|---|---|---|---|---|
| | Banking business in Portugal | International business | Investment banking | Insurance | Other | Total |
| Interest and similar income | 3,131,070 | 964,216 | 238,335 | 105 | (721,962) | 3,611,765 |
| Interest and similar costs | (2,781,210) | (521,554) | (210,046) | - | 755,894 | (2,756,916) |
| Income from equity instruments | 23,555 | 11,679 | 2,823 | - | 30,913 | 68,970 |
| **Net interest income** | 373,414 | 454,340 | 31,113 | 105 | 64,846 | 923,818 |
| Income from services rendered and commissions | 437,763 | 188,623 | 57,139 | - | (10,474) | 673,050 |
| Cost of services and commissions | (104,952) | (58,856) | (9,949) | (0) | 14,175 | (159,582) |
| Results from financial operations | 179,900 | 78,205 | (28,009) | 468 | 32,602 | 263,166 |
| Other net operating income | 19,616 | (6,602) | (258) | 3 | 1,655 | 14,414 |
| **Net operating income** | 532,326 | 201,369 | 18,923 | 471 | 37,958 | 791,048 |
| **NET OPERATING INCOME FROM BANKING** | 905,741 | 655,709 | 50,036 | 576 | 102,804 | 1,714,866 |
| Other costs and income | (1,463,870) | (739,007) | (65,956) | 124,058 | (148,982) | (2,293,756) |
| **Net income attributable to the shareholder of CGD** | (558,129) | (83,298) | (15,920) | 124,634 | (46,178) | (578,890) |

(*) The comparative financial statements have been restated as a result of the adoption of IFRS 10

The "Other" column includes balances between group companies, eliminated in the consolidation process. Reference should also be made as regards business segments, to the effects deriving from the group's activity in the property sector.

## 38. RELATED ENTITIES

Associates, jointly controlled enterprises, the group's boards of directors and other entities controlled by the Portuguese state are considered to be related entities.

The group's financial statements, at 31 December 2014 and 2013 included the following balances and transactions with related entities, excluding management bodies:

| | 31-12-2014 | | | 31-12-2013 | | |
|---|---|---|---|---|---|---|
| | The Portuguese State (Treasury) | Other Portuguese State entities | Associates | The Portuguese State (Treasury) | Other Portuguese State entities | Associates |
| **Assets:** | | | | | | |
| Claims and investment in other credit institutions | - | 141,771 | - | - | 100,114 | - |
| Bonds and trading derivatives | 9,150,624 | 3,127,874 | 98,861 | 12,366,625 | 3,181,454 | 70,448 |
| Loans and advances to customers | 12,130 | 2,928,032 | 399,042 | 1,427 | 2,289,546 | 535,995 |
| Impairment for loans and advances to customers | - | 3,586 | 969 | - | 13,489 | 118,994 |
| Other assets | 1,161 | 1,538 | 344,908 | 196,251 | 493,306 | 100,241 |
| **Liabilities:** | | | | | | |
| Customer resources | 1,419 | 2,204,352 | 1,151,308 | 292,825 | 566,954 | 29,514 |
| Bonds and trading derivatives | 81,123 | 39,535 | - | 5,152 | 5,239 | - |
| Other liabilities | 20,985 | 3,335 | 764,155 | 10,157 | 119 | 254,261 |
| **Guarantees given** | 62,613 | 35,221 | 30,077 | - | 168,180 | 5,519 |
| **Income:** | | | | | | |
| Interest and similar income | 223,048 | 256,128 | 8,057 | 468,155 | 147,566 | 9,058 |
| Gains from financial operations | 789,827 | 183,288 | 22 | 312,495 | 94,446 | 23 |
| Income from services rendered and commissions | 58 | 6,375 | 13,706 | - | 920 | 420 |
| Other operating income | - | 196 | 595 | - | 899 | 1,091 |
| **Costs:** | | | | | | |
| Interest and similar costs | 31,463 | 28,472 | 50,992 | 9,063 | 2,292 | 472 |
| Losses from financial operations | 488,973 | 97,339 | 1,127 | 177,436 | 90,916 | 1,783 |
| Commissions | - | 1,501 | 597 | - | 32 | 36 |
| Other operating costs | - | - | 236 | - | - | 807 |
| General administrative costs | - | 601 | 2,256 | - | 91 | 17,122 |

Transactions with related entities are generally made on the basis of market values on the respective dates.

The "Other Portuguese state entities" at 31 December 2014 and 2013 does not include balances with regional or local government.

***Management bodies***

The costs paid on remuneration and other benefits attributed to members of the statutory bodies of Caixa and Caixa group companies (considered, for this purpose as relevant key management employees in line with the respective IAS 24 requirements) totalled €14,295 thousand (€17,507 thousand in 2013). Information on the amount of the referred to costs for 2014 is itemised below:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| Short-term employee benefits | 13,632 | 16,929 |
| Post-employment benefits | 197 | 156 |
| Other long-term benefits | 466 | 422 |
| | 14,295 | 17,507 |

Loans to members of management bodies, at 31 December 2014 and 2013 also totalled €9,052 thousand and €8,741 thousand respectively.

## 39. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

*Management policies for the financial risks involved in the group's activity*

CGD adopted a centralised risk management model, in 2001, encompassing the assessment and control of all of the group's credit, market and liquidity risks, based on the principle of the separation of functions between commercial and risk areas.

*Credit risk –*

Implicit credit risk in CGD's customer portfolio is controlled by the oversight of a collection of indicators, split up by product, customer segment, maturity, type of guarantee, level of exposure to the financial system, sector of activity and geographic area. The amount of large exposures vis-à-vis the maximum limits defined by supervisors is also analysed.

In the implementation of the International Accounting Standards, CGD calculates the amount of provisions for impairment on each credit sub-sector every month and splits them up into like-for-like risk segments based on the use of PD (probability of default) and migrations to default and LGDs (loss given defaults) which are calculated annually on the basis of historic information.

Risks on entities and control of the established limits are regularly monitored.

As regards loans and advances to companies, in addition to natural portfolio oversight, when a loan proposal is submitted by the commercial area, a team of specialised credit analysts produces a more detailed analysis of customers, based on an economic group approach with an exposure of more than €1 million.

The analysis is based on a customer's credit risk as well as the operations set out in the proposal, separating the functions of the commercial area which is responsible for submitting the proposal from the conditions of the operations. Caixa's risk management division (DGR) is responsible for proposing the conditions it deems necessary to mitigate the risk, making the operations acceptable *vis-à-vis* the level of risk defined for CGD's portfolio.

The analysis is based on the ratings issued by specialised agencies and internal valuation models as well as by quantitative and qualitative weighting factors relative to the customer and the operation in question. The market and the economy in which the entities operate and the identification of aspects/conditions which may mitigate credit risk are also taken into consideration.

*Market risk –*

CGD group's market risk management rules for each portfolio or business unit, include market and exposure to credit and liquidity risk limits, required level of return, types of instruments authorised and stop loss levels.

The executive functions of market operations and control of the respective risk incurred are completely separate.

Market risk hedge operations are decided by portfolio managers or business units, on the basis of risk limits and authorised instruments, with the risk management area collaborating on an assessment of the impact of hedges on the total risk or change in authorised market risk levels, if advisable under the circumstances.

The market risk measure used is value at risk (VaR) on all types of market risk (interest rate, equities, exchange rates and volatility) based on the historic simulation method**,** whose confidence levels used in the simulation are contingent upon the objectives for holding the portfolios**.** Other market risk measures, such as sensitivity to the price changes of underlying assets (basis point value (bpv) for interest rates) and other sensitivity indicators frequently applied to options portfolios (commonly referred to as "Greeks") are also used. Stress tests are also performed on impacts on results.

Daily theoretical and real backtesting analyses of the VaR measure are performed, with the calculation of technical backtesting values accompanied by a monthly real backtesting exercise. The number of exceptions obtained i.e. the number of times theoretical or real losses exceed VaR, enable the method's accuracy to be assessed and any necessary adjustments made.

Management rules place restrictions on each portfolio in terms of their composition, regarding assets and risk levels. The risk levels have been defined both on credit exposure (concentration by name, sector, rating and country) and market (maximum total risk level, by risk factor and maturity), liquidity (number of minimum market prices required, authorised percentage portfolio limit on each issuance, composition of the equities portfolio based on their inclusion in authorised indices). Monthly analyses and profitability controls are produced with an assessment of credit risk based on the regulatory definitions in force and market risk based on the internal models approach.

*Foreign exchange risk –*

Foreign exchange risk control and its assessment are performed separately on a daily level in the case of domestic activity and for each of the branches and subsidiaries and fortnightly on a consolidated level for the group as a whole. VaR amounts and limits and total open position by currency are calculated.

*Liquidity risk and balance sheet interest risk –*

Liquidity and balance sheet interest risk policies are defined by the ALCO (asset-liability) committee. The risk management division's liquidity and balance sheet interest risk areas measure, monitor and report on the two types of risk.

The ALCO committee is the executive committee's decision-making body responsible for integrated assets and liabilities management, designed to proactively manage the balance sheet and CGD group's profitability. In the risk management domain, the ALM process normally concentrates on liquidity and balance sheet interest rate risk, as a space for the rapid dissemination of management information across the group.

Liquidity risk management includes an analysis of the periods to maturity of different balance sheet assets and liabilities, evidencing cash inflow/outflow volumes for each bucket and respective liquidity gaps (spreads).

Liquidity gaps are calculated monthly and are used to assess the three liquidity ratios subject to limits (two short and one long term), opportunely defined and fixed by the ALCO committee. The structural liquidity concept is used to reflect the liquidity of debt securities and capital held and the behaviour of retail depositors in terms of their current, deposit and savings accounts management profile.

85% of the balance of investments in debt securities is therefore considered in the up to 1 month bucket with the remaining 15% being split up into other time bands in accordance with the weight of the balances in the initial periods to maturity structure. Collateralised securities for Eurosystem lending operations or other types of operations are allocated to the buckets on the basis of the maturity date of the operations they collateralise.

In turn, shares and other variable-income securities with adequate liquidity are globally considered in the up to 1 month bucket.

As regards current retail accounts and in accordance with an internally developed model based on depositors' historic behaviour, 83% of the balances (core deposits i.e. the stable amount of deposits based over a long historical observation period) are classified in the more than 10 years bucket, with the remaining non-core deposits being allocated in the up to 12 month buckets according to seasonality studies and the minimum observed balance. In turn, term and savings deposits are split up into the different buckets in accordance with an estimation model on their expected average lives – as opposed to their contractual period to maturity – enabling the expected distribution of the respective cash outflows over time to be obtained.

Liquidity risk management also includes stress tests based on an internally developed methodology articulated with the current existing liquidity contingency plan, designed to assess funding prospects at any point of time, strengthening the institution’s resistance to adverse shocks and the study of funding alternatives.

Over the course of the year CGD group has pursued a resource-taking policy designed to promote a sustainable funding structure for its activity, based on the liquidity and period to maturity characteristics of its assets and off-balance sheet exposures.

The measurement methodology adopted for interest rate management risk includes a short term or accounting perspective and a long term or economic perspective.

*Short term or accounting perspective*

The short term or accounting perspective for interest rate risk assessments aims to estimate the effect of adverse changes in interest rates on the interest margin. The methodology used for this purpose aggregates all assets and liabilities sensitive to interest rate changes into time bands, in accordance: (i) with their periods to maturity in the case of fixed-rate financial instruments, and (ii) with the periods between the repricing of interest rates in the case of variable-rate instruments. The respective interest rate gaps are then calculated for these time bands, enabling the effects of interest rate changes on net interest income to be gauged.

Net interest rate simulations are also used with the objective of improving the reliability of the estimations obtained from interest rate gaps on the sensitivity of interest income. They include projections on the evolution of the group’s balance sheet, integrating behaviours and trends relevant to banking activity in addition to scenarios for the evolution of the different market rates and expectations as reflected in the yield curves.

*Long term or economic perspective*

The long term or economic perspective on the assessment of interest rate risks aims to estimate the effect of adverse changes in interest rates on the economic value of capital. The methodology used for the purpose involves the calculation of the duration of liabilities and assets sensitive to interest rate changes, in addition to the respective duration gap, enabling the effect of interest rate changes on the economic value of capital to be gauged.

Simulation techniques are also used to improve the reliability of the estimations obtained from the duration gap of the sensitivity of the economic value of capital they include the assessment and respective estimation of all future cash flows generated by assets and liabilities sensitive to interest rate changes (full valuation).

The management of liquidity and balance sheet interest rates and the banking portfolio is sustained by a collection of guidelines approved by the ALCO committee which include the defining of limits on a collection of significant exposure variables to such types of risk. The guidelines aim to ensure that CGD group has a means of managing the return-risk trade-off for balance sheet management purposes and that it is also able to ensure a convenient exposure level and control the results of its assumption of risk policies and positions.

The following is a list of IFRS 7 requirements on the main types of risk involved in CGD group’s activity.

*Credit risk*

*Maximum exposure to credit risk*

The following is a breakdown of the group's maximum exposure to credit risk at 31 December 2014 and 2013:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| **Trading securities** | | |
| Public debt | 303,634 | 439,208 |
| Private debt | 13,532 | 5,544 |
| | 317,166 | 444,752 |
| **Financial assets at fair value through profit or loss** | | |
| Public debt | - | 26,419 |
| Private debt | 6,960 | 31,179 |
| | 6,960 | 57,597 |
| **Available-for-sale financial assets** | | |
| Public debt | 10,200,845 | 9,811,484 |
| Private debt | 4,359,975 | 4,515,662 |
| | 14,560,821 | 14,327,146 |
| **Financial assets with repurchase agreement** | | |
| Public debt | 231,700 | 196,133 |
| Private debt | 358,683 | 509,503 |
| Credit and securities | 690,743 | - |
| | 1,281,126 | 705,636 |
| | 16,166,072 | 15,535,132 |
| Derivatives | 1,975,077 | 1,523,907 |
| Cash balances at other credit institutions | 878,298 | 1,036,583 |
| Loans and advances to credit institutions | 2,137,069 | 1,775,154 |
| Loans and advances to customers | 66,933,228 | 70,091,912 |
| Other debtors | 3,042,495 | 2,628,409 |
| Other operations pending settlement | 129,107 | 166,855 |
| | 75,095,274 | 77,222,820 |
| **Other commitments** | | |
| Personal/Institutional guarantees given | | |
| Guarantees and sureties | 3,915,799 | 4,056,268 |
| Stand-by letters of credit | 53,400 | 58,148 |
| Open documentary credits | 670,168 | 469,238 |
| Other personal guarantees and other contingent liabilities | 377,878 | 105,198 |
| Forward deposit agreements | - | 666 |
| Irrevocable lines of credit | 1,474,941 | 1,535,594 |
| Securities subscription | 2,019,997 | 2,110,894 |
| Credit default swaps | 105,892 | 108,009 |
| | 8,618,075 | 8,444,015 |
| ***Maximum exposure to credit risk*** | 99,879,422 | 101,201,967 |

*Credit quality of investments in credit institutions*

The following table splits up the balance sheet amounts of investments in credit institutions, with reference to 31 December 2014 and 2013 considering risk aggregate categories (reduced, average and high) associated with external ratings and the counterparty's country of origin:

| | 31-12-2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Portugal | Rest of European Union | North America | Asia | Brazil | Other | Total |
| Reduced risk | - | 392,502 | 9,133 | 256,438 | 4,443 | 63,086 | 725,602 |
| Medium risk | 272,707 | 54,160 | - | - | 5,090 | 42,281 | 374,238 |
| No Rating | 37,046 | 8 | - | 2,062 | - | 40,391 | 79,507 |
| Central and Supranational banks | - | - | 170,826 | 603,562 | 48,310 | 131,619 | 954,318 |
| | 309,753 | 446,670 | 179,959 | 862,063 | 57,843 | 277,377 | 2,133,665 |

| | 31-12-2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Portugal | Rest of European Union | North America | Asia | Brazil | Other | Total |
| Reduced risk | - | 168,460 | 235,029 | 122,636 | 660 | 66,717 | 593,501 |
| Medium risk | 89,406 | 289 | - | 483 | 214 | 36,463 | 126,855 |
| High risk | 100,114 | - | - | - | - | 178 | 100,292 |
| No Rating | 99,968 | 9 | - | 1,816 | - | 16,121 | 117,913 |
| Central and Supranational banks | - | - | - | 566,237 | 81,183 | 188,820 | 836,240 |
| | 289,487 | 168,758 | 235,029 | 691,173 | 82,057 | 308,299 | 1,774,802 |

*Credit quality of debt securities*

The following table splits up the balance sheet value of portfolio debt securities net of impairment (excluding matured securities), in accordance with the Standard & Poor's or equivalent rating, by type of guarantor or issuing entity and geographic region, with reference to 31 December 2014 and 2013.

| | 31-12-2014 | | | | |
|---|---|---|---|---|---|
| | Portugal | Rest of European Union | North America | Other | Total |
| **Financial assets at fair value through profit or loss** | | | | | |
| AA+ to AA- | - | 222,881 | - | - | 222,881 |
| A+ to A- | - | 42,853 | - | - | 42,853 |
| BBB+ to BBB- | - | 1,459 | 286 | 40,692 | 42,437 |
| BB+ to BB- | 1,165 | 6,385 | - | 582 | 8,132 |
| B+ to B- | - | 482 | - | - | 482 |
| No Rating | 5,341 | - | - | 1,999 | 7,340 |
| | 6,506 | 274,060 | 286 | 43,273 | 324,125 |
| Issued by: | | | | | |
| Governments and local authorities | 1,106 | 265,266 | - | 37,572 | 303,944 |
| Corporates | 5,400 | 7,594 | 91 | 4,705 | 17,790 |
| Financial institutions | - | 999 | - | 677 | 1,676 |
| Other issuers | - | 201 | 195 | 319 | 715 |
| | 6,506 | 274,060 | 286 | 43,273 | 324,125 |
| **Financial assets at fair value through revaluation reserves** | | | | | |
| AAA | - | 232,508 | - | - | 232,508 |
| AA+ to AA- | - | 25,349 | 62,036 | 15,497 | 102,882 |
| A+ to A- | 391,405 | 236,709 | 4,371 | 15,588 | 648,073 |
| BBB+ to BBB- | 45,153 | 408,351 | 23,876 | 113,304 | 590,684 |
| BB+ to BB- | 12,072,598 | 145,116 | - | 759,021 | 12,976,735 |
| B+ to B- | 10,914 | 9,775 | 218 | 277,085 | 297,992 |
| Lower than B- | - | 26,069 | - | 1,773 | 27,842 |
| No Rating | 169,499 | 3,958 | - | 101,031 | 274,488 |
| | 12,689,569 | 1,087,835 | 90,501 | 1,283,299 | 15,151,204 |
| Issued by: | | | | | |
| Governments and local authorities | 12,001,169 | 434,209 | 62,036 | 1,130,013 | 13,627,427 |
| Corporates | 75,649 | 128,678 | 4,575 | 88,506 | 297,408 |
| Financial institutions | 91,928 | 461,808 | 23,081 | 43,034 | 619,851 |
| Other issuers | 520,823 | 63,140 | 809 | 21,746 | 606,518 |
| | 12,689,569 | 1,087,835 | 90,501 | 1,283,299 | 15,151,204 |

| | 31-12-2013 | | | | |
|---|---|---|---|---|---|
| | Portugal | Rest of European Union | North America | Other | Total |
| **Financial assets at fair value through profit or loss** | | | | | |
| AAA | - | - | - | - | - |
| AA+ to AA- | - | 227,036 | - | - | 227,036 |
| A+ to A- | - | 43,226 | - | 103,519 | 146,745 |
| BBB+ to BBB- | 8,573 | 335 | - | - | 8,908 |
| BB+ to BB- | 113,880 | 7,786 | - | - | 121,666 |
| B+ to B- | 2,329 | - | - | - | 2,329 |
| Menor que B- | - | - | - | 50 | 50 |
| No Rating | 6,052 | - | - | 4,829 | 10,881 |
| | 130,834 | 278,383 | - | 108,398 | 517,615 |
| Issued by: | | | | | |
| Governments and local authorities | 106,775 | 270,597 | - | 103,519 | 480,891 |
| Corporates | 7,052 | 7,786 | - | 9 | 14,847 |
| Financial institutions | 7,491 | - | - | 354 | 7,845 |
| Other issuers | 9,516 | - | - | 4,516 | 14,032 |
| | 130,834 | 278,383 | - | 108,398 | 517,615 |
| **Financial assets at fair value through revaluation reserves** | | | | | |
| AAA | - | 232,414 | - | - | 232,414 |
| AA+ to AA- | - | 53,567 | 21,756 | - | 75,323 |
| A+ to A- | - | 187,353 | 24,364 | 33,611 | 245,328 |
| BBB+ to BBB- | 417,153 | 291,910 | 49,495 | 1,285 | 759,843 |
| BB+ to BB- | 12,291,570 | 123,829 | - | 498,664 | 12,914,063 |
| B+ to B- | 40,206 | 23,452 | 198 | 399,068 | 462,924 |
| Lower than B- | - | 73,903 | - | 1,587 | 75,490 |
| No Rating | 191,834 | 1,974 | - | 58,323 | 252,131 |
| | 12,940,763 | 988,402 | 95,813 | 992,538 | 15,017,516 |
| Issued by: | | | | | |
| Governments and local authorities | 12,192,374 | 261,205 | 21,756 | 849,893 | 13,325,228 |
| Corporates | 87,896 | 65,171 | 2,049 | 58,104 | 213,220 |
| Financial institutions | 167,792 | 574,404 | 33,793 | 11,594 | 787,583 |
| Other issuers | 492,701 | 87,622 | 38,215 | 72,947 | 691,485 |
| | 12,940,763 | 988,402 | 95,813 | 992,538 | 15,017,516 |

## *Exposure to the sovereign debt of peripheral eurozone countries*

The main characteristics of these Caixa group issuances at 31 December 2014 and 2013, are as follows:

| | Book value net of impairment at 31-12-2014 | | | Fair value | Fair value reserve | Rating |
|---|---|---|---|---|---|---|
| | Residual maturities | | | | | |
| | after 2014 | no maturity | Total | | | |
| **Financial assets at fair value trough profit or loss** | | | | | | |
| Portugal | 1,106 | - | 1,106 | 1,106 | - | |
| Greece | - | - | - | - | - | |
| Ireland | - | - | - | - | - | |
| Spain | 260 | - | 260 | 260 | - | |
| Italy | 271 | - | 271 | 271 | - | |
| | 1,637 | - | 1,637 | 1,637 | - | |
| **Financial assets at fair value through revaluation reserves** | | | | | | |
| Portugal | 8,992,192 | 3,655 | 8,995,847 | 8,995,847 | 206,767 | |
| Greece | 3,497 | - | 3,497 | 3,497 | (2,911) | |
| Ireland | - | - | - | - | - | |
| Spain | 93,510 | - | 93,510 | 93,510 | 3,809 | |
| Italy | 138,505 | - | 138,505 | 138,505 | 2,242 | |
| | 9,227,704 | 3,655 | 9,231,359 | 9,231,359 | 209,907 | |
| **Total** | | | | | | |
| Portugal | 8,993,298 | 3,655 | 8,996,953 | 8,996,953 | 206,767 | BB |
| Greece | 3,497 | - | 3,497 | 3,497 | (2,911) | B |
| Ireland | - | - | - | - | - | |
| Spain | 93,770 | - | 93,770 | 93,770 | 3,809 | BBB |
| Italy | 138,777 | - | 138,777 | 138,777 | 2,242 | BBB |
| | 9,229,341 | 3,655 | 9,232,996 | 9,232,996 | 209,907 | |

| | Book value net of impairment at 31-12-2013 | | | | Accumulated impairment | Fair value reserve | Rating |
|---|---|---|---|---|---|---|---|
| | Residual maturities | | | | | | |
| | 2014 | after 2014 | no maturity | Total | | | |
| **Financial assets at fair value trough profit or loss** | | | | | | | |
| Portugal | 83,436 | 23,339 | - | 106,775 | - | - | |
| Greece | - | - | - | - | - | - | |
| Ireland | - | - | - | - | - | - | |
| Spain | - | 163 | - | 163 | - | - | |
| Italy | - | 172 | - | 172 | - | - | |
| | 83,436 | 23,675 | - | 107,111 | - | - | |
| **Financial assets at fair value through revaluation reserves** | | | | | | | |
| Portugal | 5,015,103 | 4,039,504 | 2,570 | 9,057,177 | - | 82,910 | |
| Greece | - | 3,677 | - | 3,677 | - | (2,730) | |
| Ireland | - | - | - | - | - | - | |
| Spain | - | 58,738 | - | 58,738 | - | 1,511 | |
| Italy | - | - | - | - | - | - | |
| | 5,015,103 | 4,101,919 | 2,570 | 9,119,592 | - | 81,690 | |
| **Total** | | | | | | | |
| Portugal | 5,098,539 | 4,062,844 | 2,570 | 9,163,953 | - | 82,910 | BB- |
| Greece | - | 3,677 | - | 3,677 | - | (2,730) | B- |
| Ireland | - | - | - | - | - | - | |
| Spain | - | 58,901 | - | 58,901 | - | 1,511 | BBB- |
| Italy | - | 172 | - | 172 | - | - | BBB |
| | 5,098,539 | 4,125,594 | 2,570 | 9,226,703 | - | 81,690 | |

These markets also reflect the consequences of the serious liquidity crisis and general uncertainties regarding risk perception associated with sovereign debt issuances in this economic space and particularly so in the case of European Central Bank, International Monetary Fund and European Union bailout countries (Greece and Ireland in 2010 and Portugal in 2011).

At 31 December 2013, the amounts set out in the reference table on the group's exposure to the sovereign debt of the eurozone's peripheral areas did not include the balances on the portfolios of the group's insurance companies involved in privatisation processes which were reclassified in the period to "Non-current assets held for sale"**.**

<u>Measurement criteria</u>

The sovereign debt issuances of the eurozone's peripheral countries considered in the above table were measured at observable market prices, when applicable, or, in the absence of an active market, prices supplied by external counterparties. At 31 December 2014 and 2013, these portfolios were segmented into levels 1 and 2 of the fair value ranking. Greater detail on the distinguishing elements of these categories along with the main premises used are given in the item on "Fair value"**.**

*<u>Exposures affected by the period of turbulence</u>*

The group's available-for-sale financial assets and assets at fair value through profit or loss as a charge to the group's results portfolios, at 31 December 2014 and 2013, included the following types of securities which were particularly affected by the period of financial turmoil:

| | | | | 31-12-2014 | | | 31-12-2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| TYPE | Rating | Seniority level of the tranche held | Geographical area of the issuer | Book value (net of impairment) | Accumulated impairment | Fair value reserve | Book value (net of impairment) | Accumulated impairment | Fair value reserve |
| **Available-for-sale financial assets** | | | | | | | | | |
| **Residential mortgage-backed securities** | A- to A+ | Senior | European Union | 1,786 | - | (366) | 2,580 | - | (574) |
| | Lower than A- | Senior | European Union | 35,459 | - | (296) | 33,038 | - | (5,844) |
| | | Mezzanine | European Union | 5,436 | - | (1,011) | 4,491 | - | (4,789) |
| | CCC | Mezzanine | European Union | 688 | - | (1,664) | 1,512 | - | (832) |
| | | | | 43,369 | - | (3,337) | 41,621 | - | (12,039) |
| **Collateralized Loan obligations** | Lower than A- | Mezzanine | European Union | - | - | - | 7,229 | - | (1,689) |
| | | | | - | - | - | 7,229 | - | (1,689) |
| | | | | 43,369 | - | (3,337) | 48,851 | - | (13,728) |

(a) Presentation of securities conducted in accordance with information about the ratings available on 31-12-2014, with the exception of alienated species whose information provided should be referenced 31-12-2013.

Information on movements in 2014 and 2013 is set out below:

| TYPE | Rating (a) | Seniority level of the tranche held | Geographical area of the issuer | Book value (net) at 31-12-2013 | Sales and amortisations | Impact on results for the year: Capital gains / (losses) recognised against results | Impact on results for the year: Impairment | Change in the fair value reserve | Other | Book value (net) at 31-12-2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Available-for-sale financial assets** | | | | | | | | | | |
| **Residential mortgage-backed securities** | | | | | | | | | | |
| | A- to A+ | Senior | European Union | 2,580 | (858) | (143) | - | 208 | - | 1,786 |
| | Lower than A- | Senior | European Union | 33,038 | (3,171) | 44 | - | 5,547 | - | 35,459 |
| | | Mezzanine | European Union | 4,491 | (2,953) | 120 | - | 3,778 | - | 5,436 |
| | CCC | Mezzanine | European Union | 1,512 | - | 7 | - | (832) | - | 688 |
| **Collateralized Loan obligations** | | | | | | | | | | |
| | Lower than A- | Mezzanine | European Union | 7,229 | (8,731) | (187) | - | 1,689 | - | - |
| | | | | 48,851 | (15,713) | (159) | - | 10,391 | - | 43,369 |

(a) Presentation of securities conducted in accordance with information about the ratings available on 31-12-2014, with the exception of alienated species whose information provided should be referenced 31-12-2013.

| TYPE | Rating (a) | Seniority level of the tranche held | Geographical area of the issuer | Book value (net) at 31-12-2012 | Sales and amortisations | Impact on results for the year: Capital gains / (losses) recognised against results | Impact on results for the year: Impairment | Change in the fair value reserve | Changes in consolidation perimeter | Book value (net) at 31-12-2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Available-for-sale financial assets** | | | | | | | | | | |
| **Residential mortgage-backed securities** | | | | | | | | | | |
| | AAA | Senior | European Union | 215 | - | - | - | 3 | (218) | - |
| | AA- to AA+ | Senior | European Union | 567 | (701) | (211) | - | 344 | - | - |
| | A- to A+ | Senior | European Union | 2,807 | (292) | (11) | - | 81 | (5) | 2,580 |
| | Lower than A- | Senior | European Union | 31,861 | (3,620) | 57 | - | 4,740 | - | 33,038 |
| | | Mezzanine | European Union | 2,645 | - | 26 | - | 992 | (202) | 3,462 |
| | CCC | Mezzanine | European Union | 1,308 | - | 23 | - | 1,210 | - | 2,542 |
| | D | Mezzanine | North America | 101 | (102) | 1 | - | - | - | - |
| **Collateralized loan obligations** | | | | | | | | | | |
| | AAA | Senior | European Union | 7,000 | (7,236) | (13) | - | 250 | - | - |
| | AA- até AA+ | Mezzanine | European Union | 97 | - | - | - | 4 | (100) | - |
| | A- to A+ | Senior | European Union | 92 | - | - | - | 4 | (97) | - |
| | | Mezzanine | European Union | 252 | - | - | - | 50 | (302) | - |
| | Lower than A- | Mezzanine | European Union | 12,381 | (5,918) | 197 | - | 670 | (100) | 7,229 |
| **Other financial instruments** | | | | | | | | | | |
| | No rating | Senior | European Union | 1 | - | - | - | - | (1) | - |
| | | | | 59,327 | (17,868) | 69 | - | 8,348 | (1,025) | 48,851 |
| **Financial assets at fair value through profit or loss** | | | | | | | | | | |
| **Other financial instruments** | | | | | | | | | | |
| | A- to A+ | Senior | European Union | 33,467 | - | - | - | - | (33,467) | - |
| | | | | 33,467 | - | - | - | - | (33,467) | - |
| | | | | 92,794 | (17,868) | 69 | - | 8,348 | (34,493) | 48,851 |

(a) Presentation of securities conducted in accordance with information about the ratings available on 31-12-2013, with the exception of alienated species whose information provided should be referenced 31-12-2012.

"Capital gains/ (losses) recognised as a charge to results" include accrued interest and foreign exchange revaluation results.

*Quality of loans and advances to customers*

Information on the disclosures required by the Bank of Portugal's circular on asset quality and credit risk management is set out below:

Qualitative

1. Credit risk management

1.1. Credit risk policy

To provide for diverse legal and regulatory requirements and with the objective of using best credit risk management practice, Caixa Geral de Depósitos (CGD) has implemented a credit risk management process encompassing the different funding stages:

1.1.1. Lending

The way in which lending activity is performed aims to comply with the credit risk management strategy and policy defined by CGD's competent bodies.

Credit risk assessment in the retail segment is based on the use of statistical risk measurement tools (scoring and rating models), a collection of internal regulations which establish objective criteria to be complied with in terms of lending operations and the delegation of competencies in accordance with the ratings allocated to customers.

Credit risk appraisals in the corporate segment, in addition to the use of internal rating models, may also be subject to an individual analysis by a team of analysts in the situations defined in internal regulations.

1.1.2. Credit portfolio oversight

Credit portfolio oversight enables potential default situations to be identified.

It is an instrument for: *(i)* helping to opportunely identify the occurrence of facts which indicate a deterioration in a customer's capacity to honour its commitments; and *(ii)* defining corresponding guidelines.

1.1.3. Credit recovery

As soon as any delay has been noted, adequate steps are taken to recover the overdue credit to enable a settlement of the situation, in due compliance with the dispositions of decree law 227/2012 (PARI and PERSI) as regards loans and advances to individual customers.

1.2. Concentration risk management

Credit concentration risk management within CGD group is the responsibility of the risk management division (DGR) which identifies, measures and controls significant exposures.

Decisions to enter into agreements for operations entailing materially relevant exposures (as defined in internal regulations) require the opinion of DGR. The limit naturally includes the amount of CGD group's total exposure to a relevant customer and/or group of customers.

2. Loan write-off policy

The decision to write-off a loan from assets is taken at a senior level when, following all of the legal proceedings with the parties involved in a loan agreement, any amount still remains unpaid.

3. Impairment reversal policy

The quantification of impairment losses is conditioned by the identification of events which indicate a deterioration of the counterparty's creditworthiness when having an impact on the credit's future cash flows.

In situations of significant improvements in the creditworthiness of debtors and/or an adequate strengthening of real guarantees, the previously recognised loss is reduced to the level of the new calculated loss, resulting in a direct reversal of impairment.

A reversal of impairment is also recognised in situations in which the loans are sold for a higher amount than net impairment exposure.

4. Description of the restructuring measures applied and respective associated risks, in addition to their respective control and monitoring mechanisms

A credit restructuring operation is defined as any change to the conditions in force on operations involving loans and advances to customers in financial distress when resulting in a modification to the parties' rights or duties.

Specialised oversight and recovery areas endeavour to apply the best solutions to protect CGD group's interests pursuant to the terms of the delegated decision and the limits defined in internal regulations for each specific situation.

The application of the recovery solutions always bears in mind a customer's individual circumstances and the best interests of customer and CGD.

Most of these loans are subject to specific treatment for impairment calculation purposes across the whole of the period of application defined in the referred to instruction.

5. Description of collateral valuation and management process

Property

The main components of the valuation methodology on property within CGD group are:

I. Inspection of property: the property is inspected when all new mortgage lending operations are entered into, with the objective of assessing the presumable transaction price in a free market.

   The verification of the value of the property is documented and comprises copies of the plans, property registration booklet and its description in the land registry, when supplied. These valuations are complemented by direct observation *in situ*.

II. Revision of the valuation of the property by an expert appraiser: mortgage lending operations whose contractual terms have been changed usually require a new valuation which is performed as if they were new operations. This is also the procedure used for operations in default, deriving from a request made by the credit recovery areas.

Property valuation procedures

Employees in CGD's valuations area include engineers and architects with significant experience in the valuations area. Technical directors have complementary training in CMVM certified property valuation courses.

They comprise external appraisers in CGD's valuations area belonging to a network of approximately 100 external appraisers, both companies and individuals, across the country as a whole and based in the area in which they perform their professional activities. Several such teams in each municipal district guarantee adequate diversity and rotation.

Valuation requests are received by CGD's valuations area and digitalised and contain the essential documentation for valuing the property. An internal technical operative is responsible for the stamp of technical approval, type of valuation and municipal district in which the property is located.

The appraisers are set out on a list defining priority municipal districts based on criteria of efficiency for travel purposes and their profound knowledge of the local market. Valuation requests are sent to appraisers via CGD's property management portal. The appraiser registers the date of the visit and valuation report on the portal whose contents are standardised and include the relevant valuation documents and photographs of the property.

Other collateral

In addition to property the following collateral is eligible for the purpose of mitigating the calculation of credit impairment:

- Pledges on term deposits – assessed on the amount of the pledge;
- Pledges on bonds issued by CGD – assessed on the nominal value of the bonds;
- Pledges on listed shares – assessed at market value at the calculation's reference date.

6. Type of principal judgments, estimates and hypotheses used to assess impairment

The credit impairment model used in CGD encompasses loans and advances to companies and to individual customers and includes the provision of bank guarantees and irrevocable lines of credit.

The following concepts are used to calculate credit impairment:

i) Individual impairment based on an individual assessment on customers with significant exposures, with the filling in of an impairment form discounting the estimated future cash flows at the agreement's original interest rate;

ii) Collective or parametric impairment is automatically assessed by the credit impairment model. The parametric calculation is performed by dividing the portfolio into risk sub-segments which include assets with similar risk characteristics.

7. <u>Description of impairment calculation methodologies, including the way in which portfolios are segmented to reflect the different characteristics of the loans</u>

The credit impairment model assesses each operation’s risk profile which it classifies in the credit portfolio sub-segments defined on the basis of the historical valuation of portfolios and an operation’s current and past performance.

The purpose of the loan, type of collateral and sector of economic activity are also considered for the purposes of this segmentation.

8. <u>Signs of impairment by credit segments.</u>

Credit without impairment

- No signs of loss at the time of the analysis.

Credit with signs of impairment – with at least one of the following <u>signs of loss</u>**:**

- Amounts overdue to CGD for less than 90 days;
- Bank of Portugal indicators (amounts overdue to other credit institutions for more than 30 days, prohibition of the use of cheques, protested/uncollected bills);
- Cheques returned to CGD;
- Individual assessments made by customer accounts – only for credit to non-individual customers;
- Interim shortages;
- Requests for insolvency or special revitalisation programmes;
- Contaminations of credit based on the identification of signs of loss on a customer’s other operations.

Restructured loans – customers in distress

- The most serious PD measures for the respective segment are applied to loans identified as restructured owing to financial difficulties as described in item 4.

Impaired credit – the following <u>loss events</u> are considered:

- Contractual defaults to CGD group, particularly credit more than 90 days overdue;
- Existence of an impairment provision resulting from an individual analysis on customers with individually significant exposures;
- Declaration of insolvency;
- Operations at a pre-legal/legal stage in CGD;
- Contaminations of credit based on the identification of signs of loss on a customer’s other operations;
- Restructured operations owing to a customer’s financial difficulties when the loan is overdue for more than 30 days or with significant losses of value (this criterion was only considered for reporting periods).

9. <u>Indication of thresholds defined for an individual analysis.</u>

The definition of limits for individual impairment assessments within CGD group, take the specifications of the diverse credit portfolios into account.

10. Policy relating to internal risk levels, specifying the treatment afforded to a borrower classified as being in default

Customers entering into a default situation are allocated to specialised credit oversight and recovery areas. The allocation decision may be made by the credit oversight delegate board (CDAC).

Based on the performance of an analysis the recovery solution considered to be the most adequate to the customer's and CGD's interests is applied.

11. General description of the form of calculating the present value of future cash flows for individual and collective impairment loss assessments

Individual assessment

The assessment of future cash flows expected on loans considers to what extent the customer will generate the cash flow for debt payment purposes. A loan's recoverable amount translates the sum of the cash flow projections, estimated in accordance with the contractual terms in force (maturity, interest rate, repayment method, etc.), discounted at the agreement's original effective interest rate.

In situations in which customers record signs of loss, an assessment is made to evaluate whether the expected cash flows are less than the contractual cash flows. The amount of the impairment is consequently adjusted in such cases.

Collective impairment

The assessment of cash flow in the collective impairment model is based on the contractual cash flow and risk factors applicable to the operation.

Expected future cash flows are latterly revised at the operation's original effective interest rate to assess its respective present value.

12. Description of the emergent period used for the different segments and justification of its adequacy.

For credit without any observable signs of impairment, IAS 39 provides for provisions to be set up on IBNR losses.

Based on this definition, the calculation of impairment depends upon the definition of an emergence period, which is the period of time between the occurrence and observation of the event loss, which may be broken down into the period of the appearance of the information and a later time when the signs are identified.

In CGD the use of the emergence period is based on the use of diverse early warning signs for the purpose of identifying, as soon as possible, any potential deterioration of a customer's creditworthiness which could lead to losses.

Quantitative

The following tables contain elements on the loans and advances to customers portfolio and property received in kind or repossessed, with reference to the contents applicable to the group's activity.

## a) Details of exposures and impairment by segment

| | Exposure in 31-12-2014 | | | | | | Impairment in 31-12-2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Performing loans | | | Non-performing loans | | Total | Performing loans | Non-performing loans | Total |
| | | Which off: cured | Which off: reestrutured | | Which off: reestrutured | | | | |
| **Segment** | | | | | | | | | |
| Government | 5,781,249 | 2,504 | 420,779 | 122,768 | 65,288 | 5,904,017 | 1,432 | 3,638 | 5,069 |
| Corporate | 14,675,519 | 314,120 | 1,074,071 | 2,621,371 | 1,078,691 | 17,296,890 | 306,087 | 1,504,988 | 1,811,075 |
| Construction and real estate (CRE) | 7,251,544 | 510,841 | 868,676 | 3,954,225 | 2,189,243 | 11,205,769 | 265,133 | 1,793,149 | 2,058,282 |
| Households - Housing | 31,612,086 | 1,049,486 | 712,394 | 2,295,426 | 526,146 | 33,907,512 | 138,202 | 644,129 | 782,331 |
| Households - Consumption and othe | 2,028,653 | 33,943 | 86,652 | 696,618 | 460,022 | 2,725,271 | 47,163 | 374,269 | 421,432 |
| Other financial institutions | 1,489,860 | 38,586 | 161,500 | 255,287 | 11,135 | 1,745,146 | 52,017 | 100,085 | 152,102 |
| | 62,838,911 | 1,949,481 | 3,324,072 | 9,945,695 | 4,330,525 | 72,784,606 | 810,034 | 4,420,257 | 5,230,292 |

| | Exposure in 31-12-2013 | | | | | | Impairment in 31-12-2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Performing loans | | | Non-performing loans | | Total | Performing loans | Non-performing loans | Total |
| | | Which off: cured | Which off: reestrutured | | Which off: reestrutured | | | | |
| **Segment** | | | | | | | | | |
| Government | 5,292,457 | 2,979 | 264,849 | 241,312 | 132,831 | 5,533,769 | 3,654 | 2,805 | 6,460 |
| Corporate | 15,247,835 | 339,558 | 832,144 | 2,715,447 | 1,056,936 | 17,963,282 | 470,226 | 1,217,935 | 1,688,162 |
| Construction and real estate (CRE) | 8,305,602 | 547,466 | 1,114,318 | 3,483,028 | 1,379,249 | 11,788,629 | 341,818 | 1,274,824 | 1,616,642 |
| Households - Housing | 33,124,006 | 1,081,727 | 573,668 | 2,403,518 | 305,997 | 35,527,525 | 276,620 | 581,190 | 857,810 |
| Households - Consumption and othe | 1,969,297 | 58,057 | 119,750 | 281,444 | 60,571 | 2,250,740 | 45,591 | 162,858 | 208,448 |
| Other financial institutions | 1,312,243 | 57,171 | 109,754 | 153,732 | 21,055 | 1,465,975 | 55,245 | 79,643 | 134,888 |
| | 65,251,441 | 2,086,957 | 3,014,483 | 9,278,481 | 2,956,638 | 74,529,922 | 1,193,155 | 3,319,256 | 4,512,411 |

| | Exposure in 31-12-2014 | | | | | | | Impairment in 31-12-2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Credit in compliance | | | Non-performing loans | | | Total exposure | Credit in compliance | | Non-performing loans | | Total impairment |
| | Days past due < 30 days | | | Days late due | | Sub-total | | Days late due | | Days late due | | |
| | Without evidence | With evidence | | <=90 (*) | >90 (*) | | | <30 | between 30 - 90 | <=90 (*) | >90 (*) | |
| **Segment** | | | | | | | | | | | | |
| Government | 4,743,074 | 1,038,171 | 5,781,249 | 53,323 | 69,446 | 122,768 | 5,904,017 | 732 | 700 | - | 3,638 | 5,069 |
| Corporate | 14,052,206 | 589,892 | 14,675,519 | 652,748 | 1,968,623 | 2,621,371 | 17,296,890 | 271,324 | 34,763 | 358,809 | 1,146,179 | 1,811,075 |
| Construction and real estate (CRE) | 6,587,781 | 650,863 | 7,251,544 | 888,875 | 3,065,350 | 3,954,225 | 11,205,769 | 250,629 | 14,504 | 307,590 | 1,485,559 | 2,058,282 |
| Households - Housing | 29,798,411 | 1,539,051 | 31,612,086 | 270,495 | 2,024,931 | 2,295,426 | 33,907,512 | 112,591 | 25,612 | 15,069 | 629,061 | 782,331 |
| Households - Consumption and othe | 1,878,342 | 118,695 | 2,028,653 | 361,558 | 335,060 | 696,618 | 2,725,271 | 41,369 | 5,794 | 169,600 | 204,669 | 421,432 |
| Other financial institutions | 1,332,559 | 55,997 | 1,489,860 | 8,370 | 246,917 | 255,287 | 1,745,146 | 48,165 | 3,853 | 4,301 | 95,784 | 152,102 |
| | 58,392,373 | 3,992,669 | 62,838,911 | 2,235,368 | 7,710,327 | 9,945,695 | 72,784,606 | 724,809 | 85,225 | 855,369 | 3,564,889 | 5,230,292 |

(*)Credit installments of principal and accrued interest less than 90 days, but about which there is evidence to justify its classification as non-performing loans, particularly bankruptcy, the debtor's liquidation or individual impairment allocation, among others.

| | Exposure in 31-12-2013 | | | | | | | Impairment in 31-12-2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Credit in compliance | | | Non-performing loans | | | Total exposure | Credit in compliance | | Non-performing loans | | Total impairment |
| | Days past due < 30 days | | | Days late due | | Sub-total | | Days late due | | Days late due | | |
| | Without evidence | With evidence | | <=90 (*) | >90 (*) | | | <30 | between 30 - 90 | <=90 (*) | >90 (*) | |
| **Segment** | | | | | | | | | | | | |
| Government | 5,262,837 | 27,346 | 5,292,457 | 153,361 | 87,951 | 241,312 | 5,533,769 | 2,446 | 1,208 | - | 2,805 | 6,460 |
| Corporate | 14,098,692 | 1,045,066 | 15,247,835 | 879,874 | 1,835,573 | 2,715,447 | 17,963,282 | 305,712 | 164,515 | 403,472 | 814,463 | 1,688,162 |
| Construction and real estate (CRE) | 7,126,543 | 1,106,237 | 8,305,602 | 756,760 | 2,726,268 | 3,483,028 | 11,788,629 | 305,305 | 36,513 | 259,728 | 1,015,097 | 1,616,642 |
| Households - Housing | 30,539,566 | 2,333,685 | 33,124,006 | 204,256 | 2,199,263 | 2,403,518 | 35,527,525 | 243,836 | 32,784 | 18,196 | 562,994 | 857,810 |
| Households - Consumption and othe | 1,809,164 | 145,237 | 1,969,297 | 57,918 | 223,526 | 281,444 | 2,250,740 | 39,888 | 5,703 | 25,259 | 137,599 | 208,448 |
| Other financial institutions | 1,239,171 | 73,023 | 1,312,243 | 442 | 153,290 | 153,732 | 1,465,975 | 53,439 | 1,807 | 345 | 79,299 | 134,888 |
| | 60,075,972 | 4,730,594 | 65,251,441 | 2,052,609 | 7,225,871 | 9,278,481 | 74,529,922 | 950,626 | 242,529 | 706,999 | 2,612,257 | 4,512,411 |

(*)Credit installments of principal and accrued interest less than 90 days, but about which there is evidence to justify its classification as non-performing loans, particularly bankruptcy, the debtor's liquidation or individual impairment allocation, among others.

## b) Details of credit portfolio by segment and year of production

| | Government | | | Corporate | | | Construction and real estate (CRE) | | | Households - Housing | | | Households - Consumption and other purposes | | | Other financial institutions | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of operations | Amount | Impairment | Number of operations | Amount | Impairment | Number of operations | Amount | Impairment | Number of operations | Amount | Impairment | Number of operations | Amount | Impairment | Number of operations | Amount | Impairment | Number of operations | Amount | Impairment |
| **Year of production** | | | | | | | | | | | | | | | | | | | | | |
| 2004 and before | 1,742 | 913,078 | 219 | 13,494 | 1,226,599 | 156,568 | 5,824 | 951,716 | 230,951 | 366,161 | 11,051,129 | 370,440 | 23,377 | 200,850 | 37,831 | 60 | 212,463 | 13,509 | 410,658 | 14,555,834 | 809,519 |
| 2005 | 260 | 120,666 | 1,471 | 1,565 | 187,292 | 16,733 | 1,164 | 221,560 | 46,167 | 51,083 | 2,926,780 | 72,451 | 35,707 | 103,216 | 11,578 | 22 | 61,529 | 253 | 89,801 | 3,621,042 | 148,653 |
| 2006 | 190 | 107,772 | 609 | 3,392 | 459,827 | 52,213 | 1,733 | 744,381 | 206,490 | 47,608 | 3,148,496 | 72,810 | 123,852 | 194,861 | 20,661 | 27 | 71,155 | 4,058 | 176,802 | 4,726,492 | 356,839 |
| 2007 | 158 | 221,793 | 112 | 6,171 | 765,201 | 155,902 | 3,269 | 1,123,544 | 329,282 | 57,041 | 3,764,253 | 102,156 | 40,374 | 241,346 | 74,190 | 106 | 361,825 | 49,585 | 107,119 | 6,477,963 | 711,227 |
| 2008 | 155 | 351,293 | - | 6,392 | 1,807,483 | 157,985 | 3,511 | 1,620,462 | 275,246 | 48,710 | 3,292,758 | 70,774 | 41,891 | 162,060 | 34,155 | 110 | 60,695 | 4,569 | 100,769 | 7,294,750 | 542,729 |
| 2009 | 148 | 388,162 | 10 | 6,689 | 837,602 | 119,041 | 3,799 | 1,386,746 | 225,851 | 43,881 | 3,405,246 | 41,765 | 50,356 | 197,533 | 27,241 | 86 | 21,481 | 1,405 | 104,959 | 6,236,770 | 415,311 |
| 2010 | 169 | 573,850 | 531 | 9,940 | 1,850,218 | 354,781 | 4,663 | 793,779 | 117,955 | 34,951 | 3,063,260 | 29,249 | 65,158 | 295,167 | 26,152 | 152 | 51,492 | 25,908 | 115,033 | 6,627,766 | 554,575 |
| 2011 | 120 | 241,027 | 1,292 | 9,892 | 1,683,655 | 152,624 | 4,354 | 565,400 | 93,347 | 16,588 | 1,357,046 | 10,246 | 45,802 | 209,743 | 15,379 | 165 | 42,750 | 10,521 | 76,921 | 4,099,621 | 283,409 |
| 2012 | 121 | 341,216 | 237 | 9,490 | 1,339,471 | 166,962 | 3,492 | 691,509 | 124,861 | 7,426 | 538,106 | 5,396 | 42,499 | 533,292 | 155,191 | 159 | 247,771 | 11,656 | 63,187 | 3,691,363 | 464,303 |
| 2013 | 157 | 241,020 | 75 | 13,100 | 1,997,465 | 174,021 | 4,009 | 1,181,952 | 190,658 | 8,228 | 626,083 | 3,589 | 51,173 | 240,852 | 9,792 | 150 | 99,706 | 14,853 | 76,817 | 4,387,078 | 392,989 |
| 2014 | 148 | 2,404,141 | 514 | 34,955 | 5,142,078 | 304,245 | 11,291 | 1,924,719 | 217,473 | 10,060 | 734,358 | 3,455 | 61,997 | 346,351 | 9,262 | 347 | 514,279 | 15,788 | 118,798 | 11,065,926 | 550,737 |
| | 3,368 | 5,904,017 | 5,069 | 115,080 | 17,296,890 | 1,811,075 | 47,109 | 11,205,769 | 2,058,282 | 691,737 | 33,907,512 | 782,331 | 582,186 | 2,725,271 | 421,432 | 1,384 | 1,745,146 | 152,102 | 1,440,864 | 72,784,606 | 5,230,292 |

## c) Details of the amount of gross credit exposure and separately and collectively analysed impairment, by segment, sector (code of economic activities) and geography;

| | 31-12-2014 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Government | | Corporate | | Construction and real estate (CRE) | | Households - Housing | | Consumer and other purposes | | Other financial institutions | | Total | |
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| **Avaliation** | | | | | | | | | | | | | | |
| Individual | 76,416 | 3,519 | 4,701,153 | 1,294,820 | 5,522,858 | 1,619,113 | 13,676 | 1,943 | 525,712 | 216,995 | 566,256 | 139,402 | 11,406,071 | 3,275,793 |
| Collective | 5,827,602 | 1,550 | 12,595,738 | 516,255 | 5,682,911 | 439,168 | 33,893,836 | 780,389 | 2,199,559 | 204,436 | 1,178,890 | 12,700 | 61,378,535 | 1,954,498 |
| | 5,904,017 | 5,069 | 17,296,890 | 1,811,075 | 11,205,769 | 2,058,282 | 33,907,512 | 782,331 | 2,725,271 | 421,432 | 1,745,146 | 152,102 | 72,784,606 | 5,230,292 |

| | 31-12-2013 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Government | | Corporate | | Construction and real estate (CRE) | | Households - Housing | | Consumer and other purposes | | Other financial institutions | | Total | |
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| **Avaliation** | | | | | | | | | | | | | | |
| Individual | 132,941 | 3,031 | 4,817,035 | 1,078,344 | 4,674,657 | 1,121,691 | 127,487 | 1,898 | 154,771 | 38,114 | 598,022 | 114,494 | 10,504,912 | 2,357,572 |
| Collective | 5,400,829 | 3,429 | 13,146,248 | 609,818 | 7,113,972 | 494,952 | 35,400,038 | 855,912 | 2,095,970 | 170,334 | 867,953 | 20,395 | 64,025,010 | 2,154,839 |
| | 5,533,769 | 6,460 | 17,963,282 | 1,688,162 | 11,788,629 | 1,616,642 | 35,527,525 | 857,810 | 2,250,740 | 208,448 | 1,465,975 | 134,888 | 74,529,922 | 4,512,411 |

| | 31-12-2014 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Government | | | | Other | | | | Total | | | |
| | Individual | | Colective | | Individual | | Colective | | Individual | | Colective | |
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| **Activity sector** | | | | | | | | | | | | |
| Construction and real estate (CRE) | - | - | - | - | 5,522,858 | 1,619,113 | 5,682,911 | 439,168 | 5,522,858 | 1,619,113 | 5,682,911 | 439,168 |
| Agriculture, forestry and fishing | - | - | - | - | 87,325 | 27,490 | 317,584 | 11,578 | 87,325 | 27,490 | 317,584 | 11,578 |
| Mining and quarrying | - | - | - | - | 18,951 | 2,863 | 180,552 | 9,872 | 18,951 | 2,863 | 180,552 | 9,872 |
| Manufacturing | - | - | 1,242 | 36 | 1,152,886 | 441,349 | 2,507,922 | 122,160 | 1,152,886 | 441,349 | 2,509,164 | 122,196 |
| Electricity, gas, steam and air conditioning supply | - | - | 2,259 | 1 | 96,393 | 3,048 | 964,086 | 7,598 | 96,393 | 3,048 | 966,345 | 7,598 |
| Water supply | - | - | 1,294 | 4 | 52,460 | 17,491 | 433,107 | 6,074 | 52,460 | 17,491 | 434,401 | 6,078 |
| Wholesale and retail trade | - | - | 937 | 6 | 481,730 | 209,771 | 2,375,757 | 180,632 | 481,730 | 209,771 | 2,376,694 | 180,638 |
| Transport and storage | 1,031 | - | 72,476 | 611 | 373,619 | 75,934 | 754,522 | 20,266 | 374,650 | 75,934 | 826,998 | 20,876 |
| Accommodation and food service activities | - | - | - | - | 75,696 | 15,890 | 383,877 | 24,251 | 75,696 | 15,890 | 383,877 | 24,251 |
| Information and communication | - | - | - | - | 75,932 | 12,584 | 239,493 | 11,206 | 75,932 | 12,584 | 239,493 | 11,206 |
| Professional, scientific and technical activities | - | - | 1,001,675 | 50 | 362,349 | 132,718 | 478,728 | 19,843 | 362,349 | 132,718 | 1,480,402 | 19,893 |
| Administrative and support service activities | 15,530 | 1,444 | 2,903 | 17 | 84,162 | 21,892 | 306,103 | 14,862 | 99,692 | 23,336 | 309,006 | 14,879 |
| Public administration and defence, compulsory social security | 22,282 | - | 3,305,058 | 799 | 191 | 85 | 32,587 | 49 | 22,473 | 85 | 3,337,645 | 848 |
| Education | - | - | 5,338 | 16 | 14,931 | 774 | 153,002 | 7,171 | 14,931 | 774 | 158,339 | 7,187 |
| Human health services and social work activities | 86 | - | 1,999 | 1 | 184,224 | 10,054 | 294,326 | 11,288 | 184,310 | 10,054 | 296,325 | 11,289 |
| Arts, entertainment and recreation | 543 | 109 | - | - | 45,200 | 7,165 | 195,082 | 5,612 | 45,743 | 7,274 | 195,082 | 5,612 |
| Other services | 36,944 | 1,966 | 80,005 | 10 | 236,774 | 41,113 | 642,494 | 35,827 | 273,718 | 43,080 | 722,499 | 35,837 |
| Other financial activities | - | - | 1,352,418 | - | 1,924,586 | 414,002 | 3,515,405 | 40,667 | 1,924,586 | 414,002 | 4,867,823 | 40,667 |
| Households - housing | - | - | - | - | 13,676 | 1,943 | 33,893,836 | 780,389 | 13,676 | 1,943 | 33,893,836 | 780,389 |
| Households - other | - | - | - | - | 525,712 | 216,995 | 2,199,559 | 204,436 | 525,712 | 216,995 | 2,199,559 | 204,436 |
| | 76,416 | 3,519 | 5,827,602 | 1,550 | 11,329,656 | 3,272,274 | 55,550,933 | 1,952,948 | 11,406,071 | 3,275,793 | 61,378,535 | 1,954,498 |

| | 31-12-2013 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Government | | | | Other | | | | Total | | | |
| | Individual | | Colective | | Individual | | Colective | | Individual | | Colective | |
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| **Activity sector** | | | | | | | | | | | | |
| Construction and real estate (CRE) | - | - | - | - | 4,674,657 | 1,121,691 | 7,113,972 | 494,952 | 4,674,657 | 1,121,691 | 7,113,972 | 494,952 |
| Agriculture, forestry and fishing | - | - | - | - | 58,272 | 16,739 | 334,360 | 14,574 | 58,272 | 16,739 | 334,360 | 14,574 |
| Mining and quarrying | - | - | - | - | 24,563 | 2,644 | 77,912 | 3,854 | 24,563 | 2,644 | 77,912 | 3,854 |
| Manufacturing | - | - | - | - | 1,077,687 | 264,165 | 2,580,159 | 130,431 | 1,077,687 | 264,165 | 2,580,159 | 130,431 |
| Electricity, gas, steam and air conditioning supply | - | - | 28,092 | 16 | 94,727 | 15,690 | 898,225 | 56,019 | 94,727 | 15,690 | 926,316 | 56,035 |
| Water supply | - | - | 7 | - | 49,685 | 7,379 | 473,370 | 14,519 | 49,685 | 7,379 | 473,377 | 14,519 |
| Wholesale and retail trade | - | - | 964 | 4 | 432,365 | 152,965 | 2,178,089 | 169,985 | 432,365 | 152,965 | 2,179,053 | 169,988 |
| Transport and storage | - | - | 85,054 | 1,740 | 279,000 | 41,823 | 1,506,154 | 27,168 | 279,000 | 41,823 | 1,591,207 | 28,908 |
| Accommodation and food service activities | - | - | 177 | - | 56,880 | 10,798 | 239,596 | 24,943 | 56,880 | 10,798 | 239,773 | 24,943 |
| Information and communication | - | - | 10 | 1 | 65,543 | 8,263 | 286,721 | 15,424 | 65,543 | 8,263 | 286,731 | 15,425 |
| Professional, scientific and technical activities | - | - | 1,074,047 | 3 | 179,258 | 18,180 | 538,805 | 21,315 | 179,258 | 18,180 | 1,612,852 | 21,318 |
| Administrative and support service activities | 2,173 | 109 | 15,223 | 542 | 69,401 | 15,609 | 315,194 | 17,827 | 71,574 | 15,718 | 330,417 | 18,369 |
| Public administration and defence, compulsory social security | 120,806 | 818 | 2,952,230 | 1,075 | 157 | 226 | 21,842 | 202 | 120,963 | 1,045 | 2,974,072 | 1,277 |
| Education | - | - | 5,436 | 25 | 12,108 | 257 | 134,976 | 5,199 | 12,108 | 257 | 140,413 | 5,224 |
| Human health services and social work activities | - | - | 2,073 | 2 | 200,208 | 11,100 | 292,358 | 9,988 | 200,208 | 11,100 | 294,432 | 9,989 |
| Arts, entertainment and recreation | 543 | 109 | 1,196 | 2 | 139,846 | 46,802 | 281,838 | 34,894 | 140,389 | 46,911 | 283,033 | 34,896 |
| Other services | 9,418 | 1,995 | 78,433 | 20 | 497,875 | 192,243 | 453,381 | 18,847 | 507,293 | 194,239 | 531,814 | 18,868 |
| Other financial activities | - | - | 1,157,888 | - | 2,177,481 | 387,954 | 3,401,221 | 65,022 | 2,177,481 | 387,954 | 4,559,109 | 65,022 |
| Households - housing | - | - | - | - | 127,487 | 1,898 | 35,400,038 | 855,912 | 127,487 | 1,898 | 35,400,038 | 855,912 |
| Households - other | - | - | - | - | 154,771 | 38,114 | 2,095,970 | 170,334 | 154,771 | 38,114 | 2,095,970 | 170,334 |
| | 132,941 | 3,031 | 5,400,829 | 3,429 | 10,371,971 | 2,354,541 | 58,624,181 | 2,151,410 | 10,504,912 | 2,357,572 | 64,025,010 | 2,154,839 |

| | 31-12-2014 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Portugal | | Spain | | France | | Africa | | Asia | | Rest of the world | | Total | |
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| **Measure** | | | | | | | | | | | | | | |
| Individual | 9,295,418 | 2,588,417 | 1,190,755 | 475,874 | 227,911 | 149,107 | 199,155 | 36,132 | - | - | 492,832 | 26,263 | 11,406,071 | 3,275,793 |
| Coletive | 49,216,411 | 1,667,862 | 3,219,833 | 76,683 | 3,499,184 | 67,222 | 2,608,597 | 64,657 | 2,342,734 | 65,786 | 491,776 | 12,288 | 61,378,535 | 1,954,498 |
| | 58,511,829 | 4,256,279 | 4,410,588 | 552,557 | 3,727,095 | 216,329 | 2,807,752 | 100,789 | 2,342,734 | 65,786 | 984,608 | 38,551 | 72,784,606 | 5,230,292 |

| | 31-12-2013 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Portugal | | Spain | | France | | Africa | | Asia | | Rest of the world | | Total | |
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| **Measure** | | | | | | | | | | | | | | |
| Individual | 9,079,681 | 1,973,519 | 910,005 | 306,344 | 122,293 | 36,138 | 125,467 | 22,270 | - | - | 267,466 | 19,301 | 10,504,912 | 2,357,572 |
| Coletive | 51,603,760 | 1,747,508 | 3,814,676 | 166,383 | 3,418,391 | 71,441 | 2,962,002 | 66,126 | 1,696,540 | 98,524 | 529,641 | 4,858 | 64,025,010 | 2,154,839 |
| | 60,683,441 | 3,721,027 | 4,724,681 | 472,726 | 3,540,684 | 107,579 | 3,087,469 | 88,395 | 1,696,540 | 98,524 | 797,107 | 24,160 | 74,529,922 | 4,512,411 |

*d) Details of the restructured loan portfolio by restructuring measures applied*

| | 31-12-2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Performing loans | | | Non-performing loans | | | Total | | |
| | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment |
| **Measure** | | | | | | | | | |
| Credit term extension | 7,261 | 900,725 | 78,758 | 4,163 | 954,963 | 302,969 | 11,424 | 1,855,688 | 381,728 |
| Grace period | 3,814 | 355,901 | 13,294 | 1,946 | 204,893 | 29,401 | 5,760 | 560,794 | 42,694 |
| Interest rate changes | 1,692 | 705,956 | 35,943 | 1,350 | 1,539,665 | 587,853 | 3,042 | 2,245,620 | 623,796 |
| Other | 11,881 | 1,361,490 | 63,572 | 8,110 | 1,631,005 | 547,620 | 19,991 | 2,992,495 | 611,192 |
| | 24,648 | 3,324,072 | 191,567 | 15,569 | 4,330,525 | 1,467,843 | 40,217 | 7,654,597 | 1,659,410 |

| | 31-12-2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Performing loans | | | Non-performing loans | | | Total | | |
| | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment |
| **Measure** | | | | | | | | | |
| Credit term extension | 5,785 | 717,574 | 70,073 | 1,972 | 603,214 | 137,581 | 7,757 | 1,320,788 | 207,654 |
| Grace period | 2,857 | 281,213 | 17,972 | 944 | 143,608 | 13,977 | 3,801 | 424,821 | 31,949 |
| Interest rate changes | 1,146 | 662,860 | 47,362 | 715 | 880,430 | 228,107 | 1,861 | 1,543,289 | 275,468 |
| Other | 8,679 | 1,352,835 | 90,359 | 5,452 | 1,329,387 | 440,454 | 14,131 | 2,682,222 | 530,813 |
| | 18,467 | 3,014,483 | 225,766 | 9,083 | 2,956,638 | 820,118 | 27,550 | 5,971,121 | 1,045,884 |

*e) Movements of entries to and exits from the restructured credit portfolio*

| | |
|---|---|
| **Opening balance of restructured loans (gross from impairment) \| 31-12-2013** | 5,971,121 |
| New restructured loans | 2,399,663 |
| Accrued interest of the restructured loans | 62,251 |
| Restuctured loans liquidation (partial or total) | (608,588) |
| Reclassifyed loans from "restructured" to "normal" | (189,921) |
| Other | 20,071 |
| **Closing balance of restructured loans (gross from impairment) \| 31-12-2014** | 7,654,597 |

*f) Details of the fair value of collateral underlying the credit portfolio, namely corporate, construction, "commercial real estate" (CRE) and housing*

| | 31-12-2014 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Corporate | | | | Construction and real estate (CRE) | | | | Households - Housing | | | |
| | Real Estate | | Other real collaterals | | Real Estate | | Other real collaterals | | Real Estate | | Other real collaterals | |
| | Number | Amount | Número | Montante | Number | Amount | Número | Montante | Number | Amount | Número | Montante |
| **Fair value** | | | | | | | | | | | | |
| <0.5 M€ | 7,941 | 1,204,070 | 13,666 | 570,585 | 2,892 | 509,074 | 3,257 | 221,413 | 525,339 | 60,430,374 | 1,346 | 118,945 |
| ≥ 0.5 M€ e < 1 M€ | 1,059 | 534,804 | 510 | 232,547 | 612 | 337,062 | 263 | 159,067 | 2,863 | 1,536,257 | 22 | 15,939 |
| ≥ 1 M€ e < 5 M€ | 985 | 1,409,685 | 248 | 515,659 | 1,088 | 1,797,641 | 340 | 647,677 | 372 | 424,355 | 6 | 8,075 |
| ≥ 5 M€ e < 10 M€ | 135 | 615,916 | 35 | 226,206 | 197 | 964,641 | 64 | 345,114 | 36 | 261,074 | - | - |
| ≥ 10 M€ e < 20 M€ | 36 | 296,927 | 18 | 181,155 | 83 | 897,686 | 24 | 291,046 | 27 | 371,029 | - | - |
| ≥ 20 M€ e < 50 M€ | 11 | 172,755 | 22 | 660,730 | 70 | 1,145,767 | 15 | 362,256 | 9 | 214,832 | - | - |
| ≥ 50 M€ | 3 | 173,174 | 7 | 602,354 | 28 | 1,436,164 | 13 | 905,194 | 5 | 1,718 | - | - |
| | 10,170 | 4,407,332 | 14,506 | 2,989,237 | 4,970 | 7,088,036 | 3,976 | 2,931,767 | 528,651 | 63,239,639 | 1,374 | 142,959 |

| | 31-12-2013 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Corporate | | | | Construction and real estate (CRE) | | | | Households - Housing | | | |
| | Real Estate | | Other real collaterals | | Real Estate | | Other real collaterals | | Real Estate | | Other real collaterals | |
| | Number | Amount | Número | Montante | Number | Amount | Número | Montante | Number | Amount | Número | Montante |
| **Fair value** | | | | | | | | | | | | |
| <0.5 M€ | 10,116 | 1,241,715 | 12,451 | 504,200 | 6,607 | 889,262 | 3,278 | 236,615 | 536,588 | 59,816,357 | 2,981 | 121,213 |
| ≥ 0.5 M€ e < 1 M€ | 1,021 | 504,204 | 538 | 238,906 | 759 | 429,906 | 301 | 181,497 | 2,941 | 1,535,695 | 18 | 11,638 |
| ≥ 1 M€ e < 5 M€ | 968 | 1,370,162 | 267 | 586,314 | 1,220 | 2,086,388 | 330 | 644,402 | 442 | 485,924 | 6 | 11,825 |
| ≥ 5 M€ e < 10 M€ | 121 | 518,183 | 42 | 256,840 | 222 | 1,201,019 | 75 | 415,213 | 67 | 488,139 | - | - |
| ≥ 10 M€ e < 20 M€ | 35 | 326,480 | 24 | 260,513 | 90 | 1,015,681 | 20 | 285,723 | 32 | 446,757 | - | - |
| ≥ 20 M€ e < 50 M€ | 11 | 209,514 | 26 | 721,749 | 63 | 1,236,137 | 15 | 384,399 | 9 | 204,686 | - | - |
| ≥ 50 M€ | 3 | 199,958 | 17 | 1,728,799 | 26 | 1,529,041 | 13 | 1,001,803 | 24 | 4,064 | - | - |
| | 12,275 | 4,370,217 | 13,365 | 4,297,321 | 8,987 | 8,387,435 | 4,032 | 3,149,652 | 540,103 | 62,981,622 | 3,005 | 144,676 |

## *g) LTV ratio of corporate, construction, "commercial property" (CRE) and housing segments*

| Segment / Ratio | 31-12-2014 | | | |
|---|---|---|---|---|
| | Number of properties | Performing loans | Non-performing loans | Impairment |
| **Corporate** | | | | |
| With no associated collateral | | 11,485,880 | 1,482,270 | 1,242,970 |
| < 60% | 3,602 | 420,192 | 86,856 | 27,078 |
| >= 60% e < 80% | 1,869 | 332,372 | 51,641 | 25,413 |
| >= 80% e < 100% | 1,618 | 450,474 | 113,591 | 54,416 |
| >= 100% | 5,863 | 1,986,601 | 887,013 | 461,198 |
| | 12,952 | 14,675,519 | 2,621,371 | 1,811,075 |
| **Construction and real estate (CRE)** | | | | |
| With no associated collateral | | 4,791,620 | 1,539,163 | 1,071,255 |
| < 60% | 2,576 | 400,382 | 203,804 | 72,622 |
| >= 60% e < 80% | 957 | 366,836 | 380,347 | 163,096 |
| >= 80% e < 100% | 1,201 | 738,766 | 517,376 | 178,939 |
| >= 100% | 3,470 | 953,941 | 1,313,535 | 572,370 |
| | 8,204 | 7,251,544 | 3,954,225 | 2,058,282 |
| **Households - Housing** | | | | |
| With no associated collateral | | 716,067 | 180,311 | 129,634 |
| < 60% | 389,177 | 12,440,848 | 401,889 | 85,769 |
| >= 60% e < 80% | 156,081 | 10,495,504 | 449,748 | 107,801 |
| >= 80% e < 100% | 93,428 | 6,960,157 | 627,182 | 177,280 |
| >= 100% | 22,113 | 999,510 | 636,296 | 281,847 |
| | 660,799 | 31,612,086 | 2,295,426 | 782,331 |
| | 681,955 | 53,539,150 | 8,871,022 | 4,651,688 |

| Segment / Ratio | 31-12-2013 | | | |
|---|---|---|---|---|
| | Number of properties | Performing loans | Non-performing loans | Impairment |
| **Corporate** | | | | |
| With no associated collateral | | 11,934,471 | 2,031,778 | 1,361,643 |
| < 60% | 4,184 | 421,730 | 84,184 | 39,388 |
| >= 60% e < 80% | 1,618 | 382,864 | 83,379 | 28,344 |
| >= 80% e < 100% | 1,973 | 672,640 | 131,807 | 52,722 |
| >= 100% | 2,617 | 1,836,130 | 384,299 | 206,065 |
| | 10,392 | 15,247,835 | 2,715,447 | 1,688,162 |
| **Construction and real estate (CRE)** | | | | |
| With no associated collateral | | 5,024,443 | 1,169,660 | 774,245 |
| < 60% | 4,507 | 505,618 | 187,304 | 57,152 |
| >= 60% e < 80% | 1,874 | 426,594 | 393,082 | 146,283 |
| >= 80% e < 100% | 1,711 | 1,022,086 | 475,580 | 181,724 |
| >= 100% | 2,165 | 1,326,861 | 1,257,402 | 457,239 |
| | 10,257 | 8,305,602 | 3,483,028 | 1,616,642 |
| **Households - Housing** | | | | |
| With no associated collateral | | 765,108 | 157,330 | 106,511 |
| < 60% | 370,608 | 12,482,852 | 426,331 | 93,410 |
| >= 60% e < 80% | 155,168 | 10,859,564 | 496,117 | 152,358 |
| >= 80% e < 100% | 102,860 | 7,923,634 | 693,192 | 242,224 |
| >= 100% | 20,977 | 1,092,848 | 630,548 | 263,307 |
| | 649,613 | 33,124,006 | 2,403,518 | 857,810 |
| | 670,262 | 56,677,443 | 8,601,993 | 4,162,614 |

*h) Details of fair value and net book value of properties received in kind or repossessed by type of assets and seniority*

| Asset | 31-12-2014 | | |
|---|---|---|---|
| | Number of real estate | Fair value of assets | Book value |
| **Land** | | | |
| Urban | 559 | 157,729 | 89,578 |
| Rural | 1 | 12 | 6 |
| **Buildings in development** | | | |
| Business | 115 | 42,016 | 27,341 |
| Housing | 564 | 97,018 | 64,951 |
| Other | 46 | 127 | 67 |
| **Built buildings** | | | |
| Business | 1,617 | 407,226 | 294,111 |
| Housing | 4,406 | 441,978 | 283,871 |
| Other | 994 | 44,935 | 39,984 |
| **Other** | 17 | 31 | 165 |
| | 8,319 | 1,191,072 | 800,075 |

| Asset | 31-12-2014 | | | | |
|---|---|---|---|---|---|
| | < 1 year | >= 1 year e < 2.5 years | >= 2.5 years e < 5 years | >= 5 years | Total |
| **Land** | | | | | |
| Urban | 14,361 | 32,338 | 15,617 | 27,263 | 89,578 |
| Rural | - | - | - | 6 | 6 |
| **Buildings in development** | | | | | |
| Business | 3,754 | 21,646 | 561 | 1,381 | 27,341 |
| Housing | 14,455 | 30,369 | 13,370 | 6,758 | 64,951 |
| Other | 4 | 7 | 9 | 48 | 67 |
| **Built buildings** | | | | | |
| Business | 96,327 | 146,409 | 30,941 | 20,433 | 294,111 |
| Housing | 98,405 | 124,398 | 35,868 | 25,201 | 283,871 |
| Other | 27,566 | 8,468 | 1,243 | 2,707 | 39,984 |
| **Other** | 0 | 150 | - | 16 | 165 |
| | 254,872 | 363,783 | 97,608 | 83,812 | 800,075 |

<u>Explanatory notes for filling in the quantitative disclosures:</u>

- Common definitions

**Segmentation** – the segments used are based on the definitions provided in the Bank of Portugal's *Monetary and Financial Statistics* publication:

i. "Government" – the *local and central government* sector which includes institutional units whose main activity consists of the production of non-market goods and services for individual or collective consumption and/or redistribution of income and national wealth;

ii. "Corporate" – non-financial corporations sector, comprising institutional units with their own legal personality whose main activity consists of producing non-financial goods and services;

iii. "Construction CRE" – non-financial corporations having an economic activity related with the "construction" or "property activities" sectors, according to the respective "CAE" (classification of economic activity) Rev.3;

Household sector – includes individuals or groups thereof, in their capacity as consumers, producers of goods and services for own use or producers of financial or non-financial goods and services, provided that such activities are not imputed to quasi-companies.

Also included are the self-employed who are part of individual companies and companies of persons not having a legal personality which are market producers.

iv. "Individuals - housing" – household sector which takes out loans for housing purposes;

v. "Individuals - consumption and other purposes" – household sector which do not take out loans for housing (usually consumer credit);

vi. "Other " – Other financial corporations (financial institutions sector which includes institutional units having their own legal personality which are market producers and whose main activity consists of producing financial services, excluding financial intermediation) and other institutions or individuals.

Performing/non-performing loans follow the default criteria defined in item 8. IV. of the qualitative information.

Restructured credit follows the criteria defined in item 4 of the qualitative information.

Individual and collective analyses – differentiates between credit with individual and collective impairment in accordance with the impairment model.

- Tables a)

Cured credit refers to performing credit that, according to the credit impairment model has already been in default.

Note: in the case of *cured credit* which has been *restructured*, the classification as restructured credit prevails.

Performing credit with evidence follow the criteria defined in item 8. II. of the qualitative information.

Non-performing credit in arrears for less than 90 days refers to the other event losses defined in item 8. IV of the qualitative information.

- Table b)

Year of production refers to the date upon which the portfolio operations in December 2014 were entered into.

- Table c)

Activity sectors refer to the economic activity codes (*CAEs*) Rev.3 of customers in the “corporate” and “government” sectors.

i. Customers in the “Other financial institutions” segment were included in the other financial activities sector.

ii. Customers classified as being “Individual customers – housing” and – “Individual customers - Other” were allocated the respective segments.

In each geography reference is made to the portfolio credit of the entities with an activity in the said region/geography.

- Table d)

In the restructuring measures, the first event on a level of contractual changes after having been marked as restructured owing to financial difficulties was assumed. The “Other” restructuring measure includes the following events:

a. Capitalisation of interest;
b. Refinancing operations;
c. Moratoria on payments/maturity;
d. Capital deferments;
e. Other non-systemised automatic or manual markings.

- Table f)

Real collateral considered in the impairment model:

Property refers to mortgage guarantees on such properties.

Other real collateral includes mortgage guarantees and moveable/material assets and financial collateral such as deposits, bonds, shares, etc.

The fair value of collateral is understood to be the valuation price in the case of mortgage collateral and market value for financial collateral. In cases in which the same guarantee/collateral covers more than one credit operation, fair value is duly weighted by the operations based on the amount of the credit.

- Table g)

LTV is the ratio between outstanding credit and the fair value of the collateral held.

*Liquidity risk*

Liquidity risk derives from the possibility of difficulties (i) in obtaining resources to finance assets, which normally leads to higher borrowing costs but may also imply a restriction on asset growth, and (ii) the prompt settlement of obligations to third parties deriving from significant mismatches between the periods to maturity of an institution's financial assets and liabilities. Liquidity risk may, for example, translate the impossibility of selling a financial asset quickly at a price close to its fair value.

Under IFRS 7, the contractual periods to maturity of financial instruments, at 31 December 2014 and 2013 were as follows:

| | 31-12-2014 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Residual periods to maturity | | | | | | | | | |
| | Up to 1 month | 1 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | 5 to 10 years | More than 10 years | Unspecified | Total |
| **Assets** | | | | | | | | | | |
| Cash and cash equivalents at central banks | 2,118,280 | - | - | - | - | - | - | - | - | 2,118,280 |
| Cash balances at other credit institutions | 875,106 | - | - | - | - | - | - | - | - | 875,106 |
| Loans and advances to credit institutions | 1,514,803 | 224,741 | 135,266 | 182,973 | 8,165 | 2,821 | 4,425 | 32,788 | 46,269 | 2,152,250 |
| Securities | | | | | | | | | | |
| Trading | 62,245 | 4,825 | 17,288 | 16,768 | 30,968 | 159,460 | 60,836 | 18 | 1,937,085 | 2,289,493 |
| Other (net of impairment) | 432,972 | 1,751,355 | 1,532,900 | 4,140,528 | 2,792,913 | 2,278,920 | 2,561,576 | 314,576 | 2,305,373 | 18,111,113 |
| Loans and advances to customers (gross) | 3,340,043 | 2,940,101 | 4,776,407 | 3,568,660 | 11,005,923 | 9,525,917 | 15,820,092 | 31,256,708 | 58,464 | 82,292,316 |
| Assets with repurchase agreement | 2,286 | 167,653 | 178,101 | 33,095 | 470,118 | 187,473 | 179,310 | 7,311 | 193,550 | 1,418,897 |
| Hedging derivatives | - | - | - | - | - | - | - | - | 78,008 | 78,008 |
| | 8,345,734 | 5,088,676 | 6,639,961 | 7,942,022 | 14,308,088 | 12,154,591 | 18,626,239 | 31,611,402 | 4,618,749 | 109,335,462 |
| **Liabilities** | | | | | | | | | | |
| Resources of central banks and credit institutions | (2,018,030) | (1,169,294) | (204,733) | (220,250) | (456,690) | (1,456,545) | (569,586) | - | (79,824) | (6,174,952) |
| Customer resources | (28,428,836) | (7,216,442) | (8,610,234) | (8,221,123) | (14,482,522) | (4,644,233) | (395,059) | (172,738) | (68,584) | (72,239,771) |
| Debt securities | (112,448) | (81,177) | (105,219) | (1,336,102) | (2,667,517) | (1,802,155) | (1,494,290) | (169,032) | (43,654) | (7,811,594) |
| Financial liabilities at fair value through profit or loss | (1,118) | (482) | (1,647) | (2,300) | (1,901) | (1,000) | (7,567) | - | (2,105,111) | (2,121,127) |
| Hedging derivatives | - | - | - | - | - | - | - | - | (20,040) | (20,040) |
| Subordinated liabilities | (8,021) | (10,487) | (52,283) | (53,483) | (1,585,459) | (942,816) | (30,349) | (124,269) | 6,051 | (2,801,115) |
| Consigned resources | - | (369) | (485) | (3,074) | (9,268) | (12,443) | (521,416) | (169,458) | (130) | (716,643) |
| | (30,568,453) | (8,478,251) | (8,974,602) | (9,836,332) | (19,203,357) | (8,859,191) | (3,018,267) | (635,497) | (2,311,292) | (91,885,241) |
| **Derivatives** | (1,642) | (15,133) | 2,731 | 4,444 | (46,277) | (40,142) | (73,519) | 11,396 | - | (158,142) |
| **Difference** | (22,224,361) | (3,404,708) | (2,331,910) | (1,889,865) | (4,941,547) | 3,255,257 | 15,534,453 | 30,987,301 | 2,307,458 | 17,292,078 |

| | 31-12-2013 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Residual periods to maturity | | | | | | | | | |
| | Up to 1 month | 1 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | 5 to 10 years | More than 10 years | Unspecified | Total |
| **Assets** | | | | | | | | | | |
| Cash and cash equivalents at central banks | 1,545,946 | - | - | - | - | - | - | - | - | 1,545,946 |
| Cash balances at other credit institutions | 1,036,391 | - | - | - | - | - | - | - | 109 | 1,036,500 |
| Loans and advances to credit institutions | 1,422,192 | 140,363 | 40,102 | 62,398 | 10,075 | 2,268 | 33,131 | 24,053 | 55,857 | 1,790,440 |
| Securities | | | | | | | | | | |
| Trading | 1,750 | 10,294 | 31,569 | 76,658 | 109,222 | 37,522 | 192,998 | 7,359 | 1,542,999 | 2,010,371 |
| Other (net of impairment) | 58,107 | 758,744 | 1,111,288 | 4,305,237 | 2,826,747 | 2,991,600 | 3,536,316 | 1,246,013 | 1,606,945 | 18,440,997 |
| Loans and advances to customers (gross) | 3,981,069 | 3,636,887 | 5,076,410 | 3,735,576 | 13,541,427 | 10,014,013 | 17,962,436 | 36,427,341 | (137,352) | 94,237,809 |
| Assets with repurchase agreement | 12,016 | 21,101 | 12,974 | 27,340 | 230,189 | 386,984 | 84,817 | - | 5,376 | 780,797 |
| Hedging derivatives | - | - | - | - | - | - | - | - | 45,458 | 45,458 |
| | 8,057,471 | 4,567,389 | 6,272,343 | 8,207,209 | 16,717,660 | 13,432,387 | 21,809,698 | 37,704,767 | 3,119,394 | 119,888,318 |
| **Liabilities** | | | | | | | | | | |
| Resources of central banks and credit institutions | (1,621,536) | (1,708,105) | (129,332) | (431,431) | (5,340,577) | (280,743) | (698,571) | (1,586) | 204,561 | (10,007,319) |
| Customer resources | (24,224,548) | (7,012,433) | (7,989,079) | (11,515,255) | (13,421,344) | (3,943,224) | (396,316) | (125,098) | (728,725) | (69,356,022) |
| Debt securities | (132,467) | (1,163,155) | (101,309) | (1,230,089) | (4,001,820) | (1,083,913) | (1,704,504) | (393,037) | 5,338 | (9,804,955) |
| Financial liabilities at fair value through profit or loss | (788) | (84) | (271) | (946) | - | - | (1,138) | (2,725) | (1,638,880) | (1,644,832) |
| Hedging derivatives | - | - | - | - | - | - | - | - | (65,110) | (65,110) |
| Subordinated liabilities | (5,110) | (16,842) | (50,994) | (52,048) | (270,411) | (1,949,257) | (587,885) | (130,349) | 6,072 | (3,056,824) |
| Consigned resources | - | (760) | (50,905) | (20,541) | (17,555) | (31,552) | (554,899) | (287,294) | (159) | (963,665) |
| | (25,984,449) | (9,901,379) | (8,321,891) | (13,250,309) | (23,051,707) | (7,288,688) | (3,943,314) | (940,088) | (2,216,902) | (94,898,727) |
| **Derivatives** | (1,166) | (18,566) | 2,030 | 9,792 | (43,772) | (19,033) | (64,299) | (53,235) | - | (188,249) |
| **Difference** | (17,928,144) | (5,352,555) | (2,047,517) | (5,033,308) | (6,377,820) | 6,124,667 | 17,802,084 | 36,711,444 | 902,491 | 24,801,342 |

The above tables also include cash flow projections on principal and interest and are not therefore directly comparable to the accounting balances at 31 December 2014 and 2013. Interest projections on variable-rate operations incorporate the forward rates implicit in the current yield curve in force on the respective references dates.

In the specific case of mortgage loans, the distribution of principal and interest flows also took expectations on early repayment rates into account, based on an analysis of the track record of operations and the present macroeconomic situation.

The following tables, which contain information on CGD group's "structural" (as opposed to contractual) periods to maturity at 31 December 2014 and 2013 differ from the former tables in their use of the following premises:

- Debt and equity securities: reallocation of amounts with adequate liquidity to the "up to 1 month" bucket, except for collateralised debt securities which were allocated to buckets corresponding to the maturity of the operations being collateralised;
- Customers' sight deposits: reallocation of the balance of core deposits (i.e. deposits comprising a stable funding source for lending operations) from the "up to 1 month" bucket to the more than 4 years buckets in conformity with internally developed studies and models;
- Term and savings deposits (CGD headquarters): the expected lengths of deposit periods were estimated (different from contractual periods) on the basis of which the respective balances were reallocated by bucket.
- The amounts presented also correspond to outstanding capital balances and do not include interest or accrued interest projections.

| | 31-12-2014 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Remaining maturity | | | | | | | | | |
| | Up to 1 month | 1 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | 5 to 10 years | More than 10 years | Unspecified | Total |
| **Assets** | | | | | | | | | | |
| Cash and cash equivalents at central banks | 2,118,000 | - | - | - | - | - | - | - | - | 2,118,000 |
| Cash balances at other credit institutions | 875,106 | - | - | - | - | - | - | - | - | 875,106 |
| Loans and advances to credit institutions | 1,513,613 | 224,372 | 135,210 | 182,802 | 6,162 | 1,064 | - | 27,550 | 46,269 | 2,137,042 |
| Securities | | | | | | | | | | |
| Trading | 190,780 | 21,032 | 3,117 | 1,891 | 4,148 | 55,138 | 10,430 | 61,941 | 1,902,441 | 2,250,918 |
| Other (net of impairment) | 8,763,347 | 1,188,554 | 230,912 | 612,418 | 366,978 | 1,617,097 | 332,808 | 2,894,932 | 714,002 | 16,721,049 |
| Loans and advances to customers (gross) | 3,192,716 | 2,724,194 | 4,437,456 | 3,045,501 | 9,158,270 | 7,892,666 | 12,167,154 | 23,681,435 | 58,464 | 66,357,856 |
| Assets with repurchase agreement | 45,000 | 412,500 | 130,000 | - | 494,833 | - | - | - | 193,550 | 1,275,883 |
| | 16,698,562 | 4,570,652 | 4,936,696 | 3,842,611 | 10,030,392 | 9,565,965 | 12,510,391 | 26,665,858 | 2,914,726 | 91,735,853 |
| **Liabilities** | | | | | | | | | | |
| Resources of central banks and credit institutions | (2,015,769) | (1,159,115) | (199,863) | (206,500) | (410,534) | (1,401,942) | (505,275) | - | (79,824) | (5,978,820) |
| Customer resources | (8,369,666) | (6,128,998) | (4,687,411) | (9,304,679) | (18,621,379) | (7,767,827) | (2,667,200) | (13,036,383) | (68,553) | (70,652,096) |
| Debt securities | (8,401) | (73,858) | (95,551) | (1,211,557) | (2,362,375) | (1,618,374) | (1,426,152) | (150,772) | (43,654) | (6,990,694) |
| Financial liabilities at fair value through profit or loss | (1,118) | (482) | (1,647) | (2,300) | (1,901) | (1,000) | (5,893) | (1,674) | (2,105,111) | (2,121,127) |
| Subordinated liabilities | (8,021) | (2,824) | (384) | (384) | (1,393,707) | (910,183) | - | (100,000) | 6,051 | (2,409,453) |
| Consigned resources | - | - | - | - | - | - | (484,751) | (154,020) | (130) | (638,901) |
| | (10,402,975) | (7,365,278) | (4,984,855) | (10,725,421) | (22,789,897) | (11,699,325) | (5,089,271) | (13,442,848) | (2,291,221) | (88,791,092) |
| Difference | 6,295,587 | (2,794,626) | (48,160) | (6,882,810) | (12,759,505) | (2,133,360) | 7,421,120 | 13,223,009 | 623,505 | 2,944,762 |

| | 31-12-2013 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Remaining maturity | | | | | | | | | |
| | Up to 1 month | 1 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | 3 to 5 years | 5 to 10 years | More than 10 years | Unspecified | Total |
| **Assets** | | | | | | | | | | |
| Cash and cash equivalents at central banks | 1,545,275 | - | - | - | - | - | - | - | - | 1,545,275 |
| Cash balances at other credit institutions | 1,032,306 | - | - | - | - | - | - | - | 109 | 1,032,416 |
| Loans and advances to credit institutions | 1,421,200 | 139,920 | 40,006 | 62,124 | 8,686 | 998 | 29,865 | 19,619 | 55,857 | 1,778,276 |
| Securities | | | | | | | | | | |
| Trading | 108,999 | 27,421 | 4,574 | 10,172 | 156,930 | 3,525 | 27,264 | 114,618 | 1,503,186 | 1,956,688 |
| Other (net of impairment) | 3,890,455 | 1,035,527 | 158,446 | 617,771 | 5,438,577 | 374,124 | 449,942 | 4,221,883 | 185,897 | 16,372,622 |
| Loans and advances to customers (gross) | 3,830,930 | 3,386,379 | 4,675,904 | 3,111,941 | 11,050,184 | 7,343,331 | 11,672,964 | 24,457,884 | (137,352) | 69,392,165 |
| Assets with repurchase agreement | 420,678 | 292,581 | - | - | - | - | - | - | (7,624) | 705,636 |
| | 12,249,844 | 4,881,828 | 4,878,930 | 3,802,008 | 16,654,377 | 7,721,978 | 12,180,034 | 28,814,003 | 1,600,074 | 92,783,078 |
| **Liabilities** | | | | | | | | | | |
| Resources of central banks and credit institutions | (1,620,437) | (1,687,857) | (127,502) | (408,642) | (5,245,422) | (209,435) | (552,060) | (1,586) | 204,561 | (9,648,379) |
| Customer resources | (6,500,549) | (4,720,691) | (4,995,274) | (11,637,754) | (17,293,509) | (7,029,111) | (2,446,807) | (11,864,597) | (732,066) | (67,220,358) |
| Debt securities | (50,263) | (1,101,236) | (89,183) | (1,040,887) | (3,592,342) | (895,799) | (1,532,769) | (308,623) | 5,338 | (8,605,764) |
| Financial liabilities at fair value through profit or loss | (788) | (84) | (271) | (946) | - | - | (1,138) | (2,725) | (1,638,880) | (1,644,832) |
| Subordinated liabilities | (4,889) | (8,973) | (452) | (452) | (39,295) | (1,825,422) | (537,451) | (100,000) | 6,072 | (2,510,862) |
| Consigned resources | - | - | (50,000) | (16,667) | - | - | (458,196) | (250,684) | (159) | (775,705) |
| | (8,176,926) | (7,518,840) | (5,262,683) | (13,105,347) | (26,170,568) | (9,959,767) | (5,528,422) | (12,528,213) | (2,155,133) | (90,405,899) |
| Difference | 4,072,919 | (2,637,013) | (383,752) | (9,303,339) | (9,516,192) | (2,237,789) | 6,651,613 | 16,285,790 | (555,059) | 2,377,179 |

## *Interest rate risk*

Interest rate risk derives from the possibility that the cash flows associated with a certain financial instrument, or its fair value, may change as the result of a change in market interest rates.

Detailed information on financial instruments exposed to interest rate risk, based on their maturity or interest refixing date, at 31 December 2014 and 2013 is set out in the following tables:

| | 31-12-2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Repricing dates / Maturity dates | | | | | | | | |
| | <= 7 days | >7 days <= 1 month | > 1 month <= 3 months | > 3 months <= 6 months | > 6 months <= 12 months | > 12 months <= 3 years | > 3 years | Unspecified | Total |
| **Assets** | | | | | | | | | |
| Cash and cash equivalents at central banks | 2,070,061 | 47,938 | - | - | - | - | - | - | 2,118,000 |
| Cash balances at other credit institutions | 875,106 | - | - | - | - | - | - | - | 875,106 |
| Loans and advances to credit institutions | 1,297,847 | 227,025 | 214,333 | 135,210 | 182,802 | 6,162 | 27,393 | 46,269 | 2,137,042 |
| Securities | | | | | | | | | |
| Trading | 36 | 41,700 | 3,985 | 16,887 | 8,179 | 16,269 | 195,854 | 70,939 | 353,849 |
| Other (net of impairment) | 97,203 | 914,979 | 2,165,864 | 1,633,417 | 6,162,873 | 1,113,617 | 2,237,346 | 2,395,751 | 16,721,049 |
| Loans and advances to customers (gross) | 2,619,717 | 15,410,302 | 22,711,161 | 18,429,255 | 1,299,304 | 1,258,476 | 4,516,880 | 112,760 | 66,357,856 |
| Assets with repurchase agreement | - | 83,000 | 357,500 | 626,833 | - | - | 15,000 | 193,550 | 1,275,883 |
| | 6,959,971 | 16,724,944 | 25,452,843 | 20,841,603 | 7,653,157 | 2,394,525 | 6,992,473 | 2,819,269 | 89,838,784 |
| **Liabilities** | | | | | | | | | |
| Resources of central banks and credit institutions | (1,056,941) | (2,387,698) | (1,782,664) | (394,342) | (244,000) | (16,778) | (14,617) | (81,781) | (5,978,820) |
| Financial liabilities at fair value through profit or loss | - | (1,118) | (482) | (1,647) | (2,300) | (1,901) | (33,957) | (2,079,722) | (2,121,127) |
| Liabilities associated with unit-linked products | (22,121,080) | (6,669,960) | (11,382,256) | (15,350,290) | (8,700,607) | (4,032,773) | (2,323,703) | (71,429) | (70,652,096) |
| Customer resources | (22,660) | (8,401) | (704,710) | (95,000) | (1,250,447) | (2,032,959) | (2,832,862) | (43,654) | (6,990,694) |
| Subordinated liabilities | (8,021) | - | (473,609) | (558,835) | (368,907) | (906,132) | (100,000) | 6,051 | (2,409,453) |
| Consigned resources | - | - | (451,799) | - | (96,250) | - | (90,723) | (130) | (638,901) |
| | (23,208,702) | (9,067,177) | (14,795,520) | (16,400,115) | (10,662,510) | (6,990,543) | (5,395,862) | (2,270,664) | (88,791,092) |
| **Derivatives** | | | | | | | | | |
| Interest Rate Swaps (IRSs) | 4,377,768 | 74,153 | (1,330,427) | (1,098,001) | (1,089,742) | 191,537 | (1,075,941) | - | 49,347 |
| Interest rate futures | - | - | 1,551,390 | - | - | - | 21,055 | - | 1,572,445 |
| Forward Rate Agreements (FRAs) | - | - | - | - | - | - | 10,000 | - | 10,000 |
| Interest rate options | - | - | - | - | - | - | 2,645,330 | - | 2,645,330 |
| | 4,377,768 | 74,153 | 220,963 | (1,098,001) | (1,089,742) | 191,537 | 1,600,444 | - | 4,277,122 |
| Net exposure | (11,870,963) | 7,731,920 | 10,878,286 | 3,343,487 | (4,099,095) | (4,404,482) | 3,197,055 | 548,606 | 5,324,814 |

| | 31-12-2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Repricing dates / Maturity dates | | | | | | | | |
| | <= 7 days | >7 days <= 1 month | > 1 month <= 3 months | > 3 months <= 6 months | > 6 months <= 12 months | > 12 months <= 3 years | > 3 years | Unspecified | Total |
| **Assets** | | | | | | | | | |
| Cash and cash equivalents at central banks | 1,389,259 | 156,016 | - | - | - | - | - | - | 1,545,275 |
| Cash balances at other credit institutions | 1,032,306 | - | - | - | - | - | - | 109 | 1,032,416 |
| Loans and advances to credit institutions | 1,274,904 | 177,381 | 144,798 | 40,006 | 62,124 | 3,808 | 19,397 | 55,857 | 1,778,276 |
| Securities | | | | | | | | | |
| Trading | - | - | 9,807 | 30,491 | 67,814 | 93,239 | 214,808 | 62,080 | 478,239 |
| Other (net of impairment) | 33,507 | 558,606 | 1,239,550 | 1,420,026 | 6,927,286 | 1,723,835 | 2,856,516 | 1,613,296 | 16,372,622 |
| Loans and advances to customers (gross) | 3,162,350 | 16,229,124 | 24,482,921 | 19,050,041 | 1,243,761 | 2,009,885 | 3,316,028 | (101,945) | 69,392,165 |
| Assets with repurchase agreement | 22,478 | 54,877 | 256,704 | 10,000 | 20,200 | 175,500 | 160,500 | 5,376 | 705,636 |
| | 6,914,805 | 17,176,004 | 26,133,781 | 20,550,565 | 8,321,186 | 4,006,266 | 6,567,248 | 1,634,774 | 91,304,629 |
| **Liabilities** | | | | | | | | | |
| Resources of central banks and credit institutions | (1,163,144) | (457,293) | (2,437,857) | (127,502) | (408,642) | (5,245,422) | (13,081) | 204,561 | (9,648,379) |
| Financial liabilities at fair value through profit or loss | - | (788) | (84) | (271) | (946) | - | (3,863) | (1,638,880) | (1,644,832) |
| Liabilities associated with unit-linked products | (19,707,562) | (6,518,654) | (9,782,379) | (12,080,520) | (10,996,790) | (7,390,748) | (587,234) | (156,471) | (67,220,358) |
| Customer resources | (24,905) | (25,358) | (1,897,840) | (87,700) | (1,112,326) | (3,221,843) | (2,241,131) | 5,338 | (8,605,764) |
| Subordinated liabilities | - | (104,889) | (477,546) | (558,903) | (368,974) | (1,808) | (1,004,814) | 6,072 | (2,510,862) |
| Consigned resources | - | - | (692,773) | - | - | - | (82,773) | (159) | (775,705) |
| | (20,895,611) | (7,106,981) | (15,288,479) | (12,854,896) | (12,887,677) | (15,859,821) | (3,932,894) | (1,579,538) | (90,405,899) |
| **Derivatives** | | | | | | | | | |
| Interest Rate Swaps (IRSs) | 4,984,328 | 161,064 | (1,324,326) | (1,454,610) | (207,652) | (622,349) | (1,561,071) | - | (24,616) |
| Interest rate futures | - | - | 974,163 | - | - | - | 6,861 | - | 981,023 |
| Forward Rate Agreements (FRAs) | - | - | - | - | - | - | 35,000 | - | 35,000 |
| Interest rate options | - | - | - | - | - | - | (253,818) | - | (253,818) |
| | 4,984,328 | 161,064 | (350,163) | (1,454,610) | (207,652) | (622,349) | (1,773,029) | - | 737,589 |
| Net exposure | (8,996,478) | 10,230,086 | 10,495,139 | 6,241,059 | (4,774,143) | (12,475,903) | 861,325 | 55,235 | 1,636,320 |

The above tables include the amounts of outstanding capital, excluding accrued interest and value adjustments.

Their production was based on the following assumptions:

- Claims on central banks were classified in the up to 1 month column and customers' sight deposits were classified in the "<= 7 days" column;
- The difference between the nominal and market value of debt securities recognised at fair value is considered in the "indeterminate" column and includes the accrued interest component.
- Equity instruments were classified in the "indeterminate" column.

## *Fair value*

The following tables set out information on the balance sheet and fair values of the principal financial assets and liabilities, at amortised cost, at 31 December 2014 and 2013:

| | 31-12-2014 | | | | |
|---|---|---|---|---|---|
| | Balances analysed | | | Balances not analysed | Total book value |
| | Book value | Fair value | Difference | Book value | |
| **Assets** | | | | | |
| Cash and cash equivalents at central banks | 2,118,028 | 2,118,028 | - | - | 2,118,028 |
| Cash balances at other credit institutions | 878,298 | 878,298 | - | - | 878,298 |
| Loans and advances to credit institutions | 1,863,968 | 1,870,542 | 6,573 | 269,697 | 2,133,665 |
| Held-to-maturity investments | 690,743 | 717,170 | 26,427 | - | 690,743 |
| Loans and advances to customers | 61,320,818 | 55,614,434 | (5,706,384) | 5,542,753 | 66,863,572 |
| | 66,871,855 | 61,198,472 | (5,673,383) | 5,812,450 | 72,684,305 |
| **Liabilities** | | | | | |
| Resources of central banks and other credit institutions | 5,794,865 | 5,850,931 | (56,065) | 206,821 | 6,001,687 |
| Customer resources | 66,356,098 | 66,964,066 | (607,968) | 4,778,078 | 71,134,176 |
| Debt securities | 7,004,972 | 7,204,377 | (199,405) | 169,506 | 7,174,478 |
| Subordinated liabilities | 2,420,551 | 2,517,743 | (97,192) | 7,355 | 2,427,905 |
| Consigned resources | 638,901 | 661,384 | (22,483) | - | 638,901 |
| | 82,215,387 | 83,198,501 | (983,114) | 5,161,760 | 87,377,147 |

| | 31-12-2013 | | | | |
|---|---|---|---|---|---|
| | Balances analysed | | | Balances not analysed | Total book value |
| | Book value | Fair value | Difference | Book value | |
| **Assets** | | | | | |
| Cash and cash equivalents at central banks | 1,545,339 | 1,545,339 | - | - | 1,545,339 |
| Cash balances at other credit institutions | 1,037,121 | 1,037,121 | - | (538) | 1,036,583 |
| Loans and advances to credit institutions | 1,307,297 | 1,306,312 | (985) | 467,505 | 1,774,802 |
| Held-to-maturity investments | 705,636 | 705,636 | - | - | 705,636 |
| Loans and advances to customers | 67,331,179 | 59,672,618 | (7,657,985) | 2,686,332 | 70,017,511 |
| | 71,926,573 | 64,267,026 | (7,658,971) | 3,153,299 | 75,079,872 |
| **Liabilities** | | | | | |
| Resources of central banks and other credit institutions | 9,835,039 | 9,763,230 | 71,810 | (100,390) | 9,734,649 |
| Customer resources | 65,976,420 | 66,494,589 | (518,169) | 1,866,504 | 67,842,925 |
| Debt securities | 8,717,423 | 8,583,996 | 133,426 | 73,964 | 8,791,387 |
| Subordinated liabilities | 2,508,172 | 2,356,541 | 151,631 | 15,528 | 2,523,700 |
| Consigned resources | 775,546 | 789,274 | (13,728) | 159 | 775,705 |
| | 87,812,600 | 87,987,630 | (175,030) | 1,855,765 | 89,668,365 |

Fair value was assessed on the following premises:

- The book value of balances payable on demand corresponds to their fair value;
- The fair value of Caixa’s listed issuances (net), corresponds to their respective market price;
- Discounted cash flow models were used to assess the fair value of the remaining financial instruments, for both fixed and variable-interest rate instruments up to the operations’ maturity using the operations’ contractual terms and discount curves appropriate to the type of instrument, including:
  - → Market interest rates, incorporating the average spreads on new investment operations and credit institutions’ resources;
  - → Market interest rates incorporating the average spreads charged on new lending operations and customer deposits on like-for-like types of loans and deposits;
- The “Balances not analysed” column essentially includes:
  - → Overdue credit, net of provisions;
  - → The balances of several entities not included in Caixa’s calculations.

The form of measuring the fair value of financial instruments recognised in the financial statements, at 31 December 2014 and 2013, may be summarised as follows:

| | 31-12-2014 | | | |
|---|---|---|---|---|
| | Measurement techniques | | | Total |
| | Level 1 Market prices | Level 2 Market inputs | Level 3 Other measurement techniques | |
| Securities held for trading | 352,349 | 1,183 | 317 | 353,849 |
| Securities at fair value through profit or loss (*) | 293,749 | - | 528,909 | 822,658 |
| Available-for-sale financial assets | 9,780,015 | 4,481,690 | 1,459,623 | 15,721,327 |
| Assets with repurchase agreement | 258,378 | 203,663 | 128,342 | 590,383 |
| Trading derivatives | 1,001 | (756,315) | 531,752 | (223,562) |
| Other liabilities held for trading | (496) | - | - | (496) |
| Hedging derivatives | - | 67,308 | (9,340) | 57,968 |
| | 10,684,996 | 3,997,529 | 2,639,602 | 17,322,127 |

(*) The amounts presented exclude loans and other receivables

| | 31-12-2013 | | | |
|---|---|---|---|---|
| | Measurement techniques | | | Total |
| | Level 1 Market prices | Level 2 Market inputs | Level 3 Other measurement techniques | |
| Securities held for trading | 418,532 | 59,707 | - | 478,239 |
| Securities at fair value through profit or loss (*) | 533,459 | 26,773 | 268,772 | 829,004 |
| Available-for-sale financial assets | 9,593,300 | 4,244,509 | 1,528,721 | 15,366,530 |
| Assets with repurchase agreement | 488,435 | 209,679 | 7,522 | 705,636 |
| Trading derivatives | 321 | (560,893) | 394,188 | (166,384) |
| Hedging derivatives | - | 44,019 | (63,670) | (19,651) |
| | 11,034,047 | 4,023,794 | 2,135,533 | 17,193,374 |

(*) The amounts presented exclude loans and other receivables

The above table was based on the following criteria:

- **Level 1** – Market prices. This column includes financial instruments measured on the basis of active market prices;
- **Level 2** – Measurement techniques – observable market input. This column includes financial instruments measured by internal models using observable market input (interest rates, foreign exchange rates, ratings issued by external entities, other). The column also includes bid prices supplied by external counterparties;
- **Level 3** – Other measurement techniques. This column includes financial instruments measured by internal models or prices supplied by external entities including non-observable market parameters or net asset values (NAV) supplied by restructuring funds or closed-end fund managers.

Movements in financial instruments, classified in the “Other measurement techniques” column, in 2014 and 2013 were as follows:

| | Financial assets at fair value through profit or loss | | | Available-for-sale financial assets | | | | | Derivates financial instruments | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Equity instruments | Debt instruments | Subtotal | Equity instruments | Debt instruments | | | Subtotal | | |
| | | Corporate bonds | | | Asset-backed securities | Collateralized Loan Obligation | Corporate bonds | | | |
| Book value (net) at 31-12-2013 | 264,042 | 4,730 | 268,772 | 922,694 | 375,291 | 7,229 | 231,029 | 1,536,243 | 330,518 | 2,135,533 |
| Changes in consolidation perimeter | 17,327 | - | 17,327 | (261) | - | - | (1,144) | (1,405) | - | 15,922 |
| Acquisitions | 45,882 | 2,035 | 47,917 | 92,943 | 13,676 | - | 6,156 | 112,774 | (1,433) | 159,258 |
| Amortisations | - | - | - | - | (43,469) | (255) | (19,188) | (62,912) | (13,819) | (76,731) |
| Sales | (5,747) | - | (5,747) | (4,607) | (2,958) | (8,738) | (34,777) | (51,080) | - | (56,827) |
| Gains / (losses) recognised as a charge to results - alienated instruments | 101 | - | 101 | 2,610 | 151 | 74 | (28) | 2,807 | - | 2,909 |
| Gains / (losses) recognised as a charge to results - portfolio instruments | 13,945 | 231 | 14,176 | 209 | 8,715 | - | 3,488 | 12,413 | 207,146 | 233,735 |
| Impairment for the year | - | - | - | (60,234) | - | - | - | (60,234) | - | (60,234) |
| Gains / (losses) recognised as a charge to fair value reserves | - | - | - | 69,823 | 51,493 | 1,689 | 7,958 | 130,964 | - | 130,964 |
| Transfers from / (to) other levels (Levels 1 and 2) | 186,679 | - | 186,679 | (3,888) | (5,311) | - | (34,691) | (43,890) | - | 142,789 |
| Other | - | - | - | 13,036 | - | - | - | 13,036 | - | 13,036 |
| Other | - | - | - | (752) | - | - | - | (752) | - | (752) |
| Book value (net) at 31-12-2014 | 522,230 | 6,996 | 529,225 | 1,031,575 | 397,588 | 0 | 158,803 | 1,587,965 | 522,412 | 2,639,602 |

| | Financial assets at fair value through profit or loss | | | Available-for-sale financial assets | | | | | Derivates financial instruments | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Equity instruments | Debt instruments | Subtotal | Equity instruments | Debt instruments | | | Subtotal | | |
| | | Corporate bonds | | | Asset-backed securities | Collateralized Loan Obligation | Corporate bonds | | | |
| Book value (net) at 31-12-2012 | 158,002 | 4,630 | 162,632 | 266,325 | - | - | 49,272 | 315,598 | - | 478,230 |
| Acquisitions | 52,227 | - | 52,227 | 191,907 | - | - | 12,828 | 204,735 | 73,518 | 330,481 |
| Amortisations | - | - | - | - | - | - | (11,673) | (11,673) | - | (11,673) |
| Sales | (46,856) | - | (46,856) | (1,266) | - | - | (181) | (1,447) | - | (48,303) |
| Gains / (losses) recognised as a charge to results - alienated instruments | 4,249 | - | 4,249 | 244 | - | - | (171) | 73 | - | 4,322 |
| Gains / (losses) recognised as a charge to results - portfolio instruments | (8,047) | 100 | (7,947) | (260) | - | - | 463 | 204 | - | (7,743) |
| Impairment for the year | - | - | - | (12,281) | - | - | - | (12,281) | - | (12,281) |
| Gains / (losses) recognised as a charge to fair value reserves | - | - | - | 8,000 | - | - | 1,935 | 9,935 | - | 9,935 |
| Transfers from / (to) other levels (Levels 1 and 2) | 104,467 | - | 104,467 | 472,467 | 375,291 | 7,229 | 179,130 | 1,034,117 | 257,000 | 1,395,584 |
| Other | - | - | - | (2,443) | - | - | (576) | (3,019) | - | (3,019) |
| Book value (net) at 31-12-2013 | 264,042 | 4,730 | 268,772 | 922,694 | 375,291 | 7,229 | 231,029 | 1,536,243 | 330,518 | 2,135,533 |

At 31 December 2014 and 2013, a positive shift of 100 bp on the interest rate curve used to discount estimated future flows on debt instruments measured by internal models, would result in a decrease of around €208 thousand and €650 thousand in fair balance sheet value and revaluation reserves, respectively.

Equity instruments measured by other measurement techniques (level 3) at 31 December 2014 and 2013, essentially include investment structures valued on the basis of data on the underlying net asset values provided by management entities or other information service providers.

Transfers between levels 1 and 2 of the fair value ranking, in 2014, were as follows:

| | 31-12-2014 | | | |
|---|---|---|---|---|
| | Securities at fair value through profit or loss | | Available-for-sale financial assets | |
| | Transfers from level 1 to level 2 | Transfers from level 2 to level 1 | Transfers from level 1 to level 2 | Transfers from level 2 to level 1 |
| Debt instruments | 260 | 15,359 | 68,275 | 6,173 |
| | 260 | 15,359 | 68,275 | 6,173 |

| | 31-12-2013 | | | |
|---|---|---|---|---|
| | Securities at fair value through profit or loss | | Available-for-sale financial assets | |
| | Transfers from level 1 to level 2 | Transfers from level 2 to level 1 | Transfers from level 1 to level 2 | Transfers from level 2 to level 1 |
| Debt instruments | - | 20,749 | 136,921 | 41,370 |
| | - | 20,749 | 136,921 | 41,370 |

The transfers noted between classification levels in the fair value chain assessment are essentially on account of the changes in the available resources for the valuation of these assets (market or external counterparties).

*Derivatives*

Derivatives trading is performed in organised and OTC markets.

Listed derivatives operations are valued on prices taken from financial information systems (*Reuters/Bloomberg*).

OTC derivatives are valued by commonly accepted theoretical, reasonably complex models, depending on the characteristics of the product in question:

- Discounted future cash flows based on an adequate yield curve;
- Valuations based on statistical models, accepted in the market, such as *Black & Scholes*.

The type of input necessary for the valuation also depends upon the characteristics of the operations, which are generally yield curves, volatility curves, equity prices/indices, exchange rates and dividend yields.

Yield curves are produced on deposit rates and swap prices taken from Reuters/Bloomberg. An adjustment based on interest rate futures or FRAs is applied to currencies with the highest exposure levels. Different future yield curves are available, depending on the period of the operation's indexer.

Volatility curves are produced on the basis of the implicit volatilities in the prices of listed options on underlying assets if there are no listed options for an underlying assets historic volatility is calculated on the basis of the historical price series of its component parts.

Prices of shares/indices, exchange rates and dividend yields are supplied by Reuters/Bloomberg.

Starting 2013, as a result of the adoption of IFRS 13, the group incorporated add-ons to its valuation of the said financial instruments to reflect its own credit risk based on a market discount curve it considers to reflect the associated risk profile. Simultaneously, based on its current exposure, the group adopted an analogous methodology to reflect counterparty credit risk in derivatives with positive fair value. The fair value thus obtained comprises the risk-free appreciation affected by this addition.

The value of CVA (credit value adjustments), recognised In "Financial assets held-for-trading" and DVA (debit value adjustments) recognised in "Financial liabilities held-for-trading" at 31 December 2014 and 2013, totalled “€128,234 thousand and €2,156 thousand, respectively, and €101,470 thousand and €2,415 thousand, respectively”.

*Debt instruments of financial and non-financial entities*

Whenever possible, securities are valued at market prices based on an internally developed algorithm which endeavours to obtain the most appropriate price for each security in accordance with a ranking of contributors internally defined by CGD. Price changes are analysed daily to ensure the quality of the prices used.

In general, the input used for internal valuations is obtained from Bloomberg and Reuters systems.

There are several securities for which market prices cannot be obtained: assets classified at levels 2 and 3. These securities are priced by the use of internal/external valuation techniques. The valuations are generally based on future discounted cash flow projections. The forecast may be the result of a reasonably complex model ranging from simple discounted cash flows resulting from forward rates obtained from the most adequate interest rate curve, which, in turn, is produced on the basis of money market and swap rates, whose money market component is adjusted by future interest rate prices or FRAs to a CLO (collateralised loan obligations) cascade payment (projected on the basis of information disclosed in investor reports).

For discount purposes, internal valuations use a listed credit curve complying with the issuance’s currency/sector/rating trinomial to consider the risk attached to each issuance. Segmentation between levels 2 and 3 is essentially associated with the viability of the direct observation of the information on input sources for valuation purposes. The valuations provided by structurers, issuing entities or counterparties (external measurements) are also allocated to level 3. Securitisations with reduced liquidity are also allocated to level 3.

Interest rate curves are calculated on money market rates and swap prices. In the case of euro, sterling and US dollar interest rates curves, an adjustment is made using the market price of interest rate futures and/or FRAs.

At 31 December 2014 and 2013 the values of the curves of the currencies with highest exposure levels, were as follows:

| | 31-12-2014 | | | 31-12-2013 | | |
|---|---|---|---|---|---|---|
| | EUR | USD | GBP | EUR | USD | GBP |
| Overnight | -0.1700 | 0.1800 | 0.4500 | 0.1200 | 0.1500 | 0.4100 |
| 1 month | 0.0100 | 0.3000 | 0.5700 | 0.1800 | 0.1800 | 0.4200 |
| 2 months | 0.0349 | 0.3300 | 0.6000 | 0.2089 | 0.2100 | 0.4600 |
| 3 months | 0.0599 | 0.3380 | 0.6110 | 0.2351 | 0.2325 | 0.4936 |
| 6 months | 0.1239 | 0.3209 | 0.6149 | 0.3093 | 0.2549 | 0.5383 |
| 9 months | 0.1250 | 0.3715 | 0.6350 | 0.3304 | 0.2761 | 0.5787 |
| 1 year | 0.1385 | 0.4537 | 0.6658 | 0.3609 | 0.2990 | 0.6284 |
| 2 years | 0.1769 | 0.9043 | 0.8670 | 0.5190 | 0.4790 | 0.9947 |
| 3 years | 0.2223 | 1.2750 | 1.1536 | 0.7373 | 0.8490 | 1.4039 |
| 5 years | 0.3554 | 1.7580 | 1.4710 | 1.2562 | 1.7440 | 2.1170 |
| 7 years | 0.5272 | 2.0295 | 1.6725 | 1.6811 | 2.4150 | 2.5693 |
| 10 years | 0.8129 | 2.2660 | 1.8737 | 2.1558 | 3.0110 | 2.9919 |
| 15 years | 1.1459 | 2.4920 | 2.1026 | 2.5848 | 3.5070 | 3.3210 |
| 20 years | 1.3199 | 2.6010 | 2.2200 | 2.7178 | 3.7060 | 3.4208 |
| 25 years | 1.4100 | 2.6500 | 2.2565 | 2.7438 | 3.7940 | 3.4433 |
| 30 years | 1.4649 | 2.6740 | 2.2713 | 2.7348 | 3.8395 | 3.4397 |

Credit curve values are obtained from Bloomberg/Thomson Reuters Eikon systems and are assessed on the prices of a series of securities complying with the currency/sector/rating trinomial. The values of the credit curve of the Portuguese and German governments, at 31 December 2014 and 2013, were as follows:

| | 31-12-2014 | | 31-12-2013 | |
|---|---|---|---|---|
| | Portuguese Government | German Government | Portuguese Government | German Government |
| 3 months | 0.1370 | -0.2880 | 0.8231 | 0.1027 |
| 6 months | 0.2211 | -0.1295 | 1.1033 | 0.1257 |
| 9 months | 0.1875 | -0.1260 | 1.2105 | 0.1319 |
| 1 year | 0.3075 | -0.1265 | 1.2808 | 0.1383 |
| 2 years | 0.5062 | -0.1075 | 3.2942 | 0.1809 |
| 3 years | 1.0137 | -0.0960 | 3.9012 | 0.3888 |
| 5 years | 1.5997 | 0.0090 | 5.1150 | 0.9328 |
| 7 years | 2.1690 | 0.1835 | 5.7238 | 1.3962 |
| 10 years | 2.8665 | 0.5385 | 6.0551 | 1.9705 |
| 15 years | 3.4403 | 0.8875 | 6.2115 | 2.3071 |
| 20 years | 3.6264 | 1.1440 | 6.2713 | 2.5502 |
| 25 years | 3.7159 | 1.2475 | 6.3069 | 2.7613 |
| 30 years | 3.7396 | 1.3510 | 6.3207 | 2.7580 |

Foreign exchange rates are assessed on the prices set by the central bank. The following table provides information on the foreign exchange rate pairings of several of the relevant currencies at 31 December 2014 and 2013:

| | 31-12-2014 | 31-12-2013 |
|---|---|---|
| EUR/USD | 1.2141 | 1.3791 |
| EUR/GBP | 0.7789 | 0.8337 |
| EUR/CHF | 1.2024 | 1.2276 |
| EUR/AUD | 1.4829 | 1.5423 |
| EUR/JPY | 145.23 | 144.72 |
| EUR/BRL | 3.2207 | 3.2576 |

*Equity instruments held as part of a venture capital activity*

Unlisted own equity instruments held as part of a venture capital activity are valued by the following criteria:

i) Prices of materially relevant transactions made by independent entities over the last six months;

ii) Multiples of comparable companies in terms of activity, size and profitability;

iii) Discounted cash flows;

iv) Settlement price corresponding to the net amount of an associated company's assets;

v) Acquisition cost.

*Market risk*

Market risk is the risk of a change in the fair value or cash flows of financial instruments based on changes in market prices including foreign exchange, interest rate and price risks.

Market risk assessments are based on the following methodologies:

- Value at Risk (VaR) on the following portfolios:
  - Held-for-trading portfolio – perimeter of "held-for-trading" positions and originating in CGD group;
  - Own portfolio – securities acquired for investment purposes, upon which deleveraging operations are currently being performed;
  - Investment portfolio – to set up a value and liquidity reserve to include the remaining securities in Caixa's own portfolio and their associated hedges, except for equity stakes and securitised loans;
  - Treasury management – money market funding, derivatives associated with this activity and debt issuances exposed to market risk;
  - Branches – CGD London, CGD New York and CGD Cayman;
  - Subsidiaries – CaixaBI, BCG Spain, BCG Brazil and BNU Macau.
- Sensitivity analysis on all financial instruments sensitive to interest rate risk recognised in CGD's and the following CGD group business units' separate financial statements;
  - Caixa - Banco de Investimento;
  - BCG Spain;
  - BNU Macau.
- Sensitivity analysis on all financial instruments with optionality.
  - Stress tests.

*VaR analysis – market risk*

VaR is an estimate of the maximum unrealised loss on a specific assets portfolio over a given timeframe, considering a given confidence level based on normal market patterns.

The calculation methodology is based on historical simulation, i.e. future events are totally explained by past events, based on the following premises:

- holding period: 10 days (investment and own portfolios, branches and subsidiaries) and 1 day (trading portfolio and treasury management);
- confidence level: 99% (investment and own portfolios), branches and subsidiaries) and 95% (trading portfolio and treasury management);
- price sample period: 730 calendar days;
- decay factor =1, i.e. all past observations carry the same weight.

The theoretical price for options is calculated by the use of adequate models and the use of implied volatility. Given the methodology used, correlations are not calculated but empirical.

The following is a breakdown of VaR, at 31 December 2014 and 2013 (thousand euros):

***Activity of Caixa Geral de Depósitos (headquarters and branches)***

**Trading portfolio (VaR 95%, 1 day)**

| | 31-12-2014 | Maximum | Minimum | 31-12-2013 |
|---|---|---|---|---|
| **VaR by type of risk** | | | | |
| Interest rate | 1,473 | 3,660 | 1,473 | 3,658 |
| Foreign exchange rate | 144 | 3,252 | 7 | 97 |
| Price | - | 716 | - | - |
| Volatility | - | 1 | - | - |
| Diversification effect | (128) | - | - | (116) |
| | 1,489 | 3,831 | 1,485 | 3,639 |

**Treasury management (VaR 95%, 1 day)**

| | 31-12-2014 | Maximum | Minimum | 31-12-2013 |
|---|---|---|---|---|
| **VaR by type of risk** | | | | |
| Interest rate | 2,459 | 2,522 | 390 | 1,784 |
| Foreign exchange rate | 1,864 | 3,369 | 429 | 1,846 |
| Price | - | - | - | - |
| Volatility | - | - | - | - |
| Diversification effect | (1,611) | - | - | (1,177) |
| | 2,712 | 3,361 | 567 | 2,453 |

### Own portfolio (VaR 99%, 10 days)

| | 31-12-2014 | Maximum | Minimum | 31-12-2013 |
|---|---|---|---|---|
| **VaR by type of risk** | | | | |
| Interest rate | 47 | 236 | 21 | 230 |
| Foreign exchange rate | 26 | 3,627 | 2 | 27 |
| Price | 1,453 | 2,843 | 1,429 | 2,057 |
| Volatility | - | - | - | - |
| Diversification effect | (67) | - | - | (289) |
| | 1,458 | 3,614 | 1,435 | 2,026 |

### Investment portfolio (VaR 99%, 10 days)

| | 31-12-2014 | Maximum | Minimum | 31-12-2013 |
|---|---|---|---|---|
| **VaR by type of risk** | | | | |
| Interest rate | 91,475 | 167,816 | 82,458 | 161,059 |
| Foreign exchange rate | 33 | 444 | 32 | 93 |
| Price | - | - | - | - |
| Volatility | - | - | - | - |
| Diversification effect | 2 | - | - | (47) |
| | 91,511 | 167,862 | 82,486 | 161,105 |

### London branch activity (VaR 99%, 10 days)

| | 31-12-2014 | Maximum | Minimum | 31-12-2013 |
|---|---|---|---|---|
| **VaR by type of risk** | | | | |
| Interest rate | 2,111 | 9,662 | 2,109 | 9,662 |
| Foreign exchange rate | 144 | 1,630 | 23 | 175 |
| Price | 848 | 2,528 | 530 | 810 |
| Volatility | 539 | 908 | 256 | 863 |
| Diversification effect | (1,130) | - | - | (1,666) |
| | 2,512 | 10,005 | 2,512 | 9,844 |

***Investment banking activity***

**Caixa - Banco de Investimento (VaR 99%, 10 days)**

| | 31-12-2014 | Maximum | Minimum | 31-12-2013 |
|---|---|---|---|---|
| **VaR by type of risk** | | | | |
| Interest rate | 5,730 | 12,581 | 5,137 | 12,045 |
| Foreign exchange rate | 22 | 2,855 | 22 | 1,401 |
| Price | 95 | 1,061 | 72 | 1,082 |
| Volatility | 241 | 518 | 176 | 516 |
| Diversification effect | (507) | - | - | (2,003) |
| | 5,581 | 13,188 | 4,926 | 13,042 |

The diversification effect is calculated implicitly. Total VaR refers to the combined effect of interest rate, price, foreign exchange and volatility risks.

***Sensitivity analysis – interest rate***

The sensitivity analysis of the fair value of financial instruments sensitive to interest rate risk is included in the Bank of Portugal's instruction 19/2005 which incorporates the recommendations of the Basel Committee on Banking Supervision as part of Basel II's Pillar II and the "Principles for the management and supervision of interest rate risk" document.

In the sphere of the prudential reporting requirements of instruction 19/2005, CGD calculates the impact of a +200 bps change in interest rates on the fair value of all balance and off-balance sheet banking portfolio elements, i.e. not included in the trading portfolio. Information on the referred to impact, at 31 December 2014 and 2013, is set out in the following table:

| | Fair Value | | | | | |
|---|---|---|---|---|---|---|
| | 31-12-2014 | | | 31-12-2013 | | |
| | Position | Weighted factor | Weighted position | Position | Weighted factor | Weighted position |
| Repayable on demand - 1 month | 7,175,402 | 0.08% | (5,740) | 12,089,669 | 0.08% | (9,672) |
| 1 - 3 months | 12,064,780 | 0.32% | (38,607) | 12,479,558 | 0.32% | (39,935) |
| 3 - 6 months | 2,700,339 | 0.72% | (19,442) | 5,629,946 | 0.72% | (40,536) |
| 6 - 12 months | (2,931,814) | 1.43% | 41,925 | (5,355,302) | 1.43% | 76,581 |
| 1 - 2 years | (20,781,207) | 2.77% | 575,639 | (25,323,773) | 2.77% | 701,469 |
| 2 - 3 years | (1,352,268) | 4.49% | 60,717 | (2,976,861) | 4.49% | 133,661 |
| 3 - 4 years | (844,593) | 6.14% | 51,858 | (23,088,512) | 6.14% | 1,418 |
| 4 - 5 years | (889,654) | 7.71% | 68,592 | (132,798) | 7.71% | 10,239 |
| 5 - 7 years | (495,428) | 10.15% | 50,286 | (399,461) | 10.15% | 40,545 |
| 7 - 10 years | 678,938 | 13.26% | (90,027) | 8,159 | 13.26% | (1,082) |
| 10 - 15 years | 232,357 | 17.84% | (41,452) | 540,346 | 17.84% | (96,398) |
| 15 - 20 years | 297,639 | 22.43% | (66,760) | 303,221 | 22.43% | (68,012) |
| >20 years | 501,867 | 26.03% | (130,636) | 360,333 | 26.03% | (93,795) |
| **Total impact** | | | **456,351** | | | **614,484** |

3

The analysis set out in the above table, at 31 December 2014 and 2013, excludes the effect on fair value of parallel shifts of the reference interest rate curves for the operations of Banco Caixa Geral - Brasil, S.A., Banco Comercial e de Investimento, S.A.R.L., Banco Interatlântico, S.A., Banco Comercial do Atlântico, S.A., Banco Nacional Ultramarino, Caixa Leasing e Factoring, IFIC, S.A. and Banco Caixa Geral Totta - Angola.

As regards the analysis of the sensitivity of net interest income to changes in interest rates, the following table describes the effect of the projected income on CGD of a parallel shift of the interest rate curves for ±50, ±100 e ±200 bps, in 2015 and 2014:

**ESTIMATED NET INTEREST INCOME**

| | - 200 bp | - 100 bp | - 50 bp | + 50 bp | + 100 bp | + 200 bp |
|---|---|---|---|---|---|---|
| 2014 | (41,865) | (27,734) | (50,128) | 132,665 | 266,640 | 538,277 |
| 2015 | 6,400 | 9,846 | 7,537 | 100,404 | 201,554 | 405,974 |

The analysis set out in the above table, at 31 December 2014 and 2013, excludes the effect on net interest income of the parallel shifts in the reference interest rates curve for the operations of the Luxembourg, Timor and Zhuhai branches and for the operations of Banco Caixa Geral - Brasil, S.A., Banco Comercial e de Investimento, S.A.R.L., Banco Interatlântico, S.A., Banco Comercial do Atlântico, S.A., Banco Nacional Ultramarino, Caixa Leasing e Factoring, IFIC, S.A., Mercantile Bank and Banco Caixa Geral Totta – Angola. In assessing the impacts, it was considered that the evolution of balance sheet assets and liabilities stocks sensitive to interest rate risk on the calculation's reference dates would be in line with the macroeconomic framework expected for 2015 and 2014, respectively, with its renewal, whenever applicable, to market conditions and the business strategy planned for the referred to years.

The information contained in the preceding tables does not take into consideration structural balance sheet changes or interest rate risk management policies which may be adopted as a consequence of an analysis of the changes in reference interest rates.

*Foreign exchange risk*

*Breakdown of financial instruments by currency*

Financial instruments were broken down into the following currencies, at 31 December 2014 and 2013:

| | 31-12-2014 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Currency | | | | | | | | | | | |
| | Euros | US Dollars | Pounds Sterling | Yen | Macau Patacas | Hong Kong Dollar | Mozambican Meticais | South African Rand | Cape Verde Escudo | Other | Book value of trading derivatives | Total |
| ***Assets*** | | | | | | | | | | | | |
| Cash and cash equivalents at central banks | 1,235,162 | 213,705 | 3,296 | 1,409 | 28,558 | 110,759 | 246,732 | 26,339 | 81,728 | 170,340 | - | 2,118,028 |
| Cash balances at other credit institutions | 559,966 | 120,226 | 7,003 | 9,896 | 77,461 | 70,886 | 11,860 | 325 | 3,830 | 16,845 | - | 878,298 |
| Loans and advances to credit institutions | 317,149 | 578,109 | 12,987 | 53,805 | 604,062 | 136,642 | 81,161 | 215 | 112,860 | 248,492 | - | 2,145,482 |
| Financial assets at fair value though profit or loss | 1,028,422 | 102,598 | 1,642 | 436 | - | 408 | - | - | 2,689 | 40,312 | 1,897,069 | 3,073,576 |
| Available-for-sale financial assets | 14,508,165 | 430,133 | - | - | 24,394 | - | 287,912 | 31,859 | 68,062 | 861,490 | - | 16,212,015 |
| Loans and advances to customers (gross) | 65,946,248 | 1,453,994 | 67,404 | 5,340 | 894,232 | 1,177,217 | 945,630 | 448,226 | 557,190 | 598,383 | - | 72,093,864 |
| Assets with repurchase agreement | 1,281,126 | - | - | - | - | - | - | - | - | - | - | 1,281,126 |
| Other assets | 2,628,012 | 21,332 | 770 | 1 | 644,663 | 3,682 | 17,443 | 91,402 | 13,387 | 21,449 | - | 3,442,141 |
| Accumulated impairment (financial instruments) | (5,486,670) | (169,743) | (4,024) | (105) | (20,883) | (14) | (39,443) | (2,885) | (51,330) | (16,091) | - | (5,791,188) |
| | 82,017,580 | 2,750,354 | 89,078 | 70,782 | 2,252,487 | 1,499,580 | 1,551,295 | 595,481 | 788,416 | 1,941,220 | 1,897,069 | 95,453,342 |
| ***Liabilities*** | | | | | | | | | | | | |
| Resources of central banks and other credit institutions | (5,143,836) | (741,921) | (5,709) | (34) | (21,227) | (20,305) | - | (1,658) | (18,404) | (48,593) | - | (6,001,687) |
| Customer resources | (60,539,332) | (3,355,145) | (44,243) | (4,632) | (2,513,889) | (860,638) | (1,421,503) | (406,300) | (744,191) | (1,244,303) | - | (71,134,176) |
| Debt securities | (6,979,770) | (17,852) | - | (102,209) | - | - | (22,667) | (51,979) | - | (1) | - | (7,174,478) |
| Financial liabilities at fair value through profit or loss | - | - | - | - | - | - | - | - | - | (496) | (2,120,631) | (2,121,127) |
| Subordinated liabilities | (2,409,929) | (5,923) | - | - | - | - | (5,025) | - | (7,028) | - | - | (2,427,905) |
| Consigned resources | (638,901) | - | - | - | - | - | - | - | - | - | - | (638,901) |
| Other | (2,049,715) | (21,949) | (677) | (11) | (672,586) | (4,163) | (27,627) | (39,297) | (138) | (72,328) | - | (2,888,491) |
| | (77,761,483) | (4,142,790) | (50,629) | (106,886) | (3,207,702) | (885,106) | (1,476,822) | (499,234) | (769,761) | (1,365,721) | (2,120,631) | (92,386,765) |
| ***Derivatives (Notional)*** | | | | | | | | | | | | |
| Currency swaps | (1,227,240) | 789,540 | (10,068) | - | - | 421,792 | - | 1,924 | - | 36,423 | - | 12,371 |
| Interest rate swaps | (219,761) | 186,615 | - | 43,380 | - | - | - | - | - | 39,112 | - | 49,346 |
| Other swaps | 15,000 | 24,709 | - | - | - | - | - | - | - | - | - | 39,709 |
| Futures | (1,696,746) | 102,021 | 27,912 | - | - | - | - | - | - | (598,761) | - | (2,165,574) |
| Forward Rate Agreements | 10,000 | - | - | - | - | - | - | - | - | - | - | 10,000 |
| Options and Caps & Floors | 2,187,562 | 682,047 | (115,607) | - | - | - | - | - | - | (144) | - | 2,753,858 |
| Forward foreign exchange transactions | 63,300 | (442,867) | 8,919 | (2,020) | - | 366,408 | - | (36) | - | (3,783) | - | (10,079) |
| | (867,885) | 1,342,065 | (88,844) | 41,360 | - | 788,200 | - | 1,888 | - | (527,153) | - | 689,631 |
| **Net exposure** | 3,388,212 | (50,371) | (50,395) | 5,256 | (955,215) | 1,402,674 | 74,473 | 98,135 | 18,655 | 48,346 | (223,562) | 3,756,208 |

| | 31-12-2013 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Currency | | | | | | | | | | | |
| | Euros | US Dollars | Pounds Sterling | Yen | Macau Patacas | Hong Kong Dollar | Mozambican Meticais | South African Rand | Cape Verde Escudo | Other | Book value of trading derivatives | Total |
| ***Assets*** | | | | | | | | | | | | |
| Cash and cash equivalents at central banks | 889,577 | 174,227 | 2,199 | 846 | 24,215 | 100,150 | 194,199 | 15,276 | 21,457 | 123,193 | - | 1,545,339 |
| Cash balances at other credit institutions | 538,659 | 92,364 | 8,048 | 52,359 | 72,057 | 148,123 | 5,404 | 74,888 | 1,307 | 43,374 | - | 1,036,583 |
| Loans and advances to credit institutions | 311,895 | 430,362 | 438 | 4,082 | 573,449 | 189,750 | 314 | 8,784 | 124,513 | 143,211 | - | 1,786,798 |
| Financial assets at fair value though profit or loss | 971,743 | 176,722 | 29,284 | 338 | - | 40 | - | 26,419 | 2,341 | 100,531 | 1,478,449 | 2,785,864 |
| Available-for-sale financial assets | 14,648,417 | 196,468 | - | - | 7,920 | - | 348,187 | 8,073 | 67,911 | 510,359 | - | 15,787,335 |
| Loans and advances to customers (gross) | 69,841,376 | 1,382,774 | 76,709 | 5,923 | 572,166 | 728,931 | 655,845 | 364,443 | 541,106 | 360,649 | - | 74,529,922 |
| Assets with repurchase agreement | 645,209 | 60,427 | - | - | - | - | - | - | - | - | - | 705,636 |
| Other assets | 3,045,163 | 54,288 | 14,126 | (2,884) | 262,153 | (29,825) | (11,995) | (103,741) | (10,632) | (115,453) | - | 3,101,201 |
| Accumulated impairment (financial instruments) | (4,819,848) | (87,264) | (3,295) | (203) | (9,946) | (14) | (283) | (27,245) | (43,741) | (11,713) | - | (5,003,552) |
| | 86,072,191 | 2,480,369 | 127,507 | 60,460 | 1,502,013 | 1,137,156 | 1,191,673 | 366,897 | 704,262 | 1,154,151 | 1,478,449 | 96,275,127 |
| ***Liabilities*** | | | | | | | | | | | | |
| Resources of central banks and other credit institutions | (8,622,415) | (1,032,199) | (6,257) | (22) | (7,280) | (8,168) | (2,006) | (1,142) | (3,643) | (51,517) | - | (9,734,649) |
| Customer resources | (58,483,822) | (2,812,062) | (36,819) | (56,780) | (2,184,169) | (1,350,551) | (1,139,784) | (347,879) | (664,184) | (766,874) | - | (67,842,925) |
| Debt securities | (8,529,125) | (12,687) | - | (187,133) | - | - | (22,405) | (40,037) | - | - | - | (8,791,387) |
| Financial liabilities at fair value through profit or loss | - | - | - | - | - | - | - | - | - | - | (1,644,832) | (1,644,832) |
| Subordinated liabilities | (2,502,100) | (13,955) | - | - | - | - | (8) | - | (7,638) | - | - | (2,523,700) |
| Consigned resources | (775,705) | - | - | - | - | - | - | - | - | - | | (775,705) |
| Other | (4,610,689) | 2,138,505 | (54,011) | 95,865 | (494,249) | 323,253 | (9,049) | (12,102) | (18,182) | (67,233) | - | (2,707,892) |
| | (83,523,856) | (1,732,398) | (97,087) | (148,070) | (2,685,698) | (1,035,466) | (1,173,253) | (401,160) | (693,646) | (885,624) | (1,644,832) | (94,021,089) |
| ***Derivatives (Notional)*** | | | | | | | | | | | | |
| Currency swaps | (2,592,175) | 2,050,482 | (18,647) | 39,386 | - | 462,324 | (1,838) | 1,785 | - | 28,494 | - | (30,189) |
| Interest rate swaps | (596,367) | 364,044 | - | 185,186 | - | - | - | - | - | 22,521 | - | (24,616) |
| Other swaps | 25,000 | 3,626 | - | - | - | - | - | - | - | - | - | 28,626 |
| Futures | (1,463,834) | 22,459 | (960) | (691) | - | - | - | - | - | (233,049) | - | (1,676,075) |
| Forward Rate Agreements | 35,000 | - | - | - | - | - | - | - | - | - | - | 35,000 |
| Options and Caps & Floors | (163,171) | (13,236) | - | - | - | (337) | - | - | - | (13,711) | - | (190,455) |
| Forward foreign exchange transactions | (108,566) | (1,105,273) | (441) | (907) | - | 1,144,431 | - | (1,448) | - | (1,736) | - | (73,940) |
| | (4,864,113) | 1,322,102 | (20,048) | 222,974 | - | 1,606,418 | (1,838) | 337 | - | (197,481) | - | (1,931,649) |
| **Net exposure** | (2,315,778) | 2,070,073 | 10,372 | 135,364 | (1,183,684) | 1,708,108 | 16,582 | (33,926) | 10,616 | 71,046 | (166,383) | 322,389 |

## *VaR analysis – Foreign exchange risk*

In order to guarantee the control and assessment of foreign exchange risk, Caixa calculates Value-at-Risk (VaR) and limits on its total open and currency positions.

Information on CGD group's VaR (10 days with a 99% confidence level) by currency, with reference to 31 December 2014 and 2013, is shown in the following table:

| | VaR | | |
|---|---|---|---|
| | *Banking* | | *Insurance* |
| | 31-12-2014 | 31-12-2013 | 31-12-2013 |
| Hong Kong Dollar | 38,018 | 47,283 | - |
| Macau Pataca | 33,012 | 38,156 | - |
| South African Rand | 11,340 | 10,728 | - |
| US Dollar | 2,697 | 421 | 74 |
| Mozambican Meticais | 33,441 | 48,173 | - |
| Pound Sterling | 120 | 244 | 227 |
| Japanese Yen | 189 | 190 | 1 |
| Other currencies | 16,631 | 16,316 | 349 |
| Diversification effect | (101,588) | (116,276) | (172) |
| | | | |
| Total | 33,860 | 45,236 | 478 |

With the application of the above referred to methodology the diversification effect is calculated implicitly.

## 40. EQUITY MANAGEMENT

**Current regulatory environment**

Capital management objectives, in Caixa Geral de Depósitos, are in line with the following general principles:

- To comply with the regulatory requirements established by the supervisors, i.e. Bank of Portugal and the National Council of Financial Supervisors;
- To generate an adequate level of return for the company, creating value for its shareholder and return on capital employed;
- To sustain the development of operations that CGD is legally authorised to perform, maintaining a solid capital structure, capable of providing for the growth of activity and adequate to its respective risk profile;
- To maintain CGD's and CGD group's reputation, preserving the integrity of the operations performed during the course of its activity.

To achieve the above referred to objectives, Caixa Geral de Depósitos plans its short and medium term capital requirements to fund its operations, particularly using its own and other resources. This planning is based on internal estimates of the growth of balance sheet operations and funding by borrowings primarily raised from subordinated debt issuances, including complementary own funds within certain limits.

The activity of credit institutions in Portugal is governed by the general credit institutions and financial companies regime approved by decree law 298/92, which plays a primary role in Portuguese prudential regulation, largely reflecting Community directives applicable to the financial system (directives 2006/48/EC, 2006/49/EC and 2010/76/EU).

At 31 December 2013, CGD group's equity components (basis own funds, complementary own funds and deductions) were published in official notice 6/2010, as amended by official notices 7/2011, 2/2012 and 3/2013, all of which issued by the Bank of Portugal.

The group uses the respective standard method to calculate own funds requirements for hedging its credit and market risk. It has used the standard method for operational risk since June 2009 (*in lieu* of the basic method).

2011 and 2012 were particularly marked by the regulatory interventions of the Bank of Portugal which issued a broad range of official notices and other normative instruments related with prudential issues, of which:

In April 2011, in the form of official notice 1/2011, the Bank of Portugal required financial groups coming under its supervision on a consolidated basis to strengthen their core tier 1 ratio to not less than 8% by 31 December 2011. This requirement was justified by the need to maintain and reinforce the banking system's capacity to provide for adverse situations which have prevailed on an international level and which, more recently, have had a special impact on Portugal, as well as the advantage of anticipating convergence to the new international Basel III standards.

In May 2011, in the sphere of Portugal's bailout programme - together with the European Commission, European Central Bank and International Monetary Fund – the Bank of Portugal issued its official notice 3/2011 (revoking official notice 1/2011) on the strengthening of the national banking system's capitalisation levels. Financial groups subject to the supervision of the Bank of Portugal on a consolidated basis, which include several of the credit institutions referred to in sub-paragraphs a) to c) of article 3 of the general credit institutions and financial companies regime ("RGICSF"), approved by decree law 298/92 of 31 December, were forced to strengthen their core tier 1 ratios, on a consolidated basis to not less than 9%, by 31 December 2011 and 10% by 31 December 2012.

The economic and financial assistance programme, agreed with the International Monetary Fund, European Commission and European Central Bank, in May 2011, defined a series of measures and actions for the financial system to be performed by the Portuguese authorities, including the production of a capital funding plan for the period 2011-2015, subject to monitoring, a quarterly revision and special inspections programmes under the aegis of the Bank of Portugal.

The capital funding plan aims to comply with the series of objectives established in the referred to bailout plan communicated by the Bank of Portugal which emphasises the need for financial institutions to have a minimum core tier 1 ratio of 9% in 2011 and 10% in 2012 (under Basel II rules).

Decree law 88/2011 was published in *Diário da República,* in July 2011. It aims to strengthen own funds requirements for the trading portfolio and resecuritisations, in addition to the powers of the Bank of Portugal on remuneration issues, transposing directive 2010/76/EU (amending directives 2006/48/EC and 2006/49/EC, on own funds requirements for the trading portfolio and resecuritisations, in addition to an analysis of remuneration policies by the supervisors). The Bank of Portugal, in the form of official notice 9/2011, dated December, revised the regulatory environment on the measurement of risk-weighted assets and published information on institutions subject to its supervision.

The Bank of Portugal, in the form of official notice 5/2012 dated 20 January 2012, instructed CGD group to comply with EBA recommendation (EBA/REC/2011/1 dated 8 December), requesting it to produce a recapitalisation plan for the said purpose.

Initially CGD identified and informed the market on 8 December 2011 of capital requirements of €1,834 million of which €1,073 million comprised the public debt buffer, calculated on the basis of September 2011 values and in the sphere of the EBA stress test. In June 2012, CGD's additional capital requirements were recalculated and the total amount fixed at €1,650 million. The sovereign debt buffer's initial amount of €1,073 million was maintained in accordance with EBA's indication and the additional capital required to comply with the more demanding core tier 1 requirements was set at €577 million. The capital requirements of €1,650 million were met by the sole shareholder's capital, with €750 million in the form of share capital and €900 million in issuances of hybrid instruments (CoCo bonds) eligible as core tier 1, according to the Bank of Portugal's official notice 4/2012.

EBA/REC/2013/03 recommendation, which takes into consideration the new CRD IV/CRR capital legislation on the preservation of an absolute capital value necessary for compliance with the previous 9% minimum ratio, with reference to capital requirements at 30 June 2012, including the same capital buffer for exposures to sovereign risk, came into force on 22 July 2013.

This EBA recommendation provides for exceptions to the rule on the maintenance of nominal capital for institutions with common equity tier 1 ratios, calculated in accordance with CRD IV / CRR "fully implemented" rules of 7% or more in the case of institutions involved in gradual, orderly restructuring and deleveraging processes. Pursuant to this scenario, CGD submitted a capital plan to the Bank of Portugal, under the terms of the recommendation, in November 2013. The plan was approved in May 2014 with the Bank of Portugal having waived compliance with the amount of the nominal core tier 1 capital needed to comply with the requirements of the said recommendation.

**Basel III**

EU regulation 575/2013 and European Parliament and Council directive 2013/36/EU, both of 26 June and applicable to all member states of the European Union, defined the prudential requirements for credit institutions and investment companies, namely more demanding capital requirements (redefining eligible items and including new deductions) raised the minimum capital requirements based on the introduction of a mandatory capital conservation buffer and a discretionary anti-cyclical buffer and provided for a framework of new regulatory requirements on liquidity and deleveraging, in addition to additional capital requirements for systemically important institutions.

The new regulatory requirements came into force on 1 January 2014 and provide for a series of transitional dispositions permitting the staged application of the new requirements, with the possibility of maintaining or accelerating their respective implementation having been entrusted to the competent authorities in member states. The Bank of Portugal, herein, issued official notice 6/2013 which regulates the transitional regime provided for in EU regulation 575/2013, having established that the transitional implementation of own funds components will take place up to 2017, except for the impact of deferred tax assets which are contingent upon future returns whose schedule has been extended to 2023.

The following is a summary of the main changes:

- A significant increase in capital requirements, both quantitative (progressive increase of the common core tier 1 and tier 1 ratios, higher deductions from the principal level 1 own funds (common core tier 1)), creation of different capital buffers and qualitative (better quality of capital required, with the establishing of 13 criteria for the qualification of common core tier 1);
- Fixing of a minimum common core tier 1 ratio of 4.5%, tier 1 of 6 % and total ratio of 8%;
- Introduction of additional capital requirements, through the accumulation of capital buffers, namely a common core tier 1 capital conservation buffer of 2.5%:
- Introduction of EU liquidity ratio requirements starting 2015, following an initial observation period, based on minimum global liquidity standards, comprising both a short term LCR (liquidity coverage ratio) and a long term NSFR (net stable funding ratio). It has been estimated that the minimum limit for the two ratios will be 100%;
- The LCR objective is to promote banks' short term resilience, ensuring that they have sufficient high quality liquid assets to provide for situations of aggravated stress for a period of 30 days. The NSFR aims to promote long term resilience by creating incentives for the banks to fund their activities with stable resources on a going concern basis;
- Introduction of the leverage ratio as a new regulatory and supervisory instrument. The proposed guidelines provide for the disclosure of information on this rating starting 1 January 2015. Based on the results of the observation period (between 1 January 2013 and 1 January 2017), the Basel Committee of Banking Supervisors intends to make definitive adjustments to the definition and calibration of the leverage ratio in first half 2017 with the aim of migrating to a binding requirement from 1 January 2018 based on adequate re-examination and calibration.

The new regulatory framework came into force on 1 January 2014 and provides for a set of transitional dispositions permitting the staged application of the new requirements, with the competent authorities of the member states being given the possibility of maintaining or accelerating the implementation of several such requirements, pursuant to which the Bank of Portugal issued its official notice 6/2013 regulating the transitional regime provided for in EU regulation 575/2013, having established that the transitional implementation of the impacts of the elements comprising own funds shall run up to 2017, with the exception of the impact of deferred tax assets which are reliant upon future returns whose schedule extends up to 2023.

**Comprehensive assessment**

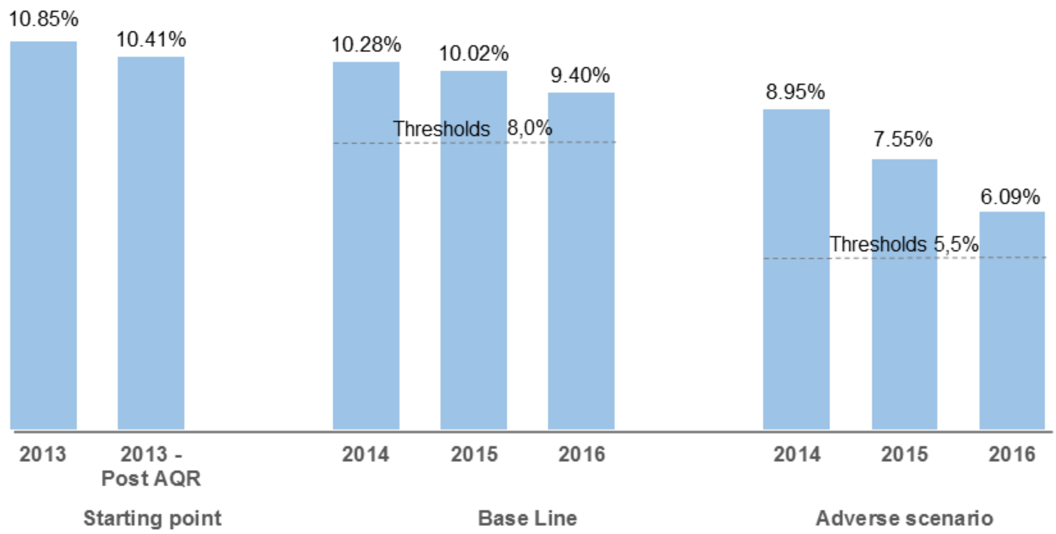
Between October 2013 and October 2014, the European Central Bank promoted a comprehensive assessment of the 130 most relevant banks in the euro area with the objective of (i) improving the quality of the available information on the banks' situation (transparency), (ii) identifying and implementing the required corrective measures where and when necessary and (iii) ensuring all parties that the banks are fundamentally solid and reliable (enhanced confidence) for the preparation and implementation of the single supervisory mechanism which came into effect on 4 November 2014.

The comprehensive assessment with the collaboration of the competent national authorities, included:

- An asset quality review (AQR): a detailed, backwardlooking assessment of the adequacy of data quality, asset assessments, classification of non-performing exposures (NPE), assessments of banks' collateral and impairment based on harmonised EU methodologies;
- Stress tests (STs): a forward-looking assessment of the adequacy of the banks' capacity to absorb shocks in an adverse scenario (in collaboration with the EBA).

The minimum (CET 1) ratio was set at 8% for the base and 5.5% for the adverse scenarios, both of which in a transitional prudential regime.

CGD participated in and successfully completed the referred to comprehensive assessment. The asset quality exercise translated into an impact of 44 bp on the CET 1. The projected CET 1 ratio, in 2016, was 9.40% for the base and 6.09% for the adverse scenarios, i.e. in both cases higher than the established minimum thresholds.




**Deferred tax assets regime**

On 17 October 2014, CGD's state shareholder issued a unanimous written corporate declaration approving CGD's subscription for the special regime applicable to deferred tax assets resulting from the non-deduction of expenses and negative equity changes with impairment losses on credit and the post employment or long term employee benefits as set out in law 61/2014 of 26 August 2014.

With this measure CGD complied with the second premise required by article 2 of the law in question. The first premise – an expression of intent to subscribe in the form of a written communication addressed to the member of government responsible for the area of finance to be submitted to the tax and customs authority ("AT") was complied with by CGD in due course.

The regime is applicable to expenses and negative equity changes starting on or after 1 January 2015 as well as to the deferred tax assets recognised in the annual accounts prior to 2014 and the associated part of the expenses and negative equity changes.

The special regime provides for the following:

− The application of specific rules on the future deductibility of the referred to expenses and negative equity changes, with the deduction provided for in the IRC code in each year being limited to the amount of taxable profit calculated prior to the deduction of such expenses and negative equity changes permitting the deduction from taxable profit, with the same limit. Accordingly the deduction of such expenses or negative changes in equity may not result in fiscal losses, thus avoiding the recognition of deferred tax assets.

− The conversion of the referred to assets into tax credits when the taxpayer assesses negative net income or is liquidated on the basis of an involuntary dissolution, insolvency decreed by a judicial ruling or, when applicable, the revocation of the respective authorisation by a competent supervisory body in which case the associated expenses and changes in equity also cease to be included in the taxpayer's fiscal income. On the other hand, the amount of the tax credit may be used to offset several tax debts of the taxpayer who shall be reimbursed for the unused part.

The special regime sets out the measures which grant the referred to assets the characteristics of non-deductibility from the principal level 1 own funds which are eligible under paragraph 2 of article 39 of European Parliament and Council regulation (EU) 575/2013 of 26 June 2013 in respect of the new prudential legislation and which came into force on 1 January 2014.

The practical effect of subscribing for the regime consists of the non-deduction from the principal level 1 own funds of the part of the deferred tax assets resulting from temporary differences. In addition, the weighting of the part which has not been written-off from such deferred assets declines from 250% to 100%, for the purposes of calculating risk-weighted assets.

**Equity ratios**

The following table provides a summary of Caixa Geral de Depósitos's regulatory capital at 31 December 2014, for its consolidated activity.

| | Transitional | Full Implementation |
|---|---|---|
| Paid in capital | 5,900,000 | 5,900,000 |
| Retained earningsThis should be the full amount prior to the application of all regulatory adjustments | (557,777) | (557,777) |
| Net income | (348,559) | (348,559) |
| Revaluation reserves (of which) | **1,228** | **537,515** |
| unrealised gains on available for sale items - others | - | 286,992 |
| unrealised gains on available for sale items of Central Governments | - | 156,928 |
| unrealised losses on available for sale items - others | (6,653) | (33,267) |
| unrealised losses on available for sale items of Central Governments | - | (4,341) |
| unrealised gains and losses from a foreign currency hedge of a net investment in a foreign operation | 7,882 | 7,882 |
| property revaluation reserve and unrealised gains in investment properties | - | 123,321 |
| Total minority interest given recognition in Common Equity Tier 1 capital | 696,187 | 182,630 |
| | **5,691,079** | **5,713,809** |
| State Aid Instruments considered eligible for Common Equity Tier 1 | 900,000 | 900,000 |
| **Total Common Equity Tier 1 capital prior to regulatory adjustments** | **6,591,079** | **6,613,809** |
| Intangibles + other (inclunding goodwill) | (32,343) | (161,717) |
| Deferred tax assets (excluding temporary differences only), net of related deferred tax liabilities | (31,601) | (337,892) |
| **Total Common Equity Tier 1 capital after the regulatory adjustments above** | **6,527,134** | **6,114,199** |
| Deferred tax assets arising from temporary differences (amount above 10% threshold) | - | (111,449) |
| **Total Common Equity Tier 1 capital after the regulatory adjustments above** | **6,527,134** | **6,002,750** |
| Regulatory adjustments to be applied to Common Equity Tier 1 due to insufficient Additional Tier 1 to cover deductions | (49,477) | - |
| **Total Common Equity Tier 1 capital after the regulatory adjustments above** | **6,477,658** | **6,002,750** |
| Value that exceeds the limit of 15% | - | (4,807) |
| National filters and deductions that affect CET1 | 195,892 | - |
| **Common Equity Tier 1 capital** | **6,673,550** | **5,997,943** |
| Additional Tier 1 | 76,719 | - |
| Additional Tier 1 - subsidiaries | 3,178 | 15,890 |
| Regulatory adjustments | (79,897) | - |
| **Tier 1 capital** | **6,673,550** | **6,013,833** |
| Tier 2 capital instruments | 1,143,095 | - |
| Tier 2 capital instruments - subsidiaries | 4,237 | 21,187 |
| Regulatory adjustments | (39,221) | - |
| **Total capital** | **7,781,661** | **6,035,020** |
| **Total RWA (of which)** | **61,077,423** | **60,952,419** |
| Credit | 53,637,680 | 53,637,680 |
| Market | 1,765,112 | 1,765,112 |
| Operational | 3,065,332 | 3,065,332 |
| CVA | 147,448 | 147,448 |
| Other's | 2,461,850 | 2,336,847 |
| **CET1 ratio** | **10.9%** | **9.8%** |
| **T1 ratio** | **10.9%** | **9.9%** |
| **Total ratio** | **12.7%** | **9.9%** |

Considering the impacts of subscribing for the deferred tax assets regime, the consolidated ratios reported at 31 December 2014 are now as follows:

| | Applying special regime DTA | |
|---|---|---|
| | Phased-in | Fully implemented |
| **Capital** | | |
| Common equity tier I (CETI) | 6,673,550 | 6,114,199 |
| | | |
| Tier I | 6,673,550 | 6,130,089 |
| Tier II | 1,108,111 | 21,187 |
| Total | 7,781,661 | 6,151,276 |
| | | |
| **Risk Weigthed Assets** | 60,172,917 | 60,212,138 |
| | | |
| **Solvency ratio** | | |
| CET I | 11.09% | 10.15% |
| Tier I | 11.09% | 10.18% |
| Total | 12.93% | 10.22% |

**Differences between the consolidation method for accounting purposes and the consolidation method for the purposes of calculating regulatory capital**

The prudential consolidation perimeter differs from CGD group's accounting perimeter on account of the treatment afforded to entities whose economic activity is different from that of credit institutions and financial corporations as set out in the general credit institutions and financial companies' regime. Subsidiaries with an activity in economic sectors which are not subject to prudential supervision (e.g. commerce, industry, agriculture and insurance) are registered in the prudential consolidation perimeter by the equity accounting method. CGD group entities in which insurance activity predominates have therefore been included in the prudential consolidation perimeter by the equity accounting method.

In turn, there are several collective investment entities within the group, as well as special purpose vehicles which were not included in the banking supervision perimeter as they do not fit in with the definition of a financial company as determined in the general credit institutions and financial companies' regime. The Nostrum Mortgage 2003, Nostrum Mortgage, PLC and Nostrum Mortgage 2 funds were included in the prudential perimeter at the decision of the supervisory body.

CGD group's accounting and prudential consolidation perimeter at 31 December 2014 comprised the following entities:

| | Consolidation Method | |
|---|---|---|
| Branches | Financial Perimeter | Prudential Perimeter |
| Cayman | Full | Full |
| Macau | Full | Full |
| Luxembourg | Full | Full |
| New York | Full | Full |
| France | Full | Full |
| London | Full | Full |
| East Timor | Full | Full |
| Zhuhai | Full | Full |
| Spain | Full | Full |

| Subsidiaries | Consolidation Method: Financial Perimeter | Consolidation Method: Prudential Perimeter |
|---|---|---|
| Banco Caixa Geral Brasil, S.A. | Full | Full |
| Banco Caixa Geral, S.A. | Full | Full |
| Caixa - Banco de Investimento, S.A. | Full | Full |
| Banco Comercial e de Investimentos, S.A.. | Full | Full |
| Banco Interatlântico, S.A. | Full | Full |
| Banco Comercial do Atlântico, S..A. | Full | Full |
| Banco Nacional Ultramarino, S.A. | Full | Full |
| Caixa - Participações, SGPS, S.A. | Full | Full |
| Parbanca, SGPS, S.A. | Full | Full |
| Caixa Seguros e Saúde, SGPS, S.A. | Full | Full |
| Caixa - Gestão de Activos, SGPS, S.A. | Full | Full |
| Gerbanca, SGPS, S.A. | Full | Full |
| Wolfpart, SGPS, S.A. | Full | Full |
| Parcaixa, SGPS, S.A. | Full | Full |
| Partang, SGPS, S.A. . | Full | Full |
| CGD Finance | Full | Full |
| Caixa Geral Finance | Full | Full |
| CGD - North America Finance | Full | Full |
| CGD Investimentos CVC | Full | Full |
| A Promotora, S.A. | Full | Full |
| Esegur - Empresa de Segurança, S.A. | Equity | Equity |
| Fundger - Soc. Gestora de Fundos de Investimento Imobiliário, S.A. | Full | Full |
| Caixagest - Técnicas de Gestão de Fundos, S.A. | Full | Full |
| CGD Pensões - Soc. Gestora de Fundos de Pensões, S..A. | Full | Full |
| Locarent - Comp. Portuguesa de Aluguer de Viaturas, S.A. | Equity | Equity |
| Caixa Leasing e Factoring, IFIC, S.A. | Full | Full |
| Promoleasing, S.A. | Full | Full |
| Imocaixa - Gestão Imobiliária, S.A. | Full | Full |
| Caixanet - Telemática e Comunicações, S.A. | Full | Full |
| Caixatec, Tecnologias de Comunicação, S.A. | Full | Full |
| Sogrupo - Compras e Serviços Partilhados, S.A. | Full | Full |
| Sogrupo - Serviços de Informação, ACE | Full | Full |
| Sogrupo - Gestão de Imóveis, ACE | Full | Full |
| GIE - Groupment d'Interet Economique | Full | Full |
| Mercantile Lisbon Bank Holdings, Ltd. | Full | Full |
| Banco Caixa Geral Totta - Angola | Full | Full |
| SCI - Rue du Helder | Full | Full |
| Inmobiliaria Caixa Geral, S.L. | Full | Full |
| Caixa - Imobiliário, S.A. | Full | Full |
| Cibergradual, Invest. Imobiliário, SA | Full | Full |

| Special Purpose Entities | Consolidation Method: Financial Perimeter | Consolidation Method: Prudential Perimeter |
|---|---|---|
| Fundo Nostrum Mortgage 2003-1 | Full | Full |
| Nostrum Mortgage, PLC | Full | Full |
| Nostrum Mortgage 2 | Full | Full |
| FCR - Grupo CGD - Caixa Capital | Full | - |
| FCR - Empreender+ | Full | - |
| FCR - Caixa Fundos | Full | - |
| FCR - Caixa Crescimento | Full | - |
| Caixa Arrendamento - Fundo Fechado (FIIAH) | Full | - |
| Fundo Especial de Investimento Aberto Estratégias Alternativas | Full | - |
| Caixa Imobiliário - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional | Full | - |
| Caixagest Private Equity (FEI) | Full | - |
| Caixagest Imobiliário Internacional (FEI) | Full | - |
| Caixagest Infra-Estruturas (FEI) | Full | - |
| Beirafundo - Fundo de Investimento Imobiliário Fechado | Full | - |
| Cidades de Portugal FIIAH | Full | - |
| Caixa Reabilita FEII | Full | - |
| Fundolis - Fundo de Investimento Imobiliário Fechado | Full | - |
| Fundimo | Full | - |
| Fundo Obrigacoes Rendimento Nacional FEI | Full | - |
| Fundiestamo | Full | - |
| Ibéria - FEIIF | Full | - |

| Associated | Consolidation Method: Financial Perimeter | Consolidation Method: Prudential Perimeter |
|---|---|---|
| GCI - Sociedade Gestora de Fundos, S.A.R.L. | Equity | Equity |
| SIBS - Sociedade Interbancária de Serviços, S.A. | Equity | Equity |
| Imobci, Lda. | Full | Full |
| Companhia do Papel do Prado, S.A. | Equity | Equity |
| Prado - Cartolinas da Lousã, S.A. | Equity | Equity |
| Yunit Serviços, S.A. | Equity | Equity |
| Turismo Fundos, SGFII, S.A. | Equity | Equity |
| Vale do Lobo - Resort Turístico Luxo S.A. | Equity | Equity |
| Torre Ocidente, Imobiliária, S.A. | Equity | Equity |
| Bem Comum, Sociedade Capital Risco | Equity | Equity |
| Xsource, ACE | Equity | Equity |
| Banco Internacional de S.Tomé e Príncipe | Equity | Equity |

**Reconciliation between the consolidation perimeter balance sheet for accounting purposes and the prudential consolidation perimeter balance sheet.**

| | ACCOUNTING | DIF. PERIMETER | RECLASSIFICATION | PRUDENTIAL |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents at central banks | 2,118,028 | - | - | 2,118,028 |
| Cash balances at other credit institutions | 878,298 | (76) | - | 878,223 |
| Loans and advances to credit institutions | 2,133,665 | - | - | 2,133,665 |
| Other financial assets at fair value through profit or loss | 3,073,576 | (228,887) | - | 2,844,689 |
| Available-for-sale financial assets | 15,898,392 | 961,561 | - | 16,859,953 |
| Hedging derivatives | 78,008 | - | - | 78,008 |
| Financial assets with repurchase agreement | 1,281,126 | - | - | 1,281,126 |
| Loans and advances to customers | 66,863,572 | 64,089 | - | 66,927,661 |
| Non-current assets held for sale | 804,440 | - | - | 804,440 |
| Investment property | 1,189,246 | (1,114,760) | - | 74,486 |
| Other tangible assets | 666,307 | (33,975) | - | 632,332 |
| Intangible assets | 161,717 | - | - | 161,717 |
| Investments in associates | 318,846 | (96) | - | 318,750 |
| Current tax assets | 54,947 | (856) | - | 54,091 |
| Deferred tax assets | 1,425,182 | (49,974) | - | 1,375,208 |
| Which off: by tax losses | 337,947 | - | - | 337,947 |
| Other assets | 3,206,685 | (38,984) | - | 3,167,701 |
| **TOTAL ASSETS** | 100,152,034 | (441,958) | - | 99,710,076 |
| **LIABILITIES** | | | | |
| Resources of central banks and other credit institutions | 6,001,687 | - | - | 6,001,687 |
| Customer resources | 71,134,176 | 184,782 | - | 71,318,958 |
| Debt securities | 7,174,478 | - | - | 7,174,478 |
| Financial liabilities held for trading | 2,121,127 | - | - | 2,121,127 |
| Hedging derivatives | 20,040 | - | - | 20,040 |
| Non-current liabilities held for sale | 1,917 | - | - | 1,917 |
| Provisions for employee benefits | 572,386 | - | - | 572,386 |
| Provisions for other risks | 269,272 | (13,363) | - | 255,909 |
| Current tax liabilities | 38,533 | 13,325 | - | 51,858 |
| Deferred tax liabilities | 370,362 | (94,189) | - | 276,174 |
| Other subordinated liabilities | 2,427,905 | 100,130 | - | 2,528,036 |
| Which off: State Aid Instruments considered eligible for Common Equity Tier 1 | 900,000 | - | - | 900,000 |
| Other liabilities | 3,527,392 | (591,642) | - | 2,935,751 |
| **TOTAL LIABILITIES** | 93,659,275 | (400,955) | - | 93,258,320 |
| **EQUITY** | | | | |
| Share capital | 5,900,000 | - | - | 5,900,000 |
| Fair value / reavaluation reserves | 411,810 | 2,385 | 123,321 | 537,515 |
| Other reserves and retained earnings | (437,937) | 3,481 | (123,321) | (557,777) |
| Net income | (348,044) | (515) | - | (348,559) |
| Non controlling interest | 966,931 | (46,354) | - | 920,577 |
| Which off: preferencial shares | 96,249 | - | - | 96,249 |
| **TOTAL EQUITY** | 6,492,760 | (41,003) | - | 6,451,757 |
| **TOTAL LIABILITIES AND EQUITY** | 100,152,034 | (441,958) | - | 99,710,076 |

## 41. 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 version language version prevails.

# 2.3. Information on asset encumbrances

*Bank of Portugal instruction 28/2014 of 15 January 2015*

Consolidated operations (euros)

## MODEL A - ASSETS

| | | Carrying amount of encumbered assets | Fair value of encumbered assets | Carrying amount of non-encumbered assets | Fair value of non-encumbered assets |
|---|---|---|---|---|---|
| | | 010 | 040 | 060 | 090 |
| **010** | **Assets of the reporting institution** | 17,862,378,392 | | 81,847,697,707 | |
| 030 | Equity instruments | 0 | 0 | 2,922,626,141 | 2,922,626,141 |
| 040 | Debt securities | 4,168,917,922 | 4,168,917,922 | 16,588,784,795 | 16,588,784,795 |
| 120 | Other assets | 13,693,460,470 | | 62,336,286,771 | |

## MODEL B – COLLATERAL RECEIVED

| | | Fair value of encumbered collateral received or own debt securities issued | Fair value of collateral received or own debt securities issued available for encumbrance |
|---|---|---|---|
| | | 010 | 040 |
| **130** | **Collateral received by the reporting institution** | 0 | 0 |
| 150 | Equity instruments | 0 | 0 |
| 160 | Debt securities | 0 | 0 |
| 230 | Other collateral received | 0 | 0 |
| **240** | **Own debt securities issued other than own covered bonds or ABSs** | 0 | 0 |

## MODEL C – ENCUMBERED ASSETS, COLLATERAL RECEIVED AND ASSOCIATED LIABILITIES

| | | Associated liabilities, contingent liabilities or securities lent | Assets, collateral received and own securities issued other than covered bonds and ABSs encumbered |
|---|---|---|---|
| | | 010 | 030 |
| **010** | **Carrying amount of selected financial liabilities** | 10,672,941,139 | 16,902,026,755 |

# 2.4. EBA Reports

## ADOPTION OF FINANCIAL STABILITY FORUM (FSF) AND COMMITTEE OF EUROPEAN BANKING AUTHORITY (EBA) RECOMMENDATIONS ON TRANSPARENCY OF INFORMATION AND ASSETS MEASUREMENT

*Bank of Portugal Circular Letter 97/2008/DSB, of 03 December*

| I. | Business Model | |
|---|---|---|
| 1. | Description of business model (i.e. reasons for the development of activities/businesses and their respective contribution to the value creation process) and, if applicable, the changes made (e.g. as a result of the period of turmoil); | See Board of Directors' Report - Chapters:<br>• Message from the Chairman and CEO of Board of Directors<br>• Business Strategy and Operating Segments<br>See Report on Corporate Governance. |
| 2. | Description of strategies and objectives (including strategies and objectives specifically related with securitisation operations and structured products); | See I.1 above.<br>See Notes to the Consolidated Financial Statements: Notes 11 and 21 on securities issued under securitisation operations and structured products. |
| 3. | Description of the importance of the activities performed and their respective contribution to the business (including a quantitative approach); | The Board of Directors' Report contains a detailed description of CGD Group's activity, its objectives and results, contribution to business, consequences of the turmoil in the Financial Statements, both in quantitative and qualitative terms. Particular note should be taken of the Chapters referred to in item I.1 above and the Chapter on Results, Balance Sheet, Liquidity and Solvency.<br>See Notes 26 and 37 of the Notes to the Consolidated Financial Statements. |
| 4. | Description of the type of activities performed, including a description of the instruments used, their operation and qualification criteria with which the products / investments must comply; | See items I.1 to I.3 above.<br>See Board of Directors' Report – Chapter on Risk Management.<br>See Note 2.8. of the Notes to the Consolidated Financial Statements. |
| 5. | Description of the objective and amplitude of the institution's involvement (i.e. commitments and obligations assumed) for each activity performed; | See items I.1 to I.3 above. |

| | | |
|---|---|---|
| II. | Risks and Risk Management | |
| 6. | Description of the nature and amplitude of the risks incurred on activities performed and instruments used; | See Board of Directors' Report:<br>• Chapter on Risk Management<br>See Notes to the Consolidated Financial Statements:<br>• Note 39: 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. |
| 7. | Description of risk management practices relevant to the activities (particularly including liquidity risk in the present context), description of any fragilities / weaknesses identified and the corrective measures taken; | See II.6 above. |
| III. | Impact of period of financial turmoil on results | |
| 8. | A qualitative and quantitative description of the results, particularly losses (when applicable) and impact of write-downs on results; | See Board of Directors' Report – Chapter:<br>• Results, Balance Sheet, Liquidity and Solvency<br>See Notes 6, 8, 18 and 36 of Notes to the Consolidated Financial Statements. |
| 9. | Breakdown of write-downs/losses by types of products and instruments affected by the period of turmoil, namely: commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised debt obligations (CDO), assetbacked securities (ABS); | See Board of Directors' Report – Chapter:<br>• Results, Balance Sheet, Liquidity and Solvency<br>See Note 39 of Notes to the Consolidated Financial Statements. |
| 10. | Description of the reasons and factors responsible for the impact; | See Board of Directors' Report – Reference is made, in the various chapters, to the consequences of the turmoil in financial markets on the banking system and on CGD, in particular, namely in the following chapters:<br>• Message from the Chairman and CEO of Board of Directors<br>• Economic-Financial Environment<br>• Results, Balance Sheet, Liquidity and Solvency<br>See items III. 8 and III.9 above. |

| III. | Impact of period of financial turmoil on results | |
|---|---|---|
| 11. | Comparison of:<br>i) impacts between (relevant) periods;<br>ii) Financial statements before and after the impact of the period of turmoil; | See items III.8 to III.10 above. |
| 12. | Breakdown of “write-downs” between realised and unrealised amounts; | See items III.8 to III.10 above, particularly Note 39 of the Notes to the Consolidated Financial Statements. |
| 13. | Description of the influence of the financial turmoil on the entity’s share prices; | N.A. |
| 14. | Disclosure of maximum loss risk and description of how the institution’s situation could be affected by the prolongation or worsening of the period of turmoil or market recovery; | See Board of Directors’ Report, particularly the Chapter on Main Risks and Uncertainties in 2015. |
| 15. | Disclosure of impact of the evolution of the spreads associated with the institution’s own liabilities on results in addition to the methods used to determine this impact; | See Board of Directors’ Report – Chapter:<br>• Results, Balance Sheet, Liquidity and Solvency<br>Liabilities issued by CGD Group are recognised at amortised cost. |
| IV. | Levels and types of exposures affected by the period of turmoil | |
| 16. | Nominal (or amortised cost) and fair value of "live” exposures; | See Board of Directors’ Report – Chapter:<br>• Risk Management.<br>See Notes to the Consolidated Financial Statements:<br>• Note 2.8.<br>• Note 39, setting out a comparison between the fair and book value of assets and liabilities recognised at amortised cost. |
| 17. | Information on credit risk mitigating factors (e.g. credit default swaps) and respective effect on present exposures; | See Notes to the Consolidated Financial Statements:<br>• Note 2.8, describes the accounting policies for derivatives and hedge accounting.<br>• Notes 10 and 39, 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. |

| IV. | Levels and types of exposures affected by the period of turmoil | |
|---|---|---|
| 18. | Detailed disclosure of exposures, broken down by:<br>- Level of seniority of exposures / tranches held;<br>- Level of credit quality (e.g. ratings, vintages);<br>- Geographic areas of origin;<br>- Sector of activity;<br>- Origin of exposures (issued, retained or acquired);<br>- Product characteristics: e.g. ratings, weight / proportion of associated sub-prime assets, discount rates, spreads, finance;<br>- Characteristics of underlying assets: e.g. vintages, loan-to-value ratio, credit rights; weighted average life of underlying asset, presuppositions on the evolution of prepayment situations,expected losses; | See Board of Directors' Report:<br>• See Note 39 of Notes to the Consolidated Financial Statements. |
| 19. | Movements occurring in exposures between relevant reporting periods and reasons underlying such changes (sales, write-downs, purchases, etc.); | See Board of Directors' Report on exposure of assets affected by the period of turmoil:<br>See items III.8 to III.15 above. |
| 20. | Explanations of exposures (including “vehicles” and, in this case, respective activities) which have not been consolidated (or which have been recognised during the crisis) and associated reasons; | N.A. |
| 21. | Exposure to monoline type insurance companies and quality of insured assets:<br>- Nominal amount (or amortised cost) of insured exposures in addition to the amount of credit protection acquired;<br>- Fair value of "live" exposures and respective credit protection;<br>- Value of write-downs and losses, split up between realised and unrealised amounts;<br>- Breakdown of exposures by rating or counterparty; | CGD does not have any exposure to monoline type insurance companies. |

| | | |
|---|---|---|
| V. | Accounting policies and valuation methods | |
| 22. | Classification of transactions and structured products for accounting and respective processing purposes; | See Notes to the Consolidated Financial Statements:<br>• 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:<br>- Financial instruments at fair value;<br>- 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);<br>- Processing of “day 1 profits” (including quantitative information);<br>- Use of fair value option (including conditions of use) and respective amounts (with an adequate breakdown); | See Notes 7 and 39 of the Notes to the Consolidated Financial Statements.<br>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:<br>- Modelling techniques and instruments on which they are applied;<br>- Valuation processes (particularly including the assumptions and inputs upon which the models are based);<br>- Types of adjustment applied to reflect the modelling risk and other valuation uncertainties;<br>- Sensitivity of fair value (namely changes to assumptions and key inputs);<br>- Stress Scenarios. | See Notes to the Consolidated Financial Statements:<br>• Note 2.8, setting out information and processes applied by CGD in the valuation of financial instruments<br>• Notes 39. |
| VI. | Other relevant disclosure aspects | |
| 26. | Description of disclosure policies and principles used for reporting disclosures and financial reporting. | See Note 2. of the Notes to the Consolidated Financial Statements. |

*N.A. – Not available.*

# 2.5. Audit Reports and Opinions

## 2.5.1. STATUTORY AUDIT CERTIFICATE – SEPARATE ACCOUNTS

**OLIVEIRA REGO & ASSOCIADOS**

**Sociedade de Revisores Oficiais de Contas**

**STATUTORY AUDIT CERTIFICATE ON THE SEPARATE ACCOUNTS**

### Introduction

1. We have examined the separate financial statements of **Caixa Geral de Depósitos, S.A. ("Caixa"** or **"CGD")** comprising its balance sheet, at 31 December 2014 (showing total assets of €90,857,544 thousand and total shareholders' equity of €3,777,442 thousand, including negative net income of €1,139,320 thousand), its income, comprehensive income, changes to shareholders' equity and cash flow statements for the year then ended and corresponding notes to the financial statements.

### Responsibilities

2. It is the responsibility of the company's board of directors to prepare financial statements providing a true and appropriate description of Caixa's financial position, results and statement of comprehensive income from its operations, changes to shareholders' equity and cash flows, in addition to using adequate accounting policies and criteria and maintaining appropriate internal control systems.

3. It is our responsibility to express a professional, independent opinion thereon, based on our inspection of the said financial statements.

### Scope

4. Our inspection was performed in accordance with the revision/audit technical standards and guidelines issued by the Ordem dos Revisores Oficiais de Contas (Order of Statutory Auditors) which require that the inspection be planned and performed with the objective of obtaining an acceptable degree of assurance as to whether the financial statements are free from any materially relevant distortions. The referred to inspection therefore included:

   - verification of samples of supporting documents for the amounts and disclosures set out in the financial statements and an assessment of estimates, based on judgements and criteria defined by the board of directors and used for the preparation thereof;
   - an assessment of whether the accounting policies used and disclosure thereof are adequate, based on the circumstances;
   - verification of the applicability of the going-concern principle; and
   - an assessment of whether the global presentation of the financial statements, is adequate.

5. Our inspection also included the verification of concordance between the financial information contained in the board of directors' report and the financial statements.

6. We consider that our inspection has provided us with an acceptable basis upon which to express our opinion.

**Opinion**

7. In our opinion, the referred to separate financial statements, provide a true and appropriate description, in all materially relevant aspects, of the financial position of Caixa Geral de Depósitos, S.A. at 31 December 2014, the results and comprehensive income from its operations, changes to shareholders' equity and cash flows for the year then ended, in conformity with the Adjusted Accounting Standards issued by the Bank of Portugal.

**Report on other legal requirements**

8. We also consider that the information contained in the board of directors' report is in agreement with the financial statements for the year.

Lisbon, 7 April 2015

Oliveira Rego & Associados
Sociedade de Revisores Oficiais de Contas
Represented by Pedro Miguel Marques Antunes Bastos

## 2.5.2. AUDIT REPORT - CONSOLIDATED ACCOUNTS

### AUDIT REPORT

### CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of Euro - EUR thousand)

(Translation of a report originally issued in Portuguese - see Note 41)

**Introduction**

1. Pursuant to Article 245 of the Portuguese Securities Market Code (Código dos Valores Mobiliários), we present our Audit Report on the consolidated financial information included in the Directors' Report and the accompanying consolidated financial statements of Caixa Geral de Depósitos, S.A. and subsidiaries ("Caixa" or "CGD") for the year ended 31 December 2014, which comprise the consolidated balance sheet as of 31 December 2014, that reflects a total of EUR 100,152,034 thousand and total equity of EUR 6,492,760 thousand, including a consolidated net loss attributable to the shareholder of CGD of EUR 348,044 thousand, the Consolidated Statements of Income, Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the year then ended and the corresponding Notes.

**Responsibilities**

2. The Board of Directors of Caixa is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated income and comprehensive income from their operations, the changes in consolidated shareholders' equity and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with the International Financial Reporting Standards as endorsed by the European Union, which is complete, true, up-to-date, clear, objective and licit as required by the Portuguese Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of appropriate systems of internal control; and (iv) the disclosure of any significant facts that have influenced its operations and the operations of the companies included in the consolidation, their financial position and their net income or comprehensive income.

3. Our responsibility is to examine the financial information contained in the documents of account referred to above, including verification that, in all material respects, the information is complete, true, up-to-date, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our examination.

**Scope**

4. Our examination was performed in accordance with the auditing standards ("Normas Técnicas e Diretrizes de Revisão/Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require the examination to be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. Our examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the estimates, based on judgements and criteria defined by Caixa's Board of Directors, used in their preparation. Our examination also included verifying the consolidation procedures used and the application of the equity method, and verifying that the financial statements of the companies included in the consolidation were adequately examined, assessing the adequacy of the accounting principles used, their uniform application and their disclosure considering the circumstances, verifying the applicability of the going concern concept, assessing the adequacy of the overall presentation of the consolidated financial statements, and assessing if, in all material respects, the financial information is complete, true, up-to-date, clear, objective and licit. Our examination also included verifying that the consolidated financial information included in the Directors' Report is consistent with the other consolidated documents of account as well as the verifications set out in paragraphs 4 and 5 of Article 451 of the Commercial Companies Code ("Código das Sociedades Comerciais"). We believe that our examination provides a reasonable basis for expressing our opinion.

**Opinion**

5. In our opinion, the consolidated financial statements referred to in paragraph 1 above present fairly, in all material respects, the consolidated financial position of Caixa Geral de Depósitos, S.A. and its subsidiaries as of 31 December 2014, the consolidated income and comprehensive income from their operations, the changes in their consolidated shareholders' equity and their consolidated cash flows for the year then ended in conformity with the International Financial Reporting Standards as endorsed by the European Union and the information included therein is complete, true, up-to-date, clear, objective and licit in accordance with the definitions included in the standards referred to in paragraph 4 above.

**Report on other legal requirements**

6. It is also our opinion that the 2014 consolidated financial information included in the Directors' Report is consistent with the consolidated financial statements for the year and the report on corporate governance practices includes the information required from Caixa under Article 245 - A of the Portuguese Securities Market Code.

Lisbon, 7 April 2015

DELOITTE & ASSOCIADOS, SROC S.A.
Represented by Maria Augusta Cardador Francisco

## 2.5.3. STATUTORY AUDIT CERTIFICATE - CONSOLIDATED ACCOUNTS

**OLIVEIRA REGO & ASSOCIADOS**

**Sociedade de Revisores Oficiais de Contas**

**STATUTORY AUDIT CERTIFICATE ON THE CONSOLIDATED ACCOUNTS**

### Introduction

1. We have examined the consolidated financial statements of Caixa Geral de Depósitos, S.A. (“Caixa” or “CGD”) comprising its consolidated balance sheet, at 31 December 2014 (showing total assets of €100,152,034 thousand and total shareholders’ equity of €6,492,760 thousand, including negative net income of €348,044 thousand) attributable to its shareholder CGD, consolidated income, comprehensive income, changes to shareholders’ equity and cash flow statements for the year then ended and corresponding notes to the consolidated financial statements.

### Responsibilities

2. It is the responsibility of the board of directors to prepare consolidated financial statements providing a true and appropriate description of the financial position of the companies included in the consolidation, their consolidated results and comprehensive income from their operations, changes to their consolidated shareholders’ equity and consolidated cash flows, in addition to using adequate accounting policies and criteria and maintaining appropriate internal control systems.

3. It is our responsibility to express a professional, independent opinion thereon, based on our inspection of the said financial statements.

### Scope

4. Our inspection was performed in accordance with the revision/audit technical standards and guidelines issued by the Ordem dos Revisores Oficiais de Contas (Order of Statutory Auditors) which require that the inspection be planned and performed with the objective of obtaining an acceptable degree of assurance as to whether the consolidated financial statements are free from any materially relevant distortions. The referred to inspection therefore included:

    - verification of whether the financial statements of the companies included in the consolidation have been appropriately examined and, for significant cases in which this is not so, verification of samples of the supporting documents upon which the amounts and information disclosed are based and an assessment of estimates based on judgements and criteria defined by the board of directors and used for the preparation thereof;
    - verification of the consolidation operations and application of the equity accounting method;

- an assessment of whether the accounting policies used and their uniform disclosure are adequate, based on the circumstances;
- verification of the applicability of the going-concern principle; and
- an assessment of whether the global presentation of the consolidated financial statements, is adequate.

5. We consider that our inspection has provided us with an acceptable basis upon which to express our opinion.

**Opinion**

6. In our opinion, the referred to consolidated financial statements provide a true and appropriate description, in all materially relevant aspects, of the consolidated financial position of Caixa Geral de Depósitos, S.A. at 31 December 2014, the results and comprehensive income from its operations and changes to its consolidated shareholders' equity and consolidated cash flows for the year then ended, in conformity with the International Financial Reporting Standards, as adopted by the European Union.

**Report on other legal requirements**

7. We also consider that the information contained in the board of directors' report is in agreement with the consolidated financial statements for the year.

Lisbon, 7 April 2015

Oliveira Rego & Associados
Sociedade de Revisores Oficiais de Contas
Represented by Pedro Miguel Marques Antunes Bastos

## 2.5.4. REPORT AND OPINION OF THE AUDIT COMMITTEE

**Caixa Geral de Depósitos, S.A.**

**Report and Opinion of the Audit Committee for 2014**

### 1. *Introduction*

In conformity with the dispositions of sub-paragraph g) of no. 1 of articles 423-F and 508-D of the Commercial Companies Code, the audit committee is responsible for producing a report on its inspection activities and issuing an opinion on **Caixa Geral de Depósitos's** (hereinafter referred to as Caixa or CGD) accounting documents for the year ended 31 December 2014.

### 2. *Works performed*

Oversight of Caixa's activity

The audit committee, pursuant to its competencies, has monitored and inspected the management acts performed in CGD, on the basis of information set out in the minutes of the weekly meetings held by the executive committee and its consultation, when considered necessary, of documentation upon which the decisions were made.

Reference should be made to the oversight of the following issues at board of directors' meetings in 2014: (i) the privatisation process of CGD Group's insurance sector; (ii) the capital funding plan; (iii) the AQR process; (iv) CGD Group's risk position; (v) CGD's exposure to the Espírito Santo Group; (vi) oversight of the situation of Novo Banco; (vii) budget and results; (viii) strategy for the Group's international area; (ix) transfer of prudential supervision from the Bank of Portugal to the European Central Bank.

The audit committee held meetings with Caixa's main central structures and Group units with the objective of verifying the *modus operandi* of each division/unit and respective contribution to value creation. Reference should be made to the importance of strengthening the structure of the human resources allocated to Caixa's critical and reporting areas, on account of the growing regulatory and supervisory requirements across the coming years.

Meetings dealing with the main areas and issues of relevance to Caixa's activity were held with the statutory and external auditors. The committee took note of the works performed by the referred to entities, the articulation between both of them and respective conclusions.

Reports issued by the committee

The audit committee complied with its responsibility to ascertain that the law and CGD's articles of association were complied with, having issued the quarterly report referred to in no. 2 of article 6 of decree law 287/93 of 20 August which is sent to the Ministry of Finance with the knowledge of the chairman of CGD's board of directors.

The opinions on the adequacy and effectiveness of CGD's separate and Group internal control system were issued under the terms of the Bank of Portugal's official notice 5/2008 of 25 June. In general it is considered that Caixa's internal control system is commensurate with the dimension and nature of the risk of the activities performed and we are not aware of any information leading to the conclusion that the control procedures analysed do not respond reasonably in all materially relevant aspects to the objectives described in official notice 5/2008.

The audit committee, on 25 July 2014 issued its opinion on CGD's internal anti-money laundering and countering the financing of terrorism (AML/CFT) control system, under the terms of the Bank of Portugal's official notice 9/2012 of 29 May. In general the committee considered that the internal control system implemented in CGD, in the specific ML/FT prevention sphere is, for materially relevant aspects, adequate under the terms of the Bank of Portugal's applicable legislation and regulation and is overseeing the implementation of several of the measures deriving from the entry into force of the Bank of Portugal's official notice 5/2013 of 18 December and which, owing to their complexity require improvements to be made to the tools and procedures adopted.

Reports issued by the statutory and external auditors

The audit committee considered the information contained in the statutory auditor's opinion on the internal control system associated with the process for the preparation and disclosure of separate and consolidated financial information under the terms of the Bank of Portugal's official notice 5/2008 and the external auditor's opinion on the adequacy of the procedures and measures adopted by CGD for safeguarding its customers' assets, in the sphere of the dispositions defined in articles 306 to 306-D of the Securities Market Code.

The committee took note of the reports on the process for quantifying impairment on CGD Group's credit portfolio, produced every six months by the external auditor, in conformity with the Bank of Portugal's instruction 5/2013 of 15 April, in which the methodologies and information sources used to calculate separate and collective impairment are assessed, in addition to the respective procedures and controls.

Restructuring and capital funding plan

CGD's restructuring plan, approved by the European Commission in July 2013, was submitted by the Portuguese state as part of CGD's recapitalisation process, in the context of the European Banking Authority's (EBA's), new regulatory requirements and resulted in additional capital requirements of €1,650 million (€750 million increase in CGD's share capital and issuance of €900 million in hybrid financial instruments eligible as core tier 1 funds), subscribed for in June 2012 by the state shareholder and considered by the European Commission as state aid.

To comply with the plan, Caixa's performance is based on the following undertakings: (i) balance sheet deleveraging with the sale of its insurance arm and other non-strategic equity stakes to ensure the fulfilment of capital targets; (ii) improved operational efficiency based on the reduction of operating costs; and (iii) the restructuring and optimisation of the operation in Spain to ensure its respective sustainability, funding autonomy and a positive contribution to the Group's results. The audit committee has been overseeing the implementation of the plan and progress reports on the respective monitoring process produced by an independent entity.

CGD's current capital funding plan for the period 2015 to 2017, has been periodically revised to integrate all of the strategic undertakings assumed, the references mentioned in the shareholder's mission letter, interconnection with the restructuring plan's targets and the updating of the respective assumptions based on the known evolution of Caixa Group's activity.

### 3. ***Relevant issues or decisions***

In terms of decisions made and/or issues having a relevant impact for the year ended, the audit committee emphasises the following situations:

(i) CGD launched a €750 million covered bonds issuance in January 2014 with a maturity of 5 years and a coupon rate of 3%. In January 2015, CGD launched a new covered bonds issuance of €1 billion euros with a maturity of 7 years and a coupon rate of 1% higher than that of the preceding issuance, with a longer term maturity and at a lower price.

(ii) Following the process for the sale of equity stakes in the insurance area and the reorganisation of the Group's equity stakes in Cape Verde, CGD, Banco Interatlântico (BI) and Banco Comercial do Atlântico (BCA), disposed of their respective equity stakes of 41.55%, 4.35% and 10% in Garantia - Companhia de Seguros de Cabo Verde (Garantia) to Fidelidade - Companhia de Seguros, at 30 April 2014 pursuant to which CGD and BI are no longer Garantia shareholders, with BCA having reduced its equity stake in the insurance company to 25%. CGD increased its direct equity stake in BCA, in May 2014 to 54.21% in acquiring a 6.76% equity stake in the bank from Garantia.

(iii) On 15 May 2014 CGD successfully completed a direct sale of 80% of the share capital of the companies Fidelidade, Multicare and Cares to the Fosun international Limited Group, as part of the privatisation of CGD's insurance businesses. This operation was responsible for an amount of €234.9 million in capital gains (before tax). The process also included Fosun Group's January 2015 acquisition of the shares included in the public offering for sale which were not taken up by workers, comprising 4.986% of Fidelidade's share capital.

(iv) At the shareholders' meeting of 22 May 2014, the inclusion of €1,095.5 million in negative net income for 2013, on CGD's separate operations, in the "other reserves and retained earnings account" was approved.

(v) In June 2014, as part of the 2nd stage of the REN reprivatisation, Caixa disposed of all of its shares in the company for the amount of €15.7 million making capital gains of €6.9 million.

(vi) Following the resolution measure applied to Banco Espirito Santo (now Novo Banco, SA), CGD and the other banks entered into a loan agreement with the resolution fund as the entity responsible for Novo Banco's capitalisation for the amount of €700 million, in August 2014, in which Caixa's share of the loaned capital was €174 million.

(vii) The report on the process for quantifying the impairment on CGD Group's credit portfolio produced by the external auditors identifies a series of loans for oversight purposes, particularly loans guaranteed by share pledges and exposure to the Espírito Santo Group. These loans merited the particular attention of the audit committee, as set out in quarterly reports issued to the ministerial supervisors.

(viii) Following reflection on CGD's international business strategy, its board of directors approved the "International Area – Strategic Guidelines" document which was sent to the shareholder on 29 September 2014.

(ix) CGD successfully completed the ECB's (European Central Bank's) comprehensive assessment as announced in its results at 26 October 2014. The referred to valuation which included the AQR (Asset Quality Review) and stress tests, confirmed the resilience of CGD's balance sheet to provide for highly rigorous asset valuation criteria in addition to the effects of a hypothetical new sovereign debt crisis. In November 2014, the main banks came under the direct supervision of the ECB, providing continuity to the implementation of the single supervisory mechanism.

(x) On 16 December 2014, DBRS revised its outlook on CGD's rating from negative to stable and reaffirmed its long and short term ratings from BBB (low) and R2 (middle). According to DBRS, the improved outlook reflects the stabilising of CGD's fundamental financial variables in addition to the analogous movement of the rating on the Portuguese Republic in May 2014.

(xi) CGD's exposure to Parvalorem, SA, Parups, SA and Parparticipadas, SGPS, SA includes €2.5 billion in bonds, €38.3 million in loans and €1.0 billion in commercial paper subscribed for by CGD. The repayment of amounts owed to CGD by the vehicles, which belong to the sphere of the Portuguese state is being made under the terms agreed with the ECB, IMF and EU, with the amounts recovered on the sale of the assets held by the referred to entities being set against loan repayments.

(xii) CGD Group's funding from the ECB, accentuated its downwards trajectory to €3.1 billion in December 2014 (against €6.3 billion at the end of 2013).

(xiii) CGD's exposure to securities subscribed for under financial assets lending operations (loans and advances to customers), net of impairment, at 31 December 2014, totalled €582.3 million. These operations require periodic prudential reporting operations to the Bank of Portugal and were overseen by the committee in its quarterly reports.

(xiv) Liabilities for retirement pensions totalled €2,211.6 million at 31 December 2014 (up €499.4 million year-on-year) and are 96.95% funded by CGD's pension fund. Liabilities associated with post-employment medical benefits totalling €500.6 million at year end were fully provisioned.

(xv) CGD Group's risk appetite, revised and approved in 2014, includes the core principles of solvency, liquidity, profitability and sustainability, in addition to supporting principles for the main risks and indicators/oversight metrics for the referred to principles.

## 4. ***Operating Indicators***

Separate accounts

- CGD's net assets were down €3.0 billion over 31 December 2013 to €90.9 billion, particularly in the case of the reduction of loans and advances to customers.
- CGD's liabilities were down €1.8 billion over the preceding year to €87.1 billion, particularly on account of the reduction of central banks' and other credit institutions' resources and debt securities and the increase of customer resources and other loans.

- Shareholders' equity was down €1.1 billion over the preceding year to €3.8 billion, particularly deriving from the year's negative net income.
- The cost-to-income ratio at the end of the year was 84.7%, down 11.0 pp year-on-year, owing to the growth of net operating income from banking and reduction of operating costs.
- The solvency ratio at 31 December 2014, on a separate basis was 11.2%, with a tier I ratio of 8.8%. The common equity tier 1 (CET 1) ratios, calculated in accordance with CRD IV / CRR fully implemented and phased-in rules were 7.3% and 8.8%, respectively
- Separate net income was a negative €1,139.3 million, down by a slight €48.8 million year-on-year, having been particularly penalised by the high costs of credit provisions.

Consolidated accounts

- CGD Group's net assets were down €13.3 billion over last year to €100.2 billion, particularly on account of the disposal process of the Group's insurance area companies.
- Liabilities were down €13.2 billion over 31 December 2013 to €93.7 billion owing to the sale of the insurance operation, decline in resources taken from the ECB and the early repayment of state backed debt.
- The Group's shareholders' equity was down €182.9 million over the preceding year to €6.5 billion, particularly influenced by the evolution of other reserves and retained earnings.
- The cost-to-income ratio was 75.5% in December 2014 (81.6% in the preceding year), with the change particularly deriving from improved net operating income and the reduction of structural costs.
- The solvency ratio, on a consolidated basis, was 12.7%, with a tier I ratio of 10.9% The common equity tier 1 (CET 1) ratios, calculated in accordance with CRD IV I CRR fully implemented and phased-in rules were 9.8% and 10.9%, respectively.
- Consolidated net income attributable to CGD's shareholder comprised a negative €348.0 million, comprising a year-on-year improvement of around 40% (negative net income of €578.9 million in 2013). Results for 2014 were negatively affected by the recognition of impairment associated with exposure to the Espírito Santo Group, higher separate provisioning costs on a collection of companies with a more relevant level of exposure and the net impact of the cancellation of deferred tax deriving from the reduction of the IRC rate.

## 5. ***Final procedures for the issue of an opinion***

In the period following the year end closing of the accounts and pursuant to the functions provided for in the Commercial Companies Code, the audit committee analysed the annual report and the separate and consolidated accounts submitted by the board of directors, which it has articulated, in technical terms with the statutory auditors.

The audit committee inspected the contents of the statutory audit certificate issued on the separate and consolidated accounts by the statutory auditors and the audit report (separate and consolidated accounts) issued by the external auditors under the terms of article 245 of the securities code.

### 6. ***Opinion of committee***

Taking all of the above into consideration, it is the audit committee's opinion that the general meeting should:

a) approve the board of directors' report and the separate and consolidated accounts for 2014, as submitted by the board of directors;

b) issue a resolution on the proposal for the appropriation of net income which is an integral part of the board of directors' report.

c) undertake a general assessment of the company's management and inspection, drawing the conclusions referred to in article 455 of the Commercial Companies Code.

Lisbon, 7 April 2015

AUDIT COMMITTEE

*Eduardo Manuel Hintze da Paz Ferreira*
*(Chairman)*

*Daniel Abel Palhares Traça*
*(Vice-chairman)*

*Pedro Miguel Ribeiro de Almeida Fontes Falcão*
*(Member)*

# 3. REPORT ON CORPORATE GOVERNANCE

## I - Mission, Objective and Policies

CGD is a structuring group for the Portuguese financial sector, differentiated by its relevance and major responsibility

Quest for balance in the evolution between profitability, growth and financial strength in a prudent risk management framework

### MISSION

CGD Group should endeavour to consolidate as a Portuguese financial system structuring group, differentiated by the major relevance and responsibility of its contribution to:

- Economic development;
- Its greater competitiveness, innovation capacity and internationalisation of Portuguese companies;
- The stability and strength of the domestic financial system.

As the market leader, it should endeavour to achieve a balanced evolution between profitability, growth and financial strength, always subject to a prudent risk management approach.

CGD's activity and its employees' conduct are governed by the following fundamental values:

- Rigour, which includes objectivity, professionalism, technical skill and diligence always geared to achieving higher levels of economic, financial, social and environmental efficiency, based on the adoption of best banking and financial practice;
- Transparency of information, namely as regards conditions governing the provision of services and the organisation's performance, operating with truth and clarity;
- Security of investments, with prudent risk management and CGD's stability and strength as a *sine qua non*;
- Organisational and personal responsibility for own actions, endeavouring to correct eventual negative impacts. This includes socially responsible performance and commitment to sustainable development;
- Integrity, understood to mean scrupulous legal, regulatory, contractual and ethical compliance with ethical values and the operating principles adopted;
- Respect for interests which have been entrusted, acting with courtesy, discretion and loyalty, in addition to principles of non-discrimination, tolerance and equality of opportunities.

## MAIN STRATEGIC GOALS

In strategic terms, CGD's activity is naturally constrained by the economic-financial targets set for CGD Group to comply till the end of 2017, in the sphere of the Restructuring Plan approved by DG Comp, of which reference should be made to the following guidelines:

CGD Group's activity is conditioned by the economic-financial goals to be complied with by end 2017

- Concentration on retail banking activity;
- Deleveraging of non-core assets and run-down of assets parked in CGD's Spain branch;
- Improved operational efficiency in terms of domestic activity, continuing to endeavour to cut operating costs;
- Turnaround of the group's operation in Spain, to improve its profitability and efficiency indicators.

Response to the needs created by the new economic and financial sector context even in more adverse scenarios

CGD's activity should also be geared to ensuring adequate capital levels to meet growing regulatory requirements and guarantee safety nets for stress tests in adverse economic scenarios.

Lastly, in May 2013, CGD's sole shareholder prioritised guidelines on corporate lending, without calling the adoption of an adequate risk management policy into question. In concrete terms and in addition to defining quantitative objectives, the focus on corporate segments in the tradable goods markets and geared to exports or import substitution was tightened

CGD Group's strategic plan has been structured on two key challenges:

1st challenge: to protect and strengthen CGD Group's financial health (solvency, liquidity and profitability) to meet the needs of the new economic and financial sector context.

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

The first challenge recommends a response to the requirements created by the new economic and financial sector context, even in more adverse scenarios, by strengthening the group's indicators to provide for the maintenance of a core tier I ratio of 10%, return on equity of 10% over 5 years and a stable loans-to-deposits ratio of between 100-120%.

Guarantee of CGD's sustainability and competitiveness on an organisational and business development model in light of the paradigm shift in the banking sector

The second challenge is to prepare and guarantee CGD's sustainability and competitiveness on an organisational and business model level in light of the paradigm shift in the banking sector, adjusting the Bank of Portugal's current model and integrating it with the international network in terms of supply, ensuring greater focus on the services/transactions component, a service model more in line with foreseeable market evolution and the needs of key segments – premium customers, non-residents and companies/SMEs working in the tradable goods sectors – and the necessary support based on platforms, processes and HR optimisation in line with the new market requirements.

The furtherance of these two challenges is based on a collection of 9 directives, with different timelines in respect of their impact:

- To protect and boost revenue generation;
- To optimise the value proposal in key segments, particularly companies, affluent individual customers and non-residents;
- To optimise the model and infrastructure of the commercial approach;
- To ensure sustainable funding;
- To optimise the organisation's cost efficiency and effectiveness;

- To optimise and develop key processes on credit oversight and recovery and real estate business management;
- To promote procedural rationalisation and excellence;
- To optimise human resources policies and management;
- To boost the profitable and sustainable growth of the international area.

The main policies and lines of action in the sphere of the defined strategy are as follows:

a) To increase net interest income, particularly by reducing the cost of funding deposits;

b) To improve efficiency levels by adopting measures to improve productivity levels, in a context of deleveraging and change in the main business determinants, both on the branch office network and in the central services;

c) To optimise all risk management-related processes, particularly a more integrated management of group property and the credit oversight and recovery process;

d) To create profitable assets with adequate risk levels by strengthening the relationship with companies, particularly SMEs, with CGD endeavouring to achieve the status of the bank of first choice of the best SMEs;

e) To back companies' capitalisation and microfinance. Intervention in this area is fundamental to ensure the funding of the necessary investments and to improve companies' competitiveness, reducing their financial costs;

f) To increase the backing for exports/internationalisation, with Caixa operating as a support bank for exporting companies, increasing its contribution to the country's economic development by reinforcing Portuguese companies' competitiveness and internationalisation;

g) To maintain its leading position in the individual customers' segment;

h) To take in savings and diversify liquidity sources - adopting a commercial strategy enabling balance sheet liquidity risk to be reduced while also safeguarding profitability;

i) To continue the balance sheet reduction process based on disposals of non-core assets, guaranteeing a loans-to-deposits ratio in line with the defined objective;

j) To strengthen a multi-channel CRM strategy. The development of distance banking, in this sphere, should permit the reconfiguration of the physical branch office network, in new locations and new, more flexible formats;

k) To guarantee each separate group entity's positive contribution to consolidated net income, ensuring adequate credit and liquidity risk management;

l) To boost talent management and promote human resources mobility.

The strategies and policies defined for the group generally enabled the following corporate objectives to be achieved:

- Liquidity

  A loans-to-deposits ratio of less than 120%

  Stabilisation/reduction of intragroup funding requirements

  Progressive reduction of ECB funding

  Convergence of stable funding ratio to 100%

The strategies and policies defined by the Group generally enable the following corporate objectives to be achieved:

– Liquity

– Solvency

– Efficiency

Profitability and efficiency objectives are strongly impacted by external factors :

– Current economic cycle

– Historically low levels of market interest rates

- Solvency

  Core tier I ratio

  Compliance with the capital requirements of the EBA's recommendation on the preservation of core tier I, implementation of Basel III and those deriving from the SSM (single supervisory mechanism)

- Efficiency

  Convergence of the net commissions/employee costs ratio to 100%

  Convergence of cost-to-income (BdP) to 50%.

Notwithstanding the implementation of the referred to guidelines and strategic measures, profitability and efficiency objectives continue to be strongly influenced by exteral factors, particularly:

- The current economic cycle and its impact on consumer confidence and conditioning of demand for credit and evolution of deposits while bringing additional pressure to bear on the cost of risk;

- Historically low levels of market interest rates, which, considering that most loan agreements in the Portuguese financial system are indexed to variable rates, strongly constrains net interest income from domestic banking.

# II - Equity Structure

CGD is an exclusively state-owned public liability limited company whose shares may only be owned by the state. Its share capital of €5,900,000,000 comprises 1,180,000,000 shares with a nominal value of €5 each. The shareholder function is performed by the ministry of finance on behalf of the Portuguese state.

CGD Group's shareholders' agreements, at 31 December 2014, encompassed the following entities: Banco Comercial do Atlântico, S.A.R.L.; Banco Interatlântico, S.A.R.L.; Vale do Lobo - RTL, S.A.; Prado - Cartolinas da Lousã, S.A.; Banco Internacional de São Tomé e Príncipe, S.A.R.L.; Parcaixa SGPS, S.A.; Yunit Services, S.A.; Locarent, S.A.; Esegur, S.A.; Banco Comercial e de Investimentos, S.A.R.L (Mozambique); Partang SGPS, S.A. and Banco Caixa Geral Totta Angola, S.A..

A public limited liability company whose shares may only belong to the state

Share capital of €5,900 million comprising 1,180,000,000 shares with a nominal value of €5 each

# III - Equity Stakes and Bonds

Information on the group's structure in terms of its main subsidiaries, by sector of activity is set out below:

| | | 31-12-2014 | |
|---|---|---|---|
| Activity / Entity | Head Office | Effective Participating interest (%) | Direct Participating interest (%) |
| **Holding Companies** | | | |
| Caixa - Gestão de Ativos, SGPS, S.A. | Lisbon | 100.00% | 100.00% |
| Caixa - Participações, SGPS, S.A. | Lisbon | 100.00% | 100.00% |
| Caixa Desenvolvimento, SGPS, S.A. | Lisbon | 99.72% | - |
| Caixa Seguros e Saúde, SGPS, S.A. | Lisbon | 100.00% | 100.00% |
| Gerbanca, SGPS, S.A. | Lisbon | 100.00% | 91.95% |
| Parbanca, SGPS, S.A. | Madeira | 100.00% | 10.00% |
| Parcaixa SGPS, S.A. | Lisbon | 51.00% | 51.00% |
| Partang, SGPS, S.A. | Lisbon | 51.00% | 51.00% |
| **Banking** | | | |
| Banco Caixa Geral, S.A. | Vigo | 99.79% | 99.79% |
| Banco Comercial do Atlântico, S.A. | Praia | 57.91% | 54.41% |
| Banco Comercial e de Investimentos, S.A.R.L. | Maputo | 51.26% | - |
| Banco Caixa Geral Brasil, S.A. | São Paulo | 100.00% | 99.90% |
| Banco Interatlântico, S.A.R.L. | Praia | 70.00% | 70.00% |
| Banco Nacional Ultramarino, S.A. (Macau) | Macau | 100.00% | 99.43% |
| Caixa - Banco de Investimento, S.A. (b) | Lisbon | 99.72% | - |
| CGD - North America Finance | Delaware | 100.00% | 100.00% |
| CGD Investimentos CVC, S.A. | São Paulo | 99.86% | - |
| Mercantile Bank Holdings, Ltd. (b) | Johannesburg | 100.00% | 91.60% |
| Banco Caixa Geral Totta Angola, S.A. | Luanda | 26.01% | - |
| **Insurance** | | | |
| Cares - Companhia de Seguros, S.A. | Lisbon | 20.00% | - |
| Fidelidade - Companhia de Seguros, S.A. | Lisbon | 19.99% | - |
| Multicare - Seguros de Saúde, S.A. | Lisbon | 20.00% | - |
| **Specialised Credit** | | | |
| Caixa Leasing e Factoring - Instituição Financeira de Crédito, S.A. | Lisbon | 51.00% | - |
| Promoleasing - Sociedade de Locação Financeira, S.A. | Praia | 51.27% | - |
| **Asset Management** | | | |
| Caixagest - Técnicas de Gestão de Fundos, S.A. | Lisbon | 100.00% | - |
| CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A. | Lisbon | 100.00% | - |
| Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A. | Lisbon | 100.00% | - |
| **Venture Capital** | | | |
| A Promotora, Sociedade de Capital de Risco, S.A.R.L. | Praia | 45.30% | 36.21% |
| Caixa Capital - Sociedade de Capital de Risco, S.A. | Lisbon | 99.72% | - |
| **Property** | | | |
| Imobci, Lda | Praia | 45.13% | 40.00% |
| Imocaixa - Gestão Imobiliária, S.A. | Lisbon | 100.00% | 90.00% |
| Caixa Imobiliário, S.A. | Lisbon | 100.00% | - |
| Inmobiliaria Caixa Geral S.A.U. | Madrid | 100.00% | - |
| Cibergradual, Investimento Imobiliário, S.A. | Lisbon | 100.00% | - |
| **Other Financial Entities** | | | |
| CGD Finance | Cayman | 100.00% | 100.00% |

| Activity / Entity | Head Office | 31-12-2014 Effective Participating interest (%) | Direct Participating interest (%) |
|---|---|---|---|
| **Other Companies** | | | |
| Caixanet - Telemática e Comunicações, S.A. | Lisbon | 80.00% | 80.00% |
| Caixatec, Tecnologias de Comunicação, S.A. | Lisbon | 100.00% | 100.00% |
| LCS - Linha de Cuidados de Saúde, S.A. | Lisbon | 100.00% | |
| HPP International Ireland, Ltd. | Dublin | 100.00% | - |
| HPP International - Luxembourg, S.A.R.L. | Luxembourg | 100.00% | - |
| Wolfpart SGPS, S.A. | Lisbon | 100.00% | |
| **Special Purpose Entities and Investment Funds** | | | |
| Fundo de Capital de Risco - Grupo CGD - Caixa Capital | Lisbon | 99.98% | 85.63% |
| Fundo de Capital de Risco Empreender Mais | Lisbon | 100.00% | 100.00% |
| Fundo de Capital de Risco Caixa Fundos | Lisbon | 100.00% | 100.00% |
| Fundo de Capital de Risco Caixa Crescimento | Lisbon | 100.00% | 100.00% |
| Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento | Lisbon | 87.86% | 87.86% |
| Fundo Especial de Investimento Aberto Estratatégias Alternativas | Lisbon | 76.27% | - |
| Caixa Imobiliário - Fundo de investimento Imobiliário de Arrendamento Habitacional | Lisbon | 100.00% | - |
| Caixagest Private Equity - Fundo Especial de Investimento | Lisbon | 46.20% | - |
| Caixagest Imobiliário Internacional- Fundo Especial de Investimento | | 46.31% | - |
| Caixagest Infra- Estruturas - Fundo Especial de Investimento | Lisbon | 26.76% | - |
| Beirafundo - Fundo de Investimento Imobiliário Fechado | Lisbon | 95.88% | 38.29% |
| Cidades de Portugal - Fundo de Investimento Fechado de Arrendamento Habitacional | Lisbon | 100.00% | - |
| Caixa Reabilita - Fundo Especial de Investimento Imobiliário | Lisbon | 100.00% | - |
| Fundolis - Fundo de Investimento Imobiliário Fechado | Lisbon | 100.00% | - |
| Fundimo - Fundo de Investimento Imobiliário Aberto | Lisbon | 51.66% | - |
| Fundo Especial de Investimento Obrigações Rendimento Nacional | Lisbon | 22.61% | - |
| Fundiestamo - - Fundo de Investimento Imobiliário Fechado | Lisbon | 77.92% | - |
| Fundo Especial de Investimento Imobiliário Fechado - Iberia | Lisbon | 100.00% | - |

The above referred to direct equity percentages comprise share capital held and voting rights.

The main movements in the group’s subsidiaries in 2014, in terms of acquisitions and disposals of equity stakes and investments in any associative or foundational entities were as follows:

*Fundo de Capital de Risco Caixa Crescimento*

Fundo Caixa Crescimento, FCR was set up at 27 June 2013, with a start-up capital of €30 million, comprising 30,000 investment units with a nominal value of €1,000 each.

The fund’s corporate object is to operate in the venture capital area by investing in SMEs or midcaps headquartered in Portugal which require funding for their respective investment plans to increase their production capacity, expand into new markets, sustain their growth strategies or reinforce the structural funding needs of their operating cycle.

A capital increase based on a proposal submitted by Caixa Capital - Sociedade de Capital de Risco, S.A. in the form of the issuance of 2,000 investment units with a nominal value of €1,000 each, fully subscribed for by Caixa was approved during the course of first half 2014.

€23,700 thousand and €5,000 thousand of the total amount of the fund’s capital was fully paid up in cash, at 31 December 2014 and 2013, respectively.

*Caixa Seguros e Saúde, SGPS, S.A. (Caixa Seguros e Saúde) and Fidelidade - Companhia de Seguros, S.A. (Fidelidade)*

The contracts for the sale of a majority investment to the bidder Fosun International Limited, as part of the privatisation process of Fidelidade – Companhia de Seguros, S.A., Cares – Companhia de Seguros, S.A., and Multicare - Seguros de Saúde, S.A. were entered into on 7 February 2014 and finalised in May 2014.

According to the provisions of the Fidelidade – Companhia de Seguros, S.A., sales agreement, Caixa Seguros e Saúde, SGPS, S.A. would have a maximum investment of 15% with the sale of 5% of the capital to workers. The public offer for sale in which 16,860 shares were sold to workers took place on 15 October. The remaining shares to make up 5% of Fidelidade – Companhia de Seguros, S.A.'s capital were acquired by Fosun Group on 8 January 2015.

The investments retained by the Group in Fidelidade – Companhia de Seguros, S.A., Cares – Companhia de Seguros, S.A., and Multicare - Seguros de Saúde, S.A., at 31 December 2014, were classified as investments in associates.

The disposal of these investments also led to the reduction of the percentage held by the Group in several of its subsidiaries, during the course of 2014, namely those held by Fidelidade – Companhia de Seguros, S.A.

*Garantia - Companhia de Seguros de Cabo Verde, S.A. (investment in Banco Comercial do Atlântico, S.A.)*

During the course of first half 2014, following the disposal process on the group's insurance activities, CGD, Banco Interatlântico, S.A. and Banco Comercial do Atlântico, S.A. sold 111,789 shares comprising 55.90% of the share capital of Garantia – Companhia de Seguros de Cabo Verde, S.A. for the amount of CVE 6,175 per share to Fidelidade – Companhia de Seguros, S.A. CGD also strengthened its position in Banco Comercial do Atlântico, S.A. in the period by acquiring 89,504 shares comprising 6.76% of its share capital for the amount of CVE 3,504 per share from Garantia – Companhia de Seguros de Cabo Verde, S.A. The referred to restructuring of this equity investment's composition, gave Caixa Group an effective equity stake of 57.91% in Banco Comercial do Atlântico, S.A., 70% in Banco Interatlântico, S.A. and an indirect equity stake of 25% in Garantia – Companhia de Seguros, S.A. through Banco Comercial do Atlântico, S.A..

*CVC Investimentos CVC, S.A.*

A resolution was passed, in 2014, to restructure CGD Investimentos CVC's brokerage business in Brazil. The merger of the activity of CGD Investimentos CVC's HomeBroker with Octo CTVM's Rico investment platform, was accordingly announced in July 2014. This operation will give the Group 51% of Octo CTVM's shares following the approval of the Central Bank of Brazil. At the end of second half 2014, CGD Investimentos CVC also announced its intention to close down its institutionals' activity.

At 31 December 2014, the main equity instruments recognised as "available for sale financial assets" included the following equity stakes with the following movements in 2014:

*REN - Redes Energéticas Nacionais, SGPS, S.A.*

In the sphere of REN's 2nd reprivatisation stage, Caixa disposed of all of its shares in the company for an amount of €15,725 thousand, in June 2014, making capital gains of €6,933 thousand.

*Galp Energia, SGPS, S.A. (Galp)*

The Group disposed of 1,339,125 Galp Energia shares for an overall amount of €17,712 thousand in first half 2014, making capital gains of €1,903 thousand.

The Group disposed of 3,233,255 Galp Energia shares for an overall amount of €40,889 thousand in 2013, making capital gains of €2,729 thousand.

Information on the bondholding status of members of the board of directors is as follows:

| Bondholders Members of the Board of Directors: | Security | Number of bonds at 31/12/14 |
|---|---|---|
| João Nuno Palma | Subordinated bonds CGD – 2009/2019 – Anniversary | 50 |
| José Pedro Cabral dos Santos | Caixa bonds July 2015 | 15,000 |

The remaining members of the board of directors and related entities referred to in article 447 of the commercial companies code do not hold any CGD bonds or bonds in the other companies also listed in the referred to legal disposition.

Members of the board of directors do not have any investment in companies in which CGD has a direct or indirect majority shareholding.

# IV - STATUTORY BODIES AND COMMITTEES

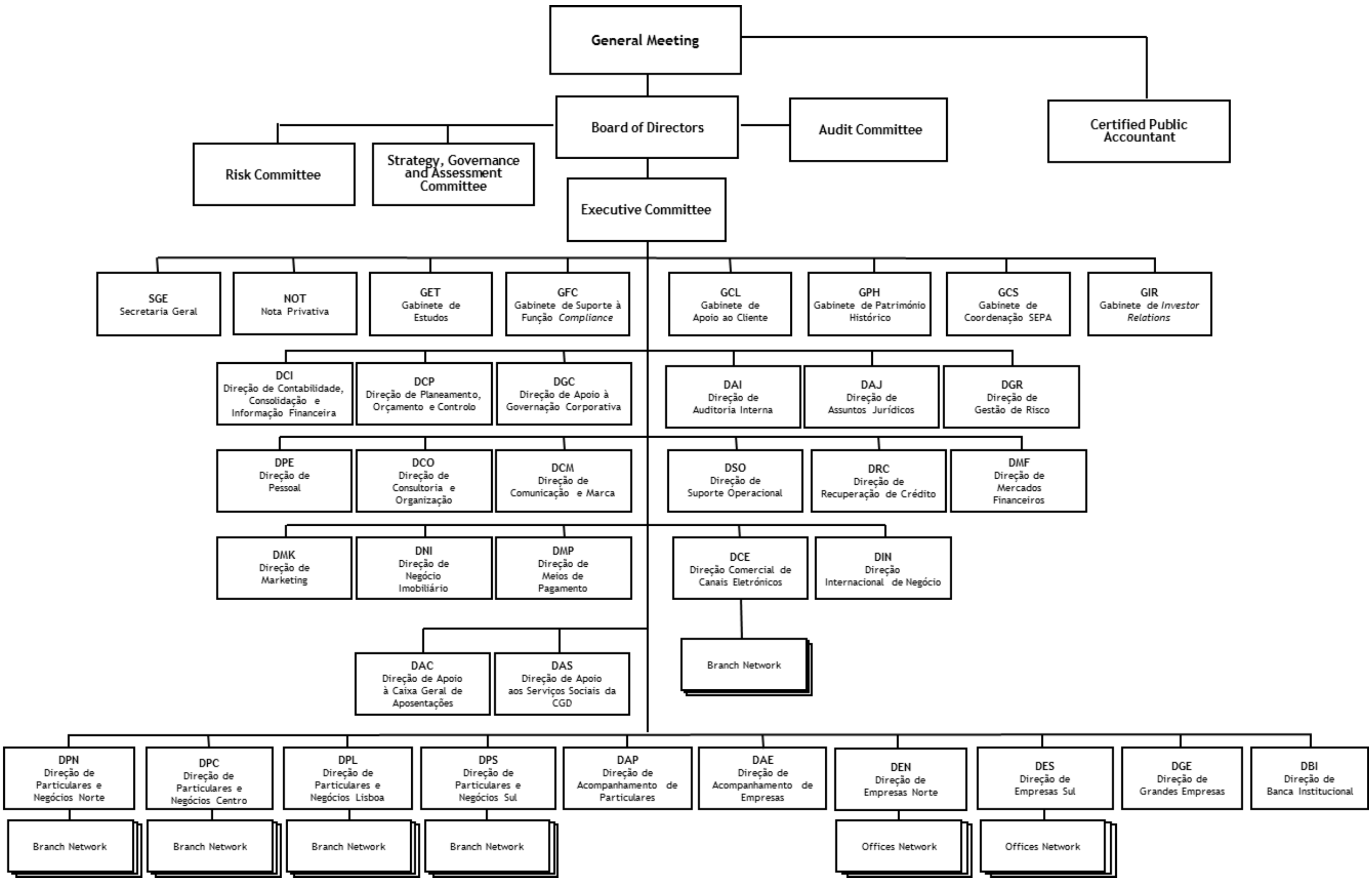
Governance model ensures effective separation between administrative and inspection functions

CGD's governance model, which guarantees effective separation between management and audit functions, comprises its board of directors, audit committee and statutory auditor.

Members of CGD's statutory bodies are elected under a shareholders' resolution for a period of three years and may be re-elected. The maximum number of successive terms of office may not, however, exceed four, except for the members of the board of the shareholders' meeting and the independent members of the audit committee who are governed by the dispositions set out at law.

CGD's articles of associations are amended under the terms of the commercial companies code and any proposed changes should be duly circumstantiated and approved by the shareholder (vide decree law 133/2013 of 3 October, article 36). Other than those set out at law, there are no shareholders' resolutions that, based on statutory requirements, need to be passed by a qualified majority.

## CGD'S ORGANISATION CHART



## GENERAL MEETING

The board of the shareholders' meeting comprises a chairman, a vice-chairman and a secretary. The current term of office runs from 2013 to 2015.

Shareholders' meeting comprises a chairman, vice-chairman and secretary with a current term of office running from 2013 to 2015

*Composition of the board of the shareholders' meeting*

Chairman: Manuel Carlos Lopes Porto

Vice-chairman: vacant

Secretary: José Lourenço Soares

The former vice-chairman of the board of the shareholders' meeting, Rui Manuel Parente Chancerelle de Machete, resigned with effect from 24 July 2013, when he took up office as the Minister of State for Foreign Affairs.

The résumés of the members of the board of the shareholders' meeting are set out in an annex to this report.

The shareholders' meeting issues resolutions on all issues for which it is competent by law and the company's articles of association

- The shareholders' meeting passes resolutions on all subjects within its competence as defined by law and the articles of association, particularly:
- Approving the board of directors' report and annual accounts;
- Approving the proposal for the appropriation of net income;
- Undertaking a general annual assessment of the company's management and audit;
- Electing members of the board of the shareholders' meeting, members of the board of directors, appointing its chairman and vice-chairmen, members of the audit committee and statutory auditor;
- Approving amendments to the articles of association and capital increases;
- Approving the remuneration of members of statutory bodies and having the right to appoint a remuneration committee with the power to define the said remuneration under the terms of the "public manager statute" and other applicable legislation;
- Authorising the acquisition and disposal of real estate and investments, both of which when comprising more than 20% of the share capital;
- Dealing with any issue for which it has been called.

## BOARD OF DIRECTORS

The board of directors comprises a chairman, one or two vice-chairmen and from five to seventeen board members, also including members of the audit committee. The board of directors comprises fourteen members whose term of office runs from 2013 to 2015.

The board of directors currently comprises fourteen members whose term of office runs from 2013 to 2015

Members of the board of directors are chosen from persons of recognised good standing, professional merit, skills and management experience, in addition to a sense of public duty with a minimum academic level of a first degree and are elected on the basis of a shareholder's resolution following a non-binding assessment of their résumés and suitability of their skills for the position of a public management function and are selected by the recruitment and selection committee for general government (vide: public manager statute, approved by decree law 71/2007 of 27 March, articles 12 and 13).

The board of directors may be dissolved and its managers dismissed in cases and situations provided for in the public manager statute as well as for reasons of mere expediency (vide: public manager statute, articles 24, 25 and 26).

The board of directors may be dissolved and managers dismissed in cases and situations provided for in the "public manager statute" as well as for reasons of mere expediency

*Composition of board of directors*

Chairman: Álvaro José Barrigas do Nascimento

Vice-Chairman: José Agostinho Martins de Matos

Members: Nuno Maria Pinto de Magalhães Fernandes Thomaz, João Nuno de Oliveira Jorge Palma, José Pedro Cabral dos Santos, Ana Cristina de Sousa Leal, Maria João Borges Carioca Rodrigues, Jorge Telmo Maria Freire Cardoso, Pedro Miguel Valente Pires Bela Pimentel, José Luís Mexia Fraústo Crespo de Carvalho, José Ernst Henzler Vieira Branco, Eduardo Manuel Hintze da Paz Ferreira, Daniel Abel Monteiro Palhares Traça and Pedro Miguel Ribeiro de Almeida Fontes Falcão.

The mandate of board member Jorge Telmo Maria Freire Cardoso has been suspended at his request since 16 September 2014, under the terms of the unanimous written resolution of 23 October 2014.

The board of directors includes board members with executive functions who form the executive committee and board members with non-executive functions comprising all of the other board members.

Board members with non-executive functions are considered independents as they are not associated with any special interest group in the company and are not subject to any circumstance susceptible of affecting their independent analysis or decision, in accordance with the criteria used for the consideration of any of the referred to forecasts. Article 21, number 2, of the public manager statute, on the other hand, prescribes that managers with non-executive functions should perform their functions independently, providing guarantees of making their own free and unconditional judgments *vis-à-vis* the other managers and may not have business interests related with the company, its main customers and suppliers.

The résumés of the current members of the board of directors are set out in an annex to this report and include their professional qualifications and other relevant curricular items, namely any accumulation of positions or activities.

The competencies of the board of directors are set out at law. It is particularly responsible, in accordance with the company's articles of association, for:

Board members with non-executive functions are considered "independents"

- Managing the company's corporate affairs and performing all acts relating to its corporate object;
- Establishing the company's internal organisation and producing the regulations and instructions considered expedient;
- Hiring company workers, defining their respective contractual terms and exercising the corresponding management and disciplinary authority;
- Appointing proxies with the authority considered expedient;
- Approving investments in the equity capital of other companies;
- Acquiring, burdening and disposing of any assets and rights, whether moveable or immoveable , including equity stakes and making investments, when considered to be in the company's interest, without prejudice to the competence of the shareholders' meeting on such issues;
- Approving bond issues;
- Executing and ensuring compliance with the resolutions of shareholders' meetings;

- Representing the company at law and in its day-to-day affairs, actively and passively, having the right to confess, withdraw or come to terms in any lawsuits and to agree to the decisions of arbitrators in arbitration procedures;
- Exercising the other responsibilities attributed to them by law or the articles of association and deciding on any other matters outside the sphere of competence of the company's other bodies.

The activity of the board of directors is governed by the regulation of the board of directors, approved by this body on 15 September 2011 and published on CGD's intranet.

The activity of the board of directors is regulated by the board's regulations approved by this body and published on CGD's intranet

Ordinary meetings of the board of directors are held at least once every two months with 10 meetings having been held in 2014.

Minutes are prepared on all of the meetings and all attendances and absences. All absences were expressly justified by the board of directors.

The Portuguese state as CGD's sole shareholder has defined objectives and priorities for CGD, namely on credit issues for the three year period 2013 – 2015, in its mission letter of 31 May 2013 and in its unanimous written resolution of 8 July 2013, charging the board of directors and, in particular, the executive committee with producing and submitting a study for submission to the state, within a period of 90 days starting from the resolution, on the reorganisation and development of the company's international activity, as a means of leveraging and maximising its backing of the national economy.

| Term of office (Start-End) | Position | Name | Legal Designation of Current Nomination | Number of Terms of Office performed in Company | Remarks |
|---|---|---|---|---|---|
| 2013-2015 | Chairman of the Board of Directors | Álvaro José Barrigas do Nascimento | Unanimous written Resolution | Two | One term of office as Non-Executive Member of the Board of Directors and another as the Chairman of the Board of Directors |
| 2013-2015 | Vice-Chairman of the Board of Directors and Chairman of the Executive Committee | José Agostinho Martins de Matos | Unanimous written Resolution | Two | |
| 2013-2015 | Member of the Board of Directors and Vice-Chairman of the Executive Committee | Nuno Maria Pinto de Magalhães Fernandes Thomaz | Unanimous written Resolution | Two | One term of office as Member of the Board of Directors and the Executive Committee and another as Member of the Board of Directors and Vice-Chairman of the Executive Committee |
| 2013-2015 | Member of the Board of Directors and the Executive Committee | João Nuno de Oliveira Jorge Palma | Unanimous written Resolution | Two | |
| 2013-2015 | Member of the Board of Directors and the Executive Committee | José Pedro Cabral dos Santos | Unanimous written Resolution | Two | |
| 2013-2015 | Member of the Board of Directors and the Executive Committee | Ana Cristina de Sousa Leal | Unanimous written Resolution | One | |
| 2013-2015 | Member of the Board of Directors and the Executive Committee | Maria João Borges Carioca Rodrigues | Unanimous written Resolution | One | |
| 2013-2015 | Member of the Board of Directors and the Executive Committee | Jorge Telmo Maria Freire Cardoso | Unanimous written Resolution | One | |
| 2013-2015 | Non-Executive Member of the Board of Directors | Pedro Miguel Valente Pires Bela Pimentel | Unanimous written Resolution | One | |
| 2013-2015 | Non-Executive Member of the Board of Directors | José Luís Mexia Fraústo Crespo de Carvalho | Unanimous written Resolution | One | |
| 2013-2015 | Non-Executive Member of the Board of Directors | José Ernst Henzler Vieira Branco | Unanimous written Resolution | One | |
| 2013-2015 | Non-Executive Member of the Board of Directors | Eduardo Manuel Hintze da Paz Ferreira | Unanimous written Resolution | Two | |
| 2013-2015 | Non-Executive Member of the Board of Directors | Daniel Abel Monteiro Palhares Traça | Unanimous written Resolution | One | |
| 2013-2015 | Non-Executive Member of the Board of Directors | Pedro Miguel Ribeiro de Almeida Fontes Falcão | Unanimous written Resolution | One | |

## COMPOSITION OF EXECUTIVE COMMITTEE

The company's articles of association state that the board of directors shall delegate the company's day-to-day management to an executive committee and define the conditions thereof in minutes

Under the company's articles of association the board of directors shall delegate the management of the company's day-to-day affairs to an executive committee with the limits and conditions of the referred to delegation being set out in minutes.

The board of directors, at its meeting of 15 July 2013, appointed an executive committee made up of the following members:

Chairman: José Agostinho Martins de Matos

Vice-chairman: Nuno Maria Pinto de Magalhães Fernandes Thomaz

Board members: João Nuno de Oliveira Jorge Palma, José Pedro Cabral dos Santos, Ana Cristina de Sousa Leal, Maria João Borges Carioca Rodrigues and Jorge Telmo Maria Freire Cardoso.

The mandate of board member Jorge Telmo Maria Freire Cardoso has been suspended at his request since 16 September 2014, under the terms of the unanimous written resolution of 23 October 2014.

At the referred to meeting of 15 July 2013, the board of directors passed a resolution delegating the management of the company's day-to-day affairs to the executive committee giving it general management authority, albeit reserving for the board of directors, in addition to the dispositions of articles 406 and 407 of the commercial companies code, exclusive competency for the following: a) approval of the general policy of CGD Group, in which the group is understood to be the credit and financial institutions controlled directly or indirectly by the company and companies operating in the insurance area; b) approval of the annual and pluriannual plans and periodic oversight of their execution; c) approval of the board of directors' and the executive committee's regulations; d) approval of strategic resolutions based on their amount, risk or owing to their special characteristics, as defined in the board of directors' and/or executive committee's regulation; e) approval of proposals to amend the articles of association, including capital increases; f) approval of proposals for the appointment of the members of statutory bodies and the codes of conduct of CGD's Culturgest Foundation and controlled companies as defined in the board of directors' regulation; g) appointment of other committees within the board of directors; h) appointment of a company secretary and deputy.

At a meeting of 23 July 2013, the executive committee passed a resolution, allocating responsibilities among its members and respective deputies, which resolution was ratified by the board of directors on 31 July 2013. On 18 September 2013, the executive committee also allocated responsibility among its members for the oversight of the activity of branches and subsidiary companies, which resolution was ratified by the board of directors, on 11 December 2013. Following the suspension of the mandate of board member Jorge Telmo Maria Freire Cardoso, the executive committee reallocated areas of responsibility on 17 September 2014, ratified by the board of directors on 18 September 2014.

The executive committee's activity is governed by the regulation of the executive committee

The activity of the executive committee is governed by its respective regulation approved by the board of directors on 15 September 2011 and published on CGD's intranet.

The management of the executive committee is overseen and continuously assessed by non-executive board members

The management of the executive committee is monitored and continuously assessed by non-executive board members (vide public manager statute, article 21, no. 3) and inspected by the audit committee which has the duty of annually assessing the collective performance of the executive committee and preparing an annual report on its inspection to be submitted to the shareholder's meeting (vide audit committee regulation, articles 3 and 4) and is also monitored by the strategy, governance and assessment committee which has the duty to submit an annual report to its ministerial supervisor on the assessment and degree of compliance with the management guidelines defined for the company (vide strategy, governance and assessment committee regulation, article 3 and public manager statute, article 7, no. 1).

The shareholders' meeting performs an annual appraisal of the general activity of the board of directors

Finally, the shareholders' meeting will produce an annual assessment of the company's management (vide articles of association, article 12, no. 2 c).

The executive committee generally meets once a week, having held 53 meetings in the Head Office in 2014. The absences were as follows: Dr. José de Matos - 3; Dr. Nuno Fernandes Thomaz - 17; Dr. João Nuno Palma - 14; Dr. José Pedro Cabral dos Santos - 3; Dra. Ana Cristina Leal - 7; Dra. Maria João Carioca Rodrigues - 4; and Dr. Jorge Cardoso - 3.

Minutes are prepared on all of the meetings and all attendances and absences. All absences were expressly justified by the executive committee.

CGD has eight executive boards

## EXECUTIVE BOARDS

CGD has eight executive boards, whose composition, competencies and frequency of meetings are as follows:

- Credit board, comprising all members of the executive committee, with a minimum of 3, chaired by the chairman of the executive committee, responsible for credit matters, in accordance with the delegation of competencies and which generally meets once a week. It met 51 times in 2014;

- Expanded credit board comprising all members of the executive committee, with a minimum of 4, chaired by the chairman of the executive committee, also responsible for credit matters, in accordance with the delegation of competencies and which generally meets once a week. It met 51 times in 2014;
- The marketing, communication and networks board (CDMC), responsible for communication, marketing, financial markets, corporate and individual customers networks and products and services, chaired by the chairman of the executive committee and members of the executive committee with their corresponding areas of responsibility, subject to a minimum of 3 and which generally meets once a fortnight. It met 20 times in 2014;
- Personnel, media and systems board (CDPM), responsible for procurement, real estate management, organisation, personnel, information systems and operational support, comprising the vice-chairman of the executive committee and members of the executive committee with their corresponding areas of responsibility, with a minimum of 3, and which generally meets once a week. It met 35 times in 2014;
- Assets and liability management executive board (ALCO), responsible for the assessment and monitoring of the integrated assets and liabilities management process (ALM – asset–liability management), geared to the proactive management of CGD Group's balance sheet and profitability, responsible for promoting the ALM process and actions and procedures necessary for its implementation, assessing and issuing resolutions on proposals for strategic guidelines on the group's funding and liquidity policy and its oversight, assessing and passing resolutions on proposals for strategic guidelines and latter oversight for the risk management policy, analysing and passing resolutions on strategic proposals and latter oversight, on the group's capital ratios and its resource-taking policy and capital management, passing resolutions on balance sheet and net interest income proposals/optimisation measures as well as strategic initiatives for the optimisation of the risk/return binomial and promoting articulation between financial strategy and the group's commercial policy. It comprises all members of the executive committee, with a minimum of 3, chaired by the chairman of the executive committee and, in principle, meets once a month. It replaces the former assets and liabilities management committee on the basis of an internal regulation issued in October 2013. It met 3 times in 2014;
- Real estate business executive board (CDNI), responsible for the group's real estate business (domestic and foreign), comprising members of the executive committee responsible for the real estate and connected areas, in addition to the oversight of companies and credit recoveries, with a minimum of 3 members and usually meeting once a fortnight. It met 7 times in 2014;
- Corporate management executive board (CDGC), responsible for the appraisal of issues related with the definition and oversight of the execution of the group's corporate strategy, comprising all members of the executive committee, with a minimum of 3, chaired by the chairman of the executive committee and which usually meets once a month. It met 10 times in 2014.
- Credit oversight management board (CDAC) responsible for the appraisal of issues, consideration, discussion and resolution on attributing impairment levels on CGD Group's (and other CGD companies') loans and advances to customers levels and for ensuring the correct articulation of responsibility for processing customers at risk between CGD's commercial structures and areas specialising in credit oversight and recovery, comprising all members of the executive committee, with a minimum of 3, chaired by the chairman of the executive committee and which in principle, meets once a quarter for impairment related issues and once a month for other issues. It met 7 times in 2014.

## INSPECTION BODIES

The inspection of the company is the responsibility of an audit committee, comprising a minimum of three and a maximum of five board members and a statutory auditor or statutory audit company.

The company is inspected by an audit committee comprising a minimum of three and maximum number of five board members and a statutory auditor or statutory audit company

### AUDIT COMMITTEE

The audit committee comprises a chairman, a vice-chairman and a board member whose term of office runs from 2013 to 2015.

*Composition of audit committee*

Chairman: Eduardo Manuel Hintze da Paz Ferreira

Vice-chairman: Daniel Abel Monteiro Palhares Traça

Board member: Pedro Miguel Ribeiro de Almeida Fontes Falcão

The résumés of the members of the audit committee are set out in this report and include their professional qualifications and other relevant curricular items, namely their accumulation of positions or activities.

The competencies of the audit committee are set out at law and the articles of association, as follows:

- To verify the accuracy of the accounting documents and, in general, supervise the quality and integrity of the financial information published in the company's accounting documents;
- To inspect the process for the preparation and disclosure of financial information;
- To analyse and issue its opinion on relevant accounting and audit-related issues and impact of changes to the accounting standards applicable to the company and its accounting policies in the financial statements;
- To inspect the revision of the accounts and auditing of the company's accounting documents, in addition to supervising and assessing the internal procedures related to accounting and audit matters;
- To propose the appointment of the statutory auditor to the shareholders' meeting;
- To inspect the independence of the statutory auditor as regards the provision of additional services;
- To appoint, hire, confirm or terminate the functions and to define the remuneration of the company's external auditors in addition to examining their qualifications and independence and approving the audit and/or any other services to be provided by the referred to external auditors or persons or entities associated with them;
- To inspect the quality and effectiveness of the risk management, internal control and internal audit systems, supervising the execution of the functions performed in the internal audit and internal control system spheres;
- To receive communications regarding irregularities, protests and/or complaints submitted by shareholders, company employees or others and implement procedures for the reception, registration and processing thereof;
- To engage the services of experts to assist it in its functions, with the hiring and remuneration of such experts taking into account the importance of the issues and the company's economic situation.

The audit committee sends the Ministry of Finance a quarterly report on its control, its detection of anomalies and main deviations from any forecasts under article 6, number 2 of decree law 287/93 of 20 August.

The audit committee sends a quarterly report to the Ministry of Finance on the implementation of controls, anomalies and detection of the main deviations from forecasts

The activity of the audit committee is governed by its respective regulation approved by this body on 19 September and the board of directors on 16 December 2011, which has been published on CGD's intranet.

The audit committee meets at least once every two months. It met 14 times in the Head Office in 2014. The absences were as follows: Prof. Paz Ferreira - 6; Prof. Daniel Traça – 1; and Prof. Pedro Fontes Falcão - 2.

Minutes are prepared on all of the meetings and all attendances and absences. All absences were expressly justified by the executive committee.

Information on the independence of the members of the audit committee is referred to as per the board of directors.

| Term of office (Start/End) | Function | Name | Legal designation of current appointment | No. term of offices | Observations |
|---|---|---|---|---|---|
| 2013 - 2015 | President of Audit Comitee | Eduardo Manuel Hintze da Paz Ferreira | Unanimous written resolution | 4 | 2: President of Audit Board<br>2: Audit Comitee |
| 2013 - 2015 | Vice-President of Audit Comitee | Daniel Abel Monteiro Palhares Traça | Unanimous written resolution | 1 | |
| 2013 - 2015 | Member of Audit Comission | Pedro Miguel Ribeiro de Almeida Fontes Falcão | Unanimous written resolution | 1 | |

## STATUTORY AUDIT COMPANY

The acting company is "Oliveira Rego e Associados, SROC", registered with the Chamber of Statutory Auditors under number 46 and the CMVM under number 218, represented by its partner Pedro Miguel Marques Antunes Bastos, statutory auditor registration number 1063, who replaced the former statutory auditor for the term of office starting 2013.

The acting statutory audit company is Oliveira Rego e Associados, SROC

The deputising company is "Álvaro, Falcão & Associados, SROC", represented by partner Sérgio Paulo Esteves de Poças Falcão.

Pursuant to the provisions of the commercial companies code and CGD's articles of association, the audit committee is, *inter alia*, responsible for inspecting the independence of the statutory auditor, assessment of its respective professional performance, management of a circumstantiated procedure in respect of the analysis and choice of the statutory auditor and proposing its nomination to the shareholders' meeting (sub-paragraph m) of article 423- F of the commercial companies code.

The maximum period for the performance of audit functions by the partner responsible for the guidelines or direct execution of the statutory audit is seven years, starting from their appointment (no. 2 of article 54 of decree law 224/2008 of 20 November).

The acting statutory auditor is Pedro Miguel Marques Antunes Bastos who initiated his functions in 2013 and is in the 2nd year of his respective mandate.

"Oliveira Rego & Associados, SROC" has a services contract with the company to assist the audit committee in the performance of its functions, pursuant to article 423-F, number 1, sub-paragraph p) of the commercial companies code. Information on the amounts associated with the referred to contract is set out in the following table (in other services).

| Term of office (Start/End) | Function | Name (SROC / ROC) | No. | Legal designation of current appointment |
|---|---|---|---|---|
| 2013 - 2015 | Acting | Oliveira Rego e Associados - Pedro Miguel Marques Antunes Bastos | 1063 | General Meeting of 31 May 2013 |
| 2013 - 2015 | Deputy | Álvaro, Falcão & Associados, SROC - Sérgio Paulo Esteves de Poças Falcão | 751 | General Meeting of 31 May 2013 |

| Remuneration paid to SROC (separate accounts) | Amount (*) | % |
|---|---|---|
| Account audit services | 128,210 | 66.4 |
| Fiscal consultancy services | 0 | 0 |
| Other non-audit services | 65,000 | 33.6 |
| **Total** | **193,210** | **100.0** |

| Remuneration paid to SROC (consolidated accounts) | Amount (*) | % |
|---|---|---|
| Account audit services | 197,389 | 75.2 |
| Fiscal consultancy services | 0 | 0.0 |
| Other non-audit services | 65,000 | 24.8 |
| **Total** | **262,389** | **100.0** |

(*) Amounts in euros and exclusive of VAT

## STRATEGY, GOVERNANCE AND ASSESSMENT COMMITTEE

The board of directors, at its meeting of 27 July 2011, issued a resolution setting up a strategy, governance and assessment committee, operating to coincide with the term of office of the board of directors whose current composition was defined by the board of directors' resolution of 2 October 2013.

The board of directors decided to appoint a strategy, governance and appraisal committee, whose term of office shall coincide with that of the board of directors

*Composition of strategy, governance and assessment committee*

Chairman: Álvaro José Barrigas do Nascimento

Members: Pedro Miguel Valente Pires Bela Pimentel, José Luís Mexia Fraústo Crespo de Carvalho and José Ernst Henzler Vieira Branco.

The competencies and activity of the strategy, governance and assessment committee are governed by its respective regulation, approved by this body on 16 December 2011, whose article 1 was amended by the board of directors' resolution of 25 March 2014. The regulation has been published on CGD's intranet.

In accordance with its regulation, the committee is responsible for the following:

- Issuing an opinion prior to the board of directors' approval of the company's strategic development plans;

- Issuing an opinion on the company's draft medium and long term plan, to be discussed and approved at a board of directors' meeting;
- Overseeing and assessing the executive committee's compliance with a part of the goals defined in the strategic plan;
- Considering the company's general policies and submitting proposals thereon to the board of directors;
- Strengthening the company's governance model, taking into consideration the company's equity structure and approved strategic development plan;
- Examining the effectiveness of the governance model and submitting proposals on improvement measures to the competent bodies;
- Considering the need for and, whenever justified, submitting a proposal to the board of directors to set up other commissions and corporate committees within the board of directors;
- Discussion of any plan for compliance with the management guidelines defined for the company with the executive committee;
- Assessing the level of compliance with defined management guidelines;
- Submitting an annual assessment report on the level and terms of compliance with the guidelines defined for the company, to its ministerial supervisors.

The strategy, governance and assessment committee meets at least every two months. It met 4 times in 2014.

Minutes are prepared on all of the meetings and attendances and absences. All absences were expressly justified by the strategy, governance and assessment committee.

The risk committee comprises four board members three of whom are non-executive, one of whom will be the respective executive chairman and the executive board member responsible for risk management (chief risk officer)

## RISK COMMITTEE

The board of directors, at its meeting of 11 December 2013, issued a resolution setting up a risk committee comprising four directors, three of whom non-executive and one of whom as its respective chairman and the executive board member responsible for risk management (chief risk officer).

*Composition of risk committee*

Chairman: José Luís Mexia Fraústo Crespo de Carvalho

Board members: Pedro Miguel Valente Pires Bela Pimentel, José Ernst Henzler Vieira Branco and Ana Cristina de Sousa Leal.

The risk committee met 8 times in 2014 and approved its regulation at its meeting of 17 December 2014. The risk committee's regulation will be submitted for the consideration of the board at its first meeting in 2015.

Minutes are prepared on all of the meetings and all attendances and absences. All absences were expressly justified by the risk committee.

## COMPANY SECRETARY

The board of directors, at its referred to meeting of 15 July 2013, appointed the company secretary and deputy secretary for a period coinciding with the period of office of the acting board of directors, from 2013 to 2015.

Acting – João Manuel Travassos Dias Garcia

Deputy – Ana Paula Rögenes Perez Lopes Pargana Calado

## EXTERNAL AUDITOR

CGD's accounts are annually audited by an independent external entity, Deloitte & Associados, SROC, SA,( registered with the Portuguese Institute of Statutory Auditors under no. 43, registered with the CMVM under no. 231,), with the audit committee, in conformity with the law, articles of association, audit committee regulation and internal regulation, appointing, hiring, confirming or terminating the functions and defining the remuneration of the company's external auditors in addition to inspecting their qualifications and independence and approving the audit and/or any other services to be provided by the referred to external auditors or persons or entities associated with them.

CGD's annual accounts are audited by an independent, external entity, Deloitte & Associados, SROC, SA

| Identification of the External Auditor | | | | |
|---|---|---|---|---|
| Name | Portuguese Institute of Statutory Auditors | CMVM | Date | Term |
| **Deloitte & Associados, SROC, S.A.** | 43 | 231 | 25/07/2014 | 1 Year |

Deloitte & Associados, SROC, S.A. is represented by its partner Maria Augusta Cardador Francisco (ROC) registration no. 934.

External auditors are appointed annually by the audit committee which also monitors and assesses their professional performance (*vide:* audit committee regulation, article 4, no. 5 e).

### REMUNERATION OF EXTERNAL AUDITOR IN 2014

### (CONSOLIDATED ACCOUNTS)

| Deloitte network entities in Portugal | Amount (*) | % |
|---|---|---|
| External Audit and Revision of Accounts | 1,894,769 | **50.1%** |
| Other Assurance Services | 907,832 | **24.0%** |
| Fiscal Consultancy | 216,874 | **5.7%** |
| Other Services | 765,049 | **20.2%** |
| **Total** | **3,784,524** | **100.0%** |

(*) Amounts in euros and exclusive of VAT

The services provided to CGD by Deloitte network entities were always approved by CGD's audit committee

### (SEPARATE ACCOUNTS)

| Deloitte network entities in Portugal | Amount (*) | % |
|---|---|---|
| External Audit and Revision of Accounts | 993,653 | 48.4% |
| Other Assurance Services | 379,332 | 18.5% |
| Fiscal Consultancy | 32,764 | 1.6% |
| Other Services | 645,224 | 31.5% |
| **Total** | **2,050,993** | **100.0%** |

(*) Amounts in euros and exclusive of VAT

Owing to the fact that the external auditor has greater knowledge of Caixa and CGD Group and that this provides it with a more advantageous approach in terms of implementation periods, fiscal consultancy works and other services were performed in accordance with the above table.

The services performed by Deloitte network entities to Caixa Geral de Depósitos, S.A. were always approved by CGD's audit committee.

## PREVENTION OF CONFLICTS OF INTEREST

Members of the board of directors are fully aware of their duty to abstain from involvement in certain resolutions, namely when they have an interest therein, either individually or as a representative or business manager of a third party or in cases of spouses, relatives or kin in a direct or collateral line of up to the second degree; or in respect of a person with whom they share living expenses/arrangements, under the terms of article 22, number 7 of the public manager statute.

The audit committee has the duty to issue a binding opinion on any situations of conflicts of interest involving board members

The audit committee has the duty to issue a binding opinion on any situations of conflicts of interest involving any board members (*vide*: audit committee regulation, article 4, no. 3 d).

Members of the board of directors have issued the declarations referred to in article 22, no. 9 of the public manager statute and article 52, no. 1 of decree law 133/2013 of 3 October, to the Inspectorate General of Finance, the board of directors and the audit committee, on their direct or indirect investments and assets held in Caixa Geral de Depósitos or in any other company, in addition to any relationships with suppliers, customers, financial institutions or any other business partners of Caixa Geral de Depósitos.

There are no incompatibilities between the performance of board of directors' positions in CGD and other positions held by the board of directors

There are no incompatibilities between the performance of management duties in CGD and other duties performed by the members of the board of directors, deriving from the public sector manager statute or any other regulations. Members of the audit committee are not covered by the incompatibilities listed in article 414 - A of the commercial companies code, applicable on the basis of article 423 - B and fulfil the requirements of article 423-B of the same code and are independent.

Members of the board of directors comply with all of the legal and regulatory dispositions deriving from the performance of their respective positions and any positions they may accumulate and have issued the corresponding declarations to the Constitutional Court, Attorney General of the Republic, Inspectorate General of Finance, Bank of Portugal and Securities Market Commission

Caixa Geral de Depósitos complies with its special information duties, namely to the Directorate General of the Treasury and Finance.

## CURRICULA VITAE OF MEMBERS OF THE STATUTORY BODIES

### MEMBERS OF THE GENERAL MEETING

#### CHAIRMAN - MANUEL CARLOS LOPES PORTO

Date of Birth: 15 June 1943

*Current Positions:*

- Chairman of the Board of the General Meeting of Caixa Geral de Depósitos, SA, since 2004;
- Chairman of the Portuguese Branch of the European Community Studies Association (AREP);
- Director of the Juridical, Economic and Environmental Studies Centre (CEJEA) of Universidade Lusíada do Porto;

- Professor at Universidade Lusíada, since 2005;
- Professor at the Faculty of Law of the University of Coimbra, responsible for the European Studies Course of the Faculty of Law of the University of Coimbra since 1983, also lecturing in other postgraduate courses at the Faculty;
- Secretary General (Arts category) of the Lisbon Academy of Sciences.

*Former Positions:*

- Director at the Faculty of Law of Universidade Lusíada do Porto, from 2007 to 2014;
- Chairman of the Municipal Assembly of Coimbra, from 2001 to 2013;
- Member of Local Finance Reform Commission from 2005 to 2006;
- Chairman of European Community Studies Association (ECSA-World), elected in 2004 and re-elected in 2006;
- Chairman of the General Meeting of ANA, Aeroportos e Navegação Aérea, from 2002 to 2005;
- Chairman of the National Council of Education, from 2002 to 2005;
- Chairman of the Board of Directors of the Faculty of Law of the University of Coimbra, from 2000 to 2005;
- Professor at Instituto Superior Bissaya Barreto, from 1999 to 2010;
- Member of the Municipal Assembly of Coimbra, in 1993 and from 1996 to 1999;
- Member of European Parliament, from 1989 to 1999, having performed, *inter alia*, the function of Questor from 1992 to 1994 and Deputy Chairman of the Budget Committee, from 1994 to 1997;
- Member of the Fiscal Reform Commission, from 1987 to 1988;
- Chairman of the National Council for the Plan, from 1986 to 1989;
- Participation in a World Bank project on “Trade Liberalisation and Adjustment Policies”, from 1986 to 1988;
- Chairman of the Central Region Coordination Commission, from 1976 to 1989;
- Consultant to GEPT (Terrestrial Studies and Planning Office), from 1967 to 1969.

*Academic Qualifications:*

- Competition for Professor of Legal-Economic Sciences, Faculty of Law of the University of Coimbra, in 1990;
- Doctorate in Juridical and Economic Sciences, Faculty of Law of the University of Coimbra, in 1983;
- M. Phil in Economics, University of Oxford, 1976;
- Degree in Law, Faculty of Law of the University of Coimbra, in 1965.

## SECRETARY - JOSÉ LOURENÇO SOARES

Date of Birth: 22 November 1950

*Current Positions:*

- Secretary of the Board of the General Meeting of Caixa Geral de Depósitos, SA., 2004;

- Managing Director of the Legal Affairs Department of Caixa Geral de Depósitos, February 2006;
- Chairman of the Board of the General Meeting of Caixa – Banco de Investimento, S.A., 2008;
- Chairman of the Board of the General Meeting of Caixa Seguros e Saúde, S.A., 2008;
- Chairman of the Board of the General Meeting of Participações, SGPS, S.A., 2009;
- Chairman of the Board of the General Meeting of Caixa Leasing e Factoring - IFIC, S.A., 2009;
- Chairman of the Board of the General Meeting of Gerbanca, SGPS, S.A., 2009;
- Chairman of the Board of the General Meeting of Parbanca, SGPS, S.A., 2009;
- Chairman of the Board of the General Meeting of Partang, SGPS, S.A., 2009;
- Vice-Chairman of the Board of the General Meeting of Companhia de Seguros Fidelidade - Mundial, S.A., 2009;
- Chairman of the Board of the General Meeting of Banco Internacional de S. Tomé e Príncipe, SARL, 2011.

*Former Positions:*

- Chairman of the board of directors of Parvalorem, S.A., since 2010;
- Chairman of the board of directors of Parups, S.A., since 2010;
- Chairman of the board of directors of Participadas, SGPS, S.A., since 2010;
- Board member of BPN - Banco Português de Negócios, S.A., 2008;
- Board member of BPN Internacional, SGPS, S.A., 2008;
- Board member of BPN Serviços – Serviços Administrativos, Operacionais e Informáticos, ACE, 2008.
- Board member of Banco Efisa, S.A., 2009;
- Chairman of the board of the shareholders' meeting of Bandeirantes, SGPS, S.A., 2009;
- Coordinating director of Caixa Geral de Depósitos from June 2000 to February 2006;
- Director of Caixa Geral de Depósitos from January 1997 to June 2000;
- Deputy director of Caixa Geral de Depósitos from January 1995 to December 1996;
- Sub-director of Caixa Geral de Depósitos, from June 1994 to December 1994;
- Coordinator of Technical Office, from April 1991 to June 1994;
- Technical assistant to Caixa Geral de Depósitos, from April 1991 to June 1994;
- Advisor to Caixa Geral de Depósitos from January 1990 to April 1991;
- Technical assistant to Caixa Geral de Depósitos from February 1982 to December 1989;
- Lawyer, since February 1985;
- Head of section in Caixa Geral de Depósitos from May 1981 to January 1982;

- Head of sector in Caixa Geral de Depósitos from January 1978 to May 1981;
- Administrative officer in Caixa Geral de Depósitos from April 1975 to December 1977;
- Grade 3 clerical officer in Caixa Geral de Depósitos from December 1974 to March 1975;
- Grade 3 deputy clerical officer in Caixa Geral de Depósitos from November 1974 to December 1974;
- Assistant lecturer at *Universidade Autónoma de Lisboa;*
- Assistant trainee lecturer and assistant at the Faculty of Law of the University of Lisbon.

*Academic Qualifications:*

- Masters in Legal Sciences from the Faculty of Law of the University of Lisbon;
- Degree in Law from the Faculty of Law of the University of Lisbon.

## MEMBERS OF THE BOARD OF DIRECTORS

### CHAIRMAN – ÁLVARO JOSÉ BARRIGAS DO NASCIMENTO

Date of Birth: 8 May 1966

*Current Positions:*

- Chairman of the board of directors of Caixa Geral de Depósitos (08-07-2013);
- Member of the fiscal board of UNICER BEBIDAS, SGPS, since June 2009;
- Assistant lecturer at the Faculty of Economics and Management of Universidade Católica Portuguesa, since January 2006.

*Former Positions:*

Corporate positions:

- Non-executive board member and member of the audit committee of Caixa Geral de Depósitos, S.A., from July 2011 to July 2013;
- Director of the Faculty of Economics and Management of Universidade Católica Portuguesa, from January 2008 to June 2013;
- Independent consultant to BPI – Banco Português de Investimento, S.A., on issues related with the capital market from 1995 to 1999;
- Responsible for business with the international customers of DOURO, Sociedade Corretora de Valores Mobiliários (BPI Group), between September 1992 and September 1994;
- Financial markets analyst with BPI – Banco Português de Investimento, S.A., between September 1989 and August 1991.

Government and Para-Governmental Positions:

- Consultant on regulatory economic issues for Instituto Nacional de Transporte Ferroviário between 1999 and 2002;
- Advisor to the Minister of Education of the 14th Constitutional Government, in 2002.

Academic Positions:

- Assistant lecturer at the Faculty of Economics and Management of Universidade Católica Portuguesa, between October 1992 and January 2006;
- Guest lecturer at IESF – Instituto de Estudos Superiores Financeiros e Fiscais, between October 1990 and September 1995;
- Trainee assistant lecturer at the Faculty of Economics of the University of Porto, between October 1989 and September 1991;
- Monitor on the Microeconomics Course at the Faculty of Economics of the University of Porto, between October 1988 and September 1989.

*Academic Qualifications:*

- PhD in Banking and Finance, from Cass Business School, London, United Kingdom, in 2005;
- MSc in International Trade and Finance, from the University of Lancaster, United Kingdom, in 1992;
- Degree in Economics from the Faculty of Economics of the University of Porto in 1989.

*Prizes and Distinctions:*

- PhD in Banking and Finance, from Cass Business School, London, United Kingdom, in 2005;
- MSc in International Trade and Finance, from the University of Lancaster, United Kingdom, in 1992;
- Degree in Economics from the Faculty of Economics of the University of Porto in 1989.

### VICE-CHAIRMAN - JOSÉ AGOSTINHO MARTINS DE MATOS

Date of Birth: 29 January 1953

*Current Positions:*

- Vice-chairman of the board of directors and chairman of the executive committee of Caixa Geral de Depósitos, S.A., since July 2011;
- Chairman of the board of directors of Parcaixa, SGPS, S.A. since November 2011;
- Board member of the Portuguese Banking Association, since April 2012;
- Chairman of the board of directors of Caixa-Participações, SGPS, S.A., since August 2013.

*Former Positions:*

- Deputy Governor of the Bank of Portugal, from 2002 to July 2011;
- Deputy to the Governor of the Bank of Portugal on the Council of Governors of the European Central Bank (ECB), from 2002 to 2011;
- Member of the ECB/SECB International Relations Committee, from 2002 to 2011;
- Chairman of the ECB Budget Committee, from 2007 to 2011;
- Member of the Economic and Financial Committee of the European Union, from 2008 to 2011;

- Deputy Governor for Portugal at the International Monetary Fund, from 2007 to 2011 and member of the Bank of Portugal's delegation to the annual and Spring meetings of the IMF/World Bank, from 1992 to 2011;
- Director of the Markets and Reserves Management Department (DMR) of the Bank of Portugal, from 2000 to 2002;
- Member of the ECB Markets Committee, from 2000 to 2002;
- Director of the International Relations Department (DRI) of the Bank of Portugal, from 1994 to 2000;
- Second member of the Committee of Deputies to the Council of Governors of the European Monetary Institute, from 1995 to 1998;
- Chef de Cabinet of the Governor of the Bank of Portugal, from 1992 to 1994;
- Deputy director and director of the Department of Statistics and Economic Studies (DEE) of the Bank of Portugal, from 1988 to 1992;
- Member of the Monetary Statistics, Financial and Balance of Payments Committee for Eurostat from 1991 to 1992;
- Technical coordinator in the Department of Statistics and Economic Studies (DEE) of the Bank of Portugal, from 1983 to 1988;
- Member of the Financial Statistics Group of the OECD, from 1983 to 1992;
- Economist in Department of Statistics and Economic Studies (DEE) - Bank of Portugal from 1979 to 1983;
- Senior technical officer at the Ministry of Internal Commerce, from 1975 to 1978;
- Assistant technical officer in the Studies and Planning Office of the Ministry of Education, from 1973 to 1975.

Academic Positions:

- Lecturer at ISE;
- Lecturer at ISCTE;
- Lecturer at IGEGI.

*Academic Qualifications:*

- Degree in Economics from *Instituto Superior de Economia (Universidade Técnica de Lisboa)*.

## NUNO MARIA PINTO DE MAGALHÃES FERNANDES THOMAZ

Date of Birth: 2 November 1968

*Current Positions:*

- Vice-chairman of the executive committee of Caixa Geral de Depósitos, S.A.;
- Chairman of the board of directors of Caixa Geral de Aposentações;
- Chairman of the board of directors of CaixaBI – Banco de Investimento, S.A.;
- Chairman of the board of directors of Caixa Capital – Sociedade de Capital de Risco, S.A.;
- Chairman of the board of directors of Caixa Desenvolvimento, SGPS, S.A.

- Chairman of the board of directors of Banco Caixa Geral Totta de Angola;
- Chairman of the board of directors of Banco Caixa Geral Brasil;
- Chairman of the board of directors of BNU - Banco Nacional Ultramarino, S.A. (Macau);
- Chairman of the board of directors of Mercantile Bank, Ltd (South Africa) – CGD Group;
- Vice-chairman of the board of directors of BCI - Banco Comercial e de Investimentos, S.A. (Mozambique);
- Chairman of the board of directors of Gerbanca, SGPS, S.A.;
- Chairman of the board of directors of Parbanca, SGPS, S.A.;
- Chairman of the board of directors of Partang, SGPS, S.A.;
- Member of the board of directors of Caixa Seguros e Saúde, SGPS, S.A.;
- Member of the board of directors of Cares – Companhia de Seguros, S.A.;
- Member of the board of directors of Fidelidade – Companhia de Seguros,S.A.;
- Member of the board of directors of Multicare – Seguros de Saúde, S.A.;
- Member of the board of directors of Sociedade Grupo Visabeira, SGPS, S.A.;
- Chairman of the board of the general meeting of CGD Pensões – Sociedade Gestora Fundos de Pensões, S.A.;
- Chairman of Fundação Luso – Brasileira;
- Vice-chairman of the Portugal Chamber of Commerce and Industry;
- Vice-chairman of the Portugal – China Chamber of Commerce and Industry;
- Vice-chairman of ELO, *Associação Portuguesa para o Desenvolvimento Económico e a Cooperação;*
- Vice-chairman of CIEP, *Confederação Internacional dos Empresários Portugueses;*
- Guest lecturer at INDEG/ISCTE;
- Lecturer at ISG (Masters in Corporate Investment and Internationalisation Strategy);
- Guest lecturer at Agostinho Neto University, Luanda, Angola;
- Vice-chairman of CDUL;
- Member of the advisory board to Harvard Club de Portugal;
- Member of the advisory board to ISG/INB;
- Member of the advisory board to INDEG Business School ISCTE – IUL;
- Advisor to CDS;
- Member of the Sustainability Committee of LIDE Portugal;
- Member of Editorial Council of *Marinha* magazine;

*Former Positions:*

Cargos empresariais:

- 2012 Chairman of Caixa Gestão de Activos, S.A.;
- 2012 Board member of Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A.,
- 2012 Chairman of Caixa Leasing e Factoring – IFIC, SA
- 2011 Board member of Banco Comercial e de Investimentos, SA., Mozambique;
- 2011 Chairman of the board of directors of Imocaixa – Gestão imobiliária, S.A.;
- 2011 Chairman of the board of directors of Caixa Imobiliário, S.A.;
- 2007-2011 – Co-founder and CEO of ASK - Advisory Services Kapital Group;
- 2010 - Board member of ASK Sociedade Gestora Patrimónios;
- 2009 - Board member of ASK Sociedade Gestora de Fundos Imobiliários;
- 2009 - Board member of ASK Angola;
- 2009 - Board member of ASK Brasil;
- 2005-2007 – Consultant to board of directors of A.O.N. Portugal;
- 2005-2006 - CEO of Orey Financial;
- 2001-2004 – Founder and coordinating director of Banif Investment Bank, responsible for the private banking/corporate banking areas in coordination with BANIF SGPS's retail operations;
- 2000 -2001 - Vice-chairman of Banif Ascor;
- 1999 -2001 – Consultant to board of directors of Dalkia SGPS (Vivendi Group);
- 1998-2000 – Director of Banco de Negócios da Argentaria;
- 1996-1998 - Board member of Titulo – Sociedade Corretora Grupo Finibanco;
- 1994 -1996 – Responsible for Southern European Capital Markets at Carnegie London;
- 1992-1994 – Sales and Trading Director at Carnegie Portugal;
- 1991-1992 - Sales/trader at BCI Valores (Santander Group);
- 1990-1991 – Stock exchange broker at Pedro Caldeira - Sociedade Corretora, S.A..

Cargos Governamentais:

- 2011 Nominated by the government as a member of the taskforce on economic diplomacy;
- 2004-2005 - Member of the 16th Constitutional Government as Secretary of State for Sea Matters;

*Academic Qualifications:*

- Degree in Corporate Administration and Management from *Instituto Superior de Gestão*;
- Postgraduation at Harvard Business School;
- Registered with the Securities and Futures Authority.

*Prizes and Distinctions:*

- Banker of the Year Award 2013 from the Rio de Janeiro Chamber of Commerce and Industry, Brazil.

*Outros:*

- Jury member of João Cordeiro prize.

## JOÃO NUNO DE OLIVEIRA JORGE PALMA

Date of Birth: 16 February 1966

*Current Positions:*

- Executive board member & CFO of Caixa Geral de Depósitos, S.A., since 8 July 2013;
- Non-executive chairman of the board of directors of Banco Caixa Geral, S.A. (Spain), since September 2013
- Non-executive chairman of the board of directors of Caixa Seguros e Saúde, SGPS, S.A., since August 2013;
- Non-executive chairman of the board of directors of Caixa – Gestão de Activos, SGPS, SA, since May 2014;
- Non-executive chairman of the board of directors of Sogrupo – Compras e Serviços Partilhados, ACE, since January 2014;
- 1st non-executive vice-chairman of the board of directors of Banco Caixa Geral Totta Angola, S.A. since November 2014;
- Non-executive vice-chairman of the board of directors of Fidelidade – Companhia de Seguros, S.A., since May 2014;
- Non-executive vice-chairman of the board of directors of Multicare – Seguros de Saúde, S.A., since May 2014;
- Non-executive vice-chairman of the board of directors of Cares – Companhia de Seguros, S.A., since May 2014;
- Non-executive board member of Banco Comercial e de Investimentos, SARL (Mozambique) since April 2013;
- Non-executive board member of Parcaixa, SGPS, S.A., since June 2014.

*Former Positions:*

Corporate Positions:

- Board member of Portugal Telecom, SGPS from April 2012 to November 2013;
- Chairman of the board of directors of Caixa – Imobiliário, S.A. from January 2012 to July 2013;
- Chairman of the board of directors of Imocaixa – Gestão Imobiliária, S.A. from January 2012 to July 2013;
- Chairman of the board of directors of Sogrupo IV – Gestão de Imóveis, ACE, from January 2012 to July 2013;

- Executive Board member – CFO of REN – Redes Energéticas Nacionais, SGPS (REN – Rede Elétrica Nacional, S.A., REN – Gasodutos, S.A., REN Atlântico Terminal GNL, S.A., REN – Armazenagem, S.A., EOONDAS, Energia das Ondas, S.A., REN Trading) from March 2010 to December 2011;
- Member of the board of directors – CFO, of Banco Caixa Geral, Spain, CGD Group, from February 2008 to March 2010;
- Advisor to the board of directors of Caixa Geral de Depósitos, S.A., from December 2007 to February 2008;
- Member of the board of directors – CFO, of SSI - SOGRUPO Sistemas de Informação and CAIXANET, S.A., in Caixa Geral de Depósitos, from June 2004 to December 2005;
- Member of the board of directors – CFO, of HCB - Hidroelétrica de Cahora Bassa, from August 2003 to November 2007;
- Representative of the Portuguese state for the reversion and transfer of control negotiations for HCB – Hidroeléctrica de Cahora Bassa;
- Nominated by the Portuguese government to the PJC – Permanent Joint Committee, Regulatory Committee for Agreements between Portugal, Mozambique and South Africa;
- Vice-chairman of the board of directors of Pararede, SGPS, from April 2002 to August 2003 and member of the board of directors from April 2000 to April 2002;
- Coordinating director-controller, responsible for the Budget and Control Division of Banco Pinto & Sotto Mayor, Banco Totta & Açores, Crédito Predial Português and Banco Chemical Finance (Mundial-Confiança Group) from April 1998 to February 2000;
- Director-controller, responsible for the Budget and Control Division of Banco Pinto & Sotto Mayor (Mundial-Confiança Group), from November 1997 to April 1998;
- Deputy director responsible for the Planning and Analysis Sub-division of Banco Pinto & Sotto Mayor (Mundial-Confiança Group) from February 1996 to November 1997;
- Regional director of SCA - Sanchez Computer Associates, from September 1995 to February 1996;
- Senior executive of SCA - Sanchez Computer Associates, from November 1994 to September 1995;
- Deputy director– controller of Planning/Control and Marketing Department, from January 1993 to November 1994, and sub-director from January to December 1992, of HIASI – Hispano Americano Sociedade de Investimento, BHI – Banco Hispano de Investimento, BCHP – Banco Central Hispano Portugal – BCH Group, BCHP Banco Central Hispano Portugal – BCP Group;
- Financial analyst member of the Research Team of BCI Valores – Sociedade Financeira de Corretagem, from March to September 1991.

Academic Positions:

- Research assistant, employee at the Business Management Studies Centre (CEGE) of *Universidade Nova de Lisboa*, Faculty of Economics – Department of Management (MBA), from December 1988 to March 1991.

*Academic Qualifications:*

- Postgraduation in Business – PDE-VII Corporate Management Programme, from AESE (Associação de Estudos Superiores de Empresa) in collaboration with IESE – Instituto de Estudos Superiores de Empresa of the University of Navarre;
- Degree in Economics from the Faculty of Economics of *Universidade Nova de Lisboa (FEUNL)*.

## JOSÉ PEDRO CABRAL DOS SANTOS

Date of Birth: 5 June 1960

*Current Positions:*

- Member of the board of directors and executive committee of Caixa Geral de Depósitos, S.A., since March 2012;
- Non-executive member of the board of directors of Caixa Banco de Investimentos, S.A., since March 2008;
- Chairman of the board of directors of Caixa Leasing e Factoring – IFIC, SA. since May 2012;
- Chairman of the board of directors of Locarent – Companhia Portuguesa de Aluguer de Viaturas, since April 2013;
- Vice-chairman of Caixa Seguros e Saúde since May 2013;
- Member of the board of directors of Banco Caixa Geral, SA (Spain), since April 2014;
- Member of the board of directors of Cares – Companhia de Seguros, SA., since October 2014;
- Member of the board of directors of Fidelidade – Companhia de Seguros, SA. since October 2014;
- Member of the board of directors of Gerbanca, SGPS, SA., since October 2014;
- Member of the board of directors of Multicare – Seguros de Saúde, SA., since October 2014.

*Former Positions:*

Corporate Positions:

- Central director of CGD's Major Enterprises Division from March 2002 to March 2012;
- Non-executive board member of Portugal Telecom, SGPS, SA. from April 2012 to November 2013;
- Member of the board of directors of Caixa Geral de Aposentações, IP, from March 2012 to September 2013;
- Non-executive member of the board of directors of Lusofactor, Sociedade de Factoring, S.A., from March 2003 to May 2008;
- Director of the Major Enterprises Division, responsible for the Northern Commercial Division from October 1999 to February 2002;
- Director of the Northern Commercial Division, responsible for the coordination of the Major Enterprises Segment from January 1998 to September 1999;

- Coordinating director (BFE/ BPI Groups), initially of Banco Borges & Irmão followed by broader functions in Banco de Fomento e Exterior and Banco BPI, from June 1994 to December 1997;
- Senior staff member of Finindústria – Sociedade de Investimentos e de Financiamento Industrial and latterly sub-director of Finibanco and non-executive board member of FINICRÉDITO SFAC, from March 1989 to May 1994;
- Trainee and latterly staff member of União de Bancos Portugueses, from March 1984 to February 1989.

*Academic Positions:*

- Guest lecturer at the Faculty of Economics of the University of Porto, from October 1983 to September 1988.

*Academic Qualifications:*

- Degree in Economics from the Faculty of Economics of the University of Porto.

## ANA CRISTINA SOUSA LEAL

Date of Birth: 24 March 1960

*Current Positions:*

- Member of the board of directors and executive committee of Caixa Geral de Depósitos, S.A., since 8 July 2013;
- Member of the board of directors of CGA - Caixa Geral de Aposentações, IP, since 8 July 2013.

*Former Positions:*

Corporate Positions:

- Director of the Department of Economic Studies of the Bank of Portugal, from 2005 to June 2013;
- Deputy director of the Department of Economic Studies of the Bank of Portugal, from 1997 to 2005;
- Deputy director of Department of Statistics and Economic Studies of the Bank of Portugal, from 1994 to 1997;
- Coordinator of the Monetary Policy Area – Department of Statistics and Economic Studies of the Bank of Portugal, from 1989 to 1994;
- Coordinator of the Monetary Policy Unit – Department of Statistics and Economic Studies of the Bank of Portugal, from 1987 to 1989;
- Technical assistant – Department of Statistics and Economic Studies of the Bank of Portugal, from 1983 to 1987;
- International representation in the performance of functions at the Bank of Portugal;
- Technical-advisory committee – European Systemic Risk Board from 2001 to 2013;
- Financial Stability Committee – System of European Central Banks, from 2011 to 2013;
- Economic Research Directors Committee – System of European Central Banks from 2005 to 2013;

- BIS/WP of Monetary Policy in Latin America – Bank for International Settlements, from 2005 to 2013;
- Monetary Policy Sub-Committee – System of European Central Banks, from 1998 to 2013;
- Monetary Policy Sub-Committee – European Monetary Institute, from 1994 to 1998;
- Monetary Policy sub-Committee – Board of Governors, from 1992 to 1994;
- OECD – Organisation for Economic Cooperation and Development – Examinations of the Portuguese Economy, from 1990 to 2002;
- Technical assistant – Department of Investments, Studies and Projects of *Sociedade Financeira Portuguesa*, from 1982 to 1983.

Academic Positions:

- Assistant lecturer in Energy Economy and the Economy of Well-being courses at *Universidade Católica Portuguesa*, from 1982 to 1983.

*Academic Qualifications:*

- Degree in Economics from *Universidade Católica Portuguesa* (1977 – 1982).

### MARIA JOÃO BORGES CARIOCA RODRIGUES

Date of Birth: 10 August 1971

*Current Positions:*

- Member of the board of directors and executive committee of Caixa Geral de Depósitos, S.A., since 8 July 2013;
- Non-executive board member of CGA - Caixa Geral de Aposentação, IP (CGD), since 8 July 2013;
- Non-executive chair of the board of directors of Caixatec – Tecnologia de Comunicações, S.A., (CGD), since 24 July 2013;
- Non-executive chair of the board of directors of Sogrupo – Sistemas de Informação, S.A. (CGD), since 24 July 2013;
- Non-executive board member of the SIBS, SGPS and SIBS – Forward Payment Solutions, S.A., since 17 July 2013.

*Former Positions:*

- Executive member of the board of directors of SIBS PAGAMENTOS, from 2011 to July 2013;
- Non-executive member of the board of directors of MULTICERT - Serviços de Certificação Electrónica, S.A., from 2009 to July 2013;
- Director of the Corporate and Strategy Office of SIBS Forward Payment Solutions / SIBS SGPS, from 2008 to July 2013;
- Coordinating director of the Strategic Analysis Office (GAE) of UNICRE – Instituição Financeira de Crédito, S.A., from 2004 to 2008;
- Consultant and latterly Principal Associate of McKinsey & Company, from 1994 to 2004.

*Academic Qualifications:*

- MBA from INSEAD, in 1996;
- Degree in Economics from *Universidade Nova de Lisboa*, from 1989 to 1993.

## PEDRO MIGUEL VALENTE PIRES BELA PIMENTEL

Date of Birth: 21 June 1960

*Current Positions:*

- Non-executive member of the board of directors of Caixa Geral de Depósitos, SA (8 June 2013);
- Member of the board of directors of AESE (since January 2003);
- Responsible for the financial area of AESE programmes (since 2000).

*Former Positions:*

Corporate Positions:

- Director general of PRIME – Consultores de Empresas (1997-2002);
- Consultant to PRIME – Consultores de Empresas (1990-1992).

Academic Positions:

- Director of AESE's PADE Programme (1997-2002);
- Assistant in the Production and Systems Area of the Engineering Unit of the University of Minho (1987-1989);
- Trainee assistant lecturer at the Faculty of Engineering, Department of Mechanical Engineering of the University of Porto (1983-1987).

*Academic Qualifications:*

- Doctorate in Economics from the Faculty of Economics of Universidade Nova de Lisboa in 1997;
- MSc in Structural Engineering from the Faculty of Engineering of the University of Porto, in 1987;
- Degree in Aeronautical Engineering from the *Escola Técnica Superior de Ingenieros Aeronáuticos* of Madrid's *Universidade Politécnica*, in 1983.

*Prizes and Distinctions:*

- JNICT scholarship holder (1992-1996).

## JOSÉ LUÍS MEXIA FRAÚSTO CRESPO DE CARVALHO

Date of Birth: 24 December 1963

*Current Positions:*

- Non-executive member of the board of directors of Caixa Geral de Depósitos, SA, since 08 June 2013.
- Professor at ISCTE-IUL (since 2003);
- Member of the Order of Engineers of the Portuguese Logistics Association (of which was a board member), European Logistics Association, IIE – Institute of Industrial

Engineers (USA) and the Council of Supply Chain Management Professionals (via ISCTE – IUL);

- Director of Executive MBA in Management for Managers at INDEG-ISCTE (since 2008);
- Scientific coordinator in the Department of Marketing, Operations and Central Management Area (since 2010);
- Consultant in various sectors of activity, national and multinational companies, associations and ministries (Economy, Health and Internal Administration) in strategy, logistics and supply chains. (1991 to-date).

*Former Positions:*

Corporate Positions:

- Partner of Logistema, SA, Logistempo, Lda. and Logisformação, Lda. – Logistics strategy consultant, Director of Tetra Pak Portugal and Director General of IMP Portugal (1991-2001);
- Engineer and director of the corporate area in the companies COBA, S.A., CESL, S.A. and PROVIA, S.A. (1986-1991).

Academic/corporate positions:

- Board member (2000-2005) and chairman of *In Out Global ISCTE-IUL* (2005-2010);
- Board member of INDEG-ISCTE-IUL (1999-2006).

Academic Positions:

- Director of degree course in Management and Industrial Engineering at ISCTE-IUL (1996-2004);
- Director of MBA course at ISCTE-IUL (1996-1999);
- Director of degree course in management at ISCTE-IUL;
- Area director – all postgraduate, masters and executive training courses (intra-company and open), at INDEG/ISCTE-IUL (1999-2006).

*Academic Qualifications:*

- Specialisation in Management, ISCTE – IUL (2000);
- PhD in Corporate Management from ISCTE-IUL-Instituto Universitário de Lisboa (1995);
- MSc in Corporate Management – Management Information Systems from ISCTE-IUL-Instituto Universitário de Lisboa (1992);
- MBA, from ISCTE-IUL-Instituto Universitário de Lisboa (1991);
- Postgraduation in Project Management (Civil Engineering), from Instituto Superior Técnico (1987);
- Degree in Civil Engineering from *Instituto Superior Técnico – Universidade Técnica de Lisboa (*1987).

*Prizes and Distinctions:*

- International merit prize from the International Society of Logistics Engineers (SOLE) in 2000;

- Distinguished as “Personality of the Year” in the Logistics and Supply Chain Management area by Logística Hoje in 2013;
- Prize from APCADEC, for the best thesis in the outsourcing area in 2011;
- Various prizes over the last few years as the best lecturer in Executive Masters course, Executive MBA and Continuity Masters courses. Has won more than 25 prizes as the best lecturer in diverse programmes and different academic years.

### JOSÉ ERNST HENZLER VIEIRA BRANCO

Date of Birth: 3 January 1945

*Current Positions:*

- Non-executive member of the board of directors of Caixa Geral de Depósitos, SA, since 8 June 2013.
- Member of the Selection and Declassification Committee of the Ministry of Foreign Affairs (since 2010).

*Former Positions:*

Corporate Positions:

- Member of the board of directors of ICEP (1998-2001);
- Consultant and latterly permanent staff member in the agro-pharmaceutical sector of ENI Group, in Rome (1981-1984).

Government and para-governmental posts

- Ambassador (retired);
- Ambassador to Bratislava/Slovakia (2005-2010);
- Ambassador to Canberra/Australia (2001-2005);
- Ambassador to Harare/Zimbabwe (1994-1998);
- Sub and latterly Director General for Cooperation of the Ministry of Foreign Affairs, with the category of Minister Plenipotentiary (1989-1994);
- Permanent deputy representative to Portugal’s Permanent Mission to the United Nations in Geneva/Switzerland (1986-1989);
- Director of Middle East and Maghreb services of the Directorate General of Political Affairs - Ministry of Foreign Affairs (1985-1986);
- Advisor to the office of the Secretary of State for Foreign Affairs and Cooperation (1984-1985);
- 1st secretary at the Portuguese Embassy in Berne/Switzerland (1978-1981);
- Portuguese Consul General in Maputo/Mozambique (1975-1978);
- Diplomatic advisor to the office of the President of the Republic (1974-1975);
- Employed by the diplomatic service as embassy attaché and 3rd secretary in the Ministry of Foreign Affairs (1969-1974).

Academic Positions:

- Guest lecturer at *Universidade Autónoma de Lisboa* (1999 and 2000);
- Guest lecturer at *Universidade Técnica de Lisboa-ISCSP* (2013).

*Academic Qualifications:*

- Degree in Law from the Faculty of Law of the University of Lisbon (1969).

## EDUARDO MANUEL HINTZE DA PAZ FERREIRA

Date of Birth: 6 May 1953

*Current Positions:*

- Non-executive member of the board of directors and chairman of the audit committee of Caixa Geral de Depósitos, S.A.;
- Professor at the Faculty of Law of the University of Lisbon;
- Jean Monnet Chair in Community Studies;
- Member of the general council of the University of Lisbon;
- Chairman of the Institute of Economic and Fiscal Law institute (FDL);
- Chairman of the European Institute ( FDL);
- Coordinator of Research Centre in European, Economic, Financial and Fiscal Law;
- Lawyer mainly active in the economic, fiscal, financial and banking law areas;
- Founder and partner of Paz Ferreira e Associados, Sociedade de Advogados (law firm);
- Director of Public Finance and Fiscal Law Magazine;
- Chairman of Scientific Board of the Competition and Regulation magazine;

*Former Positions:*

- Chairman of the fiscal board of Caixa Geral de Depósitos, S.A., from 2007 to July 2011;
- Chairman of FDL General Meeting;
- Chairman of FDL Pedagogical Council;
- Chairman of FDL Institute of Cooperation;
- Chairman of Portuguese Fiscal Association;
- Member of the senior board of the Public Prosecutor's office;
- Member of the advisory board of Instituto de Gestão do Crédito Público;
- Chef de cabinet of the Minister of Foreign Affairs;
- Responsible for the preparation of several pre-legislative projects, namely the new regime for the state's corporate sector, public debt framework law, finance law of the Autonomous Regions (of the Azores and Madeira) and local business sector law and cover of earthquake risks;
- Representative of the Autonomous Region of the Azores on the committee preparing the tax reform of 1989/89;

- Advice on the Autonomous Region of the Azores' privatisations programme, defining strategies and preparing draft statutes;
- Directed the studies on the adapting of the national fiscal system to the Autonomous Region of the Azores;
- Founding partner of AREP and APRI and honorary member of the Azorean Institute of Culture;
- Publication of various books and articles in the areas of Economic Law, Public Finance, Fiscal Law and Community Law. Bibliography particularly includes: Regional Finance (INCM, Lisboa, 1985); Public Debt and the Guarantees of State Creditors (Almedina, Coimbra, 2004); Regional Financial Law Studies (2 volumes), *Jornal da Cultura*, Ponta Delgada, 1995; Economic and Monetary Union – A Study Guide (Quid Juris, Lisbon, 1999); Economic Law (AAFDL, Lisbon, 2000); Values and Interests – Economic Development and Community Cooperation Policy (Almedina, Coimbra, 2004); Teaching Public Finance at a Faculty of Law (Almedina, Coimbra, 2005).

*Academic Qualifications:*

- Specialised Doctorate, Masters and Degree in Law (in Legal and Economic Sciences) from the Faculty of Law of Lisbon University.

## DANIEL ABEL MONTEIRO PALHARES TRAÇA

Date of Birth: 23 June 1967

*Current Positions:*

- Non-executive member of the board of directors of Caixa Geral de Depósitos, SA, since 8 June 2013;
- Deputy director of the NOVA School of Business and Economics-Lisbon (since 2012);
- Director of programmes and lecturer at NOVA School of Business and Economics-Lisbon (since 2009).

*Former Positions:*

Academic Positions:

- Guest lecturer at Graduate Institute of International Economics, Geneva (2007-2009);
- Lecturer at INSEAD, France and Singapore (1996);
- MBA programme director and lecturer at Solvay Business School-Université Libre de Belgique (2005-2008);
- Guest assistant lecturer at NOVA School of Business and Economics, Lisbon (2004-2005);
- Guest researcher at Bank of Portugal (1999-2006);
- Guest assistant lecturer at KDI School of International Management and Policy, Seul (1999);
- Assistant lecturer at Columbia University, New York (1993-1996);
- Trainee researcher at World Bank, Washington (1994);
- Assistant lecturer at NOVA School of Business and Economics, Lisbon (1989-1991).

*Academic Qualifications:*

- Doctorate in Economics from Columbia University, New York, in 1996;
- Masters degree in Economics from Columbia University, New York, in 1994;
- Degree in Economics from NOVA School of Business and Economics, Lisbon, in 1990.

*Prizes and Distinctions:*

- Research affiliate at the Centre for Economic Policy Research (2001-2008);
- Fulbright scholarship holder (1991-1995);
- Bradley scholarship holder (1994-1995).

### PEDRO MIGUEL RIBEIRO DE ALMEIDA FONTES FALCÃO

Date of Birth: 17 September 1970

*Current Positions:*

- Non-executive member of the board of directors of Caixa Geral de Depósitos, SA, since 8 June 2013;
- Member of the audit committee of Caixa Geral de Depósitos, SA since 8 June 2013;
- Associate Dean of ISCTE Business School (since 2014);
- Guest lecturer for Strategy at Instituto Superior Técnico (since 2011);
- Director of Corporate Management Masters course at ISCTE Business School (since 2008);
- Coordinator of intra-company training courses at INDEG-IUL (since 2006);
- Executive director of Executive MBA of INDEG-IUL (since 2004);
- Lecturer at INDEG-IUL (since 2004);
- Guest lecturer at ISCTE Business School, initially in the Department of Finance and latterly the Department of Marketing, Operations and General Management (since 2004);
- Member of the Editorial Board of HR Portugal magazine (since 2014);
- Member of the board of the general meeting of *Harvard Clube de Portugal* (since 2011).

*Former Positions:*

Corporate Positions:

- Consultant in financial advisory and business growth and development strategies (2009-2013);
- Managing partner of Atena Capital – Assessores Empresariais, a company providing financial and strategic advisory services (2004-2008);
- Executive manager at A. Gomes Mota, Carlos Nogueira & Associados SGE, SA, a company managing companies in economic-financial distress (2003);
- Senior strategy consultant at Arthur D. Little (ADL) (2001-2002);
- Manager at Telecel/Vodafone Portugal (1999-2001);

- Senior analyst at the Financial Services Division of Banco CISF (1995-1997);
- Partner and manager of Diacalai (1993-1994).

Academic Positions:

- Director of The Energy MBA of the ISCTE Business School, in partnership with Columbia University, NY (2010-12);
- Guest lecturer at *Universidade Católica Portuguesa*, Lisbon (1993-1995, 2000-2003).

Other positions:

- Membro da Direção do Harvard Clube de Portugal (2001-11).

*Academic Qualifications:*

- Leadership for the 21st Century, from Harvard Kennedy School (2009);
- Doctorate in Management with merit and distinction from ISCTE Business School (2008);
- MBA (Master in Business Administration), from Harvard Business School (1997-99);
- Degree in Corporate Management from *Universidade Católica Portuguesa* (1988-93).

## COMPANY SECRETARY

### JOÃO MANUEL TRAVASSOS DIAS GARCIA

Date of Birth: 12 March 1953

*Current Positions:*

- Company secretary of Caixa Geral de Depósitos, S.A., since 3 June 1998;
- Manager responsible for the General Secretariat of Caixa Geral de Depósitos, S.A., since 23 June 1993, currently as central director;
- Vice-chairman of the board of directors of Égide - *Economia e Gestão, Associação para a Investigação e Desenvolvimento do Ensino*;
- Member of the fiscal board of *Nova Forum - Instituto de Formação de Executivos - Universidade Nova de Lisboa*;
- Member of the board of trustees of the Portuguese *A Comunidade Contra a Sida* Foundation.

*Former Positions:*

- Company secretary of BPN – Banco Português de Negócios, S.A., during the management period of Caixa Geral de Depósitos, S.A. – from 18 November 2008 to 30 March 2012;
- Chairman of the board of the shareholders' meeting of Banco Efisa, S.A., during the management period of Caixa Geral de Depósitos, S.A. (2009-2011 term of office);
- Secretary of the board of the general meeting of Caixa Geral de Depósitos, S.A., from 2 November 1993 to 10 April 2007;
- Technical functions as the technical and management coordinator in various Caixa Geral de Depósitos departments;

- Legal advisor to the Air Force Chief of Staff from September 1979 to 1 August 1980, the date of completion of compulsory military service;
- Grade 2 technical officer at Ministry of Internal affairs from March 1977 to August 1977;
- Self-employed lawyer between August 1977 and 31 December 1993.

*Academic Qualifications:*

- Degree in Law from the Faculty of Law of the University of Coimbra;
- Postgraduation in "Banking, Stock Market and Insurance Law" from the Faculty of Law of the University of Coimbra.

### ANA PAULA RÖGENES PEREZ LOPES PARGANA CALADO

Date of Birth: 3 May 1947

*Current Positions:*

- Deputy company secretary of Caixa Geral de Depósitos;
- Managerial functions in Caixa Geral de Depósitos.

*Former Positions:*

- Deputy company secretary of BPN – Banco Português de Negócios, S.A., during the management period of Caixa Geral de Depósitos, S.A.;
- Chair of fiscal board of *Associação Portuguesa de Comunicação de Empresa (APCE);*
- Board member of the European Federation of Enterprise Communication (FEIEA);
- Technical functions in Caixa Geral de Depósitos;
- Administrative employee in Caixa Geral de Depósitos;
- Self-employed lawyer;
- Teacher at Beira preparatory school, Mozambique;
- Teacher at Pêro de Anaia school, Beira, Mozambique.

*Academic Qualifications:*

- Degree in Law from *Universidade Clássica de Lisboa.*

# V - Internal Organisation

## STATUTES AND COMMUNICATIONS

### COMMUNICATION OF IRREGULARITIES

The implementation of a system for the reception, processing and archiving of information on serious irregularities related with CGD's management, accounting organisation and internal audit is obligatory under the terms of the general credit institutions and financial companies regime (RGICSF).

This obligation is in line with the recommendations issued by international authorities such as the European Banking Authority (EBA) and the European Commission which indicate that banking institutions should adopt alternative internal procedures to the usual reporting means, enabling employees to communicate legitimate, significant concerns on matters related with the activity of organisations.

Article 34 of the code of conduct establishes, in line with values of transparency, responsibility and integrity that "*CGD should arrange for a circuit duly governed by specific internal regulations on the internal communication of allegedly irregular practices occurring in the sphere of its activity, ensuring confidentiality in the processing thereof as well as non-retaliation against the author of the communication when submitted in good faith and not anonymously.*"

CGD therefore provides its employees with an internal communication system on irregular practices (SCIPI) which includes the communication of management acts performed in CGD's name or under its control, when in breach of laws, regulations and other standards in the accounting, internal accounting control, audits, corruption and banking and financial crime domains.

Availability of the internal communication system on irregular practices ("SCIPI") to all workers, to include the communication of management acts performed in CGD's name or under its control when in breach of laws, regulations and other standards in the accounting, internal accounting controls, audit, corruption and banking and financial crime domains

This systems aims to strengthen ethical conduct and help prevent situations which, on account of their seriousness may put CGD's credibility and financial health at risk.

SCIPI is also the mechanism used for the analysis, investigation and registration of denunciations of internal communications under the code of obligations of panel banks (COPB), which is an integral part of the Euribor code of conduct, binding upon CGD as a member of the panel of banks contributing to Euribor.

This code requires, *inter alia*, the definition of policies and procedures for processing internal and external denunciations related with the process of submitting prices which could compromise the integrity of the Euribor benchmark.

In short, the adoption of SCIPI aims to achieve the following main objectives:

- To detect potential problems in advance and encourage a preventative, corrective attitude;
- To provide a complementary communication channel, to be used in situations in which other internal mechanisms are not considered to be the most adequate and which permit voluntary and confidential (but not anonymous) communications of acts which are in breach of the law, in certain domains which are under the company's control;
- To provide an internal communication channel on irregular practices as regards CGD's compliance with its COPB obligations, as an integral part of Euribor's code of conduct;
- To reduce costs and avoid losses owing to non-conformity with legal or behavioural standards protecting the legitimate interests of all stakeholders;

- To strengthen CGD's reputation of transparency and alignment with best international corporate governance practice.

## INTERNAL CONTROL AND RISK MANAGEMENT

The internal control system is defined as a collection of strategies, systems, processes, policies and procedures, defined by the board of directors, in addition to the actions taken by the board and the institution's other employees, for the purpose of ensuring:

Internal control system: a collection of strategies, systems, processes, policies and procedures defined by the board of directors as well as the actions taken by this body and other CGD employees

a) The efficient and profitable performance of activity over the medium and long term (performance objectives);

b) The existence of financial and complete, pertinent, reliable, prompt management information (information objectives);

c) Compliance with applicable legal and regulatory dispositions (compliance objectives).

Caixa has a broad, coherently executed range of control procedures across different group processes and entities, in addition to control functions in the organisation namely – DAI (internal audit), DGR (risk management), DCO (consultancy and organisation) and GFC (compliance) which, as a whole, contributes to the mitigation of prevent risk exposure and containing it at low levels (see information in chapter: "Internal organisation – regulations and codes" – application of standards for the prevention of corruption and action plans for the prevention and mitigation of fraud").

Information on the identification of any control weaknesses or needs for any additional procedures is submitted to the entities/structural bodies best equipped for further study and implementation purposes.

The internal control management system in CGD Group is backed by guidelines and methodologies recognised as good practice, particularly the internal control methodology proposed by COSO (Committee of Sponsoring Organizations of the Treadway Commission)

CGD Group's management of its internal control system is based on good practice guidelines and methodologies and particularly the generic internal control methodology proposed by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and the CobiT (Control Objectives for Information and Related Technology) framework for information systems technology.

Risk management has its own chapter in the annual report, in addition to a note included in each of the annexes to the separate and consolidated financial statements and referred to as "disclosures on financial instruments", describing financial risk management policies and quantifies CGD/CGD Group's exposure to each type of risk.

Under this framework and to effectively achieve the defined objectives, CGD Group endeavours to guarantee an adequate control environment, a solid risk management system, an efficient information and communication system, adequate control activities and an ongoing monitoring process, with the objective of guaranteeing the system's quality and efficacy over time.

Specific, transversal responsibilities have been defined for certain CGD structural bodies which, in conjunction and articulation with the group's other structures and entities, and the hierarchical and fuctional relationships are presented in the organisation chart included in chapter IV - Statutory Bodies And Committees, perform activities to ensure the existence of an adequate internal control system:

### EXECUTIVE COMMITTEE

The executive committee, in due consideration of the board of directors' resolutions, is responsible for periodically reviewing and approving risk management strategy and policies and internal control and guaranteeing their implementation within CGD, in addition to the progressive alignment of group entities therewith.

## AUDIT COMMITTEE

The inspection of the company is the responsibility of the audit committee and statutory auditors. This committee is responsible for examining the quality and effectiveness of the internal control system, including the risk management system and performance of the internal audit function.

## RISK COMMITTEE

This is a support and advisory forum for the board of directors. It has three main objectives:

- To advise the board of directors on the risk impact of strategic resolutions;
- To discuss and propose risk appetite and risk tolerance levels to the board of directors;
- Proposal and oversight of general risk management guidelines and their inclusion in products/services and the remuneration policy.

## GENERAL RISK COMMITTEE

An executive committee advisory board responsible for the control of the internal risk management function and the main risk indicators with the corporate aim of strengthening the centralised management of the various types of risk inherent to the group’s activity and the organisation’s involvement in the discussion and control of their evolution, submitting issues considered relevant for the approval of the executive committee.

## OPERATIONAL RISK AND INTERNAL CONTROL MANAGEMENT COMMITTEE (CGRC)

This body is responsible for verifying conformity with the strategy and policies established for operational risk management and internal control, monitoring the management thereof within the group and proposing action plans to the executive committee.

## CORPORATE MANAGEMENT EXECUTIVE BOARD (CDGC)

This board is responsible for considering, approving and overseeing the performance of group entities' activity plans and separate budgets and corrective measures to comply with business plans and mitigate associated risks.

## CONSULTANCY AND ORGANISATION DIVISION

The operational risk and internal control management area, coming under the consultancy and organisation division, has the following responsibilities:

- To promote and back the development and ongoing evolution of the internal control management process, in addition to overseeing and assessing its conformity with the defined strategy, policies and methodologies and reporting its respective conclusions to CGRC;
- To assist the executive committee on the preparation of the regulatory separate and group internal control system, providing periodic status reports on insufficiencies, promoting mitigation/correction measures. These activities are strictly articulated with the compliance office, risk management division, internal audit division and the group’s subsidiaries and also consider any comments and remarks made by the audit committee, statutory auditor and external auditor;
- To develop and implement operational risk management strategy and policies and to ensure adequate compliance therewith and the furtherance of their respective objectives in addition to promoting and assisting the development and ongoing improvement of the management process on the said risk in subsidiaries and overseeing and assessing the respective compliance with the defined strategy, policies and methodologies;

- This division is also responsible for the management and documentation of CGD processes, including the identification of potential operational risks and control procedures, articulating this activity with process owners and other structural bodies. It is also responsible for keeping the documents relating to processes in branches and subsidiaries up-to-date, in articulation with the local structures responsible for their management.

### RISK MANAGEMENT DIVISION

The risk management division aims to protect CGD Group's capital, notably the group's credit, market and liquidity risk management and the interrelationships between them to ensure the coherent integration of part contributions.
Under the scope of the internal control management process, this division is also responsible for the periodic production of reports on risk management for the executive committee, with a summary of the identification of the main flaws and indication of the recommendations followed.

### COMPLIANCE OFFICE

The compliance office ensures the coordination of compliance risk management within CGD and its respective branches and subsidiaries, in addition to economic interest groupings and pension fund management companies.

The office is responsible for coordinating and safeguarding the good execution of anti-money laundering and countering the financing of terrorism activities, in addition to preventing market abuse. It is also responsible for the periodic production of internal control reports on the compliance risk area for the executive committee, identifying any non-compliances and respective remedial measures.

### INTERNAL AUDIT DIVISION

Internal audit is a permanent, independent and objective activity designed to assist the board of directors in monitoring internal control systems, in a systematic and disciplined manner, both within CGD and the group on a consolidated supervision basis, in order to promptly identify higher risk areas and assess management efficacy, in addition to the adequacy of the most relevant control procedures, helping the group to manage its risks and promote effective governance practices on the implementation of its internal control system.

It is also responsible for producing and submitting an annual report on audit issues to the board of directors and inspection body, containing a summary of the main shortcomings detected in control actions which may indicate a deterioration of the internal control system, in addition to indicating and identifying the recommendations followed.

### ACCOUNTING, CONSOLIDATION AND FINANCIAL INFORMATION DIVISION (DCI)

This division is responsible for the production, processing and development of financial information on CGD's global and consolidated activities, from an accounting, prudential, statistical and financial reporting viewpoint. The circuits and controls inherent to the process for the preparation and disclosure of separate and consolidated financial information are permanently monitored and validated by the statutory auditors which are responsible for issuing an opinion on the adequacy and efficacy of the internal control system underpinning the process for the preparation and disclosure of separate and consolidated financial information (financial report), sent annually to the Bank of Portugal.

## SECURITY MANAGEMENT, RISK AND BUSINESS CONTINUITY DIVISION - SOGRUPO – SISTEMAS DE INFORMAÇÃO, ACE (SSI)

This body has specific responsibilities in terms of processes within the sphere of information systems which include the assessment of processes in accordance with the CobIT Framework and the identification and reporting of non-conformities and promotion of improvement opportunities.

## CONTROL SYSTEM FOR THE PROTECTION OF THE COMPANY'S INVESTMENTS AND ITS ASSETS

*Background*

To comply with the Bank of Portugal's (BdP's) dispositions in its official notice 5/2008 and instructions 30/2010 and 73/96 and complementarily, in the European Banking Authority's (EBA's) "Guidelines on Internal Governance (GL 44)" document, CGD has defined guidelines and internal standards which are used as the main auxiliary instruments for a control system to protect CGD's investments and assets These guidelines and internal regulations are also support tools for the management and control of the financial risks assumed by CGD as they indicate, with a sufficient degree of precision, the maximum levels of certain types of financial risks which may be incurred by asset portfolios in due compliance with CGD's appetite for risk. The risk measures used vary in accordance with the type of risk being assessed.

Internal guidelines and standards used as the main ancillary instruments for the institution's investments and assets protection control system have been defined in CGD

There are also internal standards governing the management and control of credit risk which, based on ratings, define the levels of competency required in the decision-making process on credit.

In the credit risk admission process, which is always accompanied by a commercial proposal, a risk opinion to be issued by the risk management division (DGR) is also obligatory for companies, financial institutions and economic groups whose exposure to CGD Group is higher than certain limits, defined on the basis of the risk rating and sector of activity.

Credit portfolios are regularly examined and reports produced on their performance in terms of defaults and concentration.

Also related with defaults and the valuation of credit assets, CGD Group has implemented a process for assessing impairment losses, which must be validated by the external auditors which produce an independent report to be sent to the Bank of Portugal every six months.

A process for assessing impairment losses, subject to the validation of the external auditors has been implemented within CGD Group

Credit risk control has also been progressively improved, both as regards the definition of new approaches to the segmentation of the credit portfolio as in terms of greater standardisation of overdue credit methodologies.

The executive committee has defined and approved guidelines on the management and control of market risk, to be complied with by the financial markets division (DMF) and other CGD Group entities responsible for the management of portfolios containing financial assets subject to market risk. The key measure to manage market risk is value at risk (VaR) which is complemented by other sensitivity measures, more adjusted to the specific type of market risk to be measured; e.g. (i) V01 for interest rate risk and (ii) Greeks for optionality risks.

Guidelines have been defined for the management and control of liquidity and balance sheet interest rate risk, defining the roles and responsibilities of the various parties, parameters to be monitored, limits on such parameters and control system on such limits. The monitoring of the size of the exposure to such risks has resulted in the periodic production of reports on control of compliance with current guidelines.

CGD regularly produces a funding and capital plan based on two scenarios for the evolution of the national and international environment, both base and adverse, which, in addition to ensuring compliance with regulatory requirements, improves the perception of the risks to which the CGD is exposed and helps to provide better protection for its assets.

There have been progressive improvements in credit risk control:

- new approaches to credit portfolio segmentation
- greater standardisation of methodologies for processing overdue credit

An integrated risk management report which documents and analyses, to the extent necessary, the evolution of CGD Group's exposure to the main financial risks, is produced every month.

*Main developments in 2014*

2014 was, once again, a particularly dynamic year in terms of convergence to best corporate governance practice, with major institutional emphasis on the development of the group's vision and implementation of mechanisms for its ongoing, effective Integrated management. This strategy invariably facilitates institutional communication and helps to improve the effectiveness of control systems for the protection of the group's investments and assets.

CGD's asset quality was once again subject to inspection in the ECB's comprehensive assessment which preceded the start of direct supervision by the European supervisor on around 130 credit institutions in 18 member states, including CGD.

Trust in and resilience of CGD

The conclusions were in line with the result of past inspections, with the prevalence of confidence in CGD's resilience. The valuation methodologies on separate impairment were, however, revised and updated, in conformity with guidelines received from the European Central Bank.

CGD continued to make (essentially operational) improvements to the credit risk rating process over the course of 2014, in articulation with the Bank of Portugal, endeavouring to cement compliance with requirements for the use of internal models to calculate the prudential requirements on own funds for credit risk ("internal ratings based" approach).

*Prospects for 2015*

Following 2014 as the year in which the recovery, starting 2013, and in which Portugal passed the assistance programme, was consolidated, 2015 is likely to witness economic growth in Portugal, in line with the growth estimates estimated for the euro area.

Improvements in credit risk rating process in articulation with the Bank of Portugal

It should, however, be noted that the historically low levels of market interest rates may condition banks' profitability and bring negative pressure to bear on net interest income. The functioning of the ECB, during the course of the year, comprises an additional risk factor if it takes the monetary stimulus route. Given the structural improvement of the liquidity situation in the sector and a more competitive environment in terms of new business generation, a mitigating factor could be the capacity to take action on funding costs.

The significant impact of the measures implemented by the ECB on the interest rate structure in the region is also likely to provide fewer opportunities to generate non-interest income by virtue of the already noted considerable reduction of risk premia.

# REGULATIONS AND CODES

## APPLICABLE INTERNAL AND EXTERNAL REGULATIONS

CGD's activity is subject to the legal standards governing public limited liability companies, namely the commercial companies code and those deriving from its statute as a state-owned company (cf. decree law 133/2013 of 3 October[1].

In general, CGD is governed by Community and domestic legislation on its activity, with reference being made in terms of domestic law to the general credit and financial institutions regime (RGICSF), approved by decree law 298/92 of 31 December[2] the securities code approved by decree law 486/99 of 13 November[3] and all regulatory standards issued by the Bank of Portugal and the Securities Market Commission.

As regards Community legislation and particularly deriving from directive 2013/36/EU and regulation (EU) 575/2013[4], both in respect of credit institutions' access to activity and respective prudential requirements reference should be made to the continuation of the publication process of the complementary regulation needed for the implementation of these statutes, in 2014. Special reference should be made, merely by way of example, to delegated regulations (EU) 604/2014[5]; 523/2014[6]; 525/2014[7]; 527/2014[8]; 530/2014[9];

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[1] Amended by law 75-A/2014 of 30 September

[2] Amended and republished in decree law 157/2014 of 24 October.

[3] Republished in decree law 357‐A/2007 of 31 October and amended by decree law 211‐A/2008 of 3 November, law 28/2009 of 19 June, decree law 185/2009 of 12 August, decree law 49/2010 of 19 May, decree law 52/2010 of 26 May, decree law 71/2010 of 18 June, law 46/2011 of 24 June, decree law 85/2011 of 29 June, decree law 18/2013 of 6 February, decree law 63-A/2013 of 10 May, decree law 29/2014 of 25 February, decree law 40/2014 of 18 March, decree law 88/2014 of 06 June and decree law 157/2014 of 24 October.

[4] European Parliament and Council directive 2013/36/EU of 26 June 2013 on credit institutions' access to activity and the prudential supervision of credit institutions and investment companies and European Parliament and Council regulation (EU) 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment companies. directive 2013/36/EU was transposed into domestic legislation under decree law 157/2014 of 24 October, which introduced a set of significant amendments to the general credit institutions and financial companies regime

[5] Delegated regulation (EU) 604/2014 of the Commission of 4 March 2014, which complements European Parliament and Council directive 2013/36/EU in respect of the technical regulation standards for the purposes of the qualitative and quantitative criteria adequate to identify employees' professional categories having a significant impact on the institution's risk profile.

[6] Delegated regulation (EU) 523/2014 of the Commission of 12 March 2014 which completes European Parliament and Council regulation (EU) 575/2013, as regards the regulatory technical standards for assessing the consistence of a direct correspondence between the amount of an institution's covered bonds and the value of its assets.

[7] Delegated regulation (EU) 525/2014 of the Commission of 12 March 2014, which complements European Parliament and Council directive 575/2013 in respect of the technical regulatory standards for the definition of "market".

[8] Delegated regulation (EU) 527/2014 of the Commission of 12 March 2014, which complements European Parliament and Council directive 2013/36/EU in respect of the technical regulatory standards specifying the categories of instruments which adequately reflect an institution's credit quality based on the going-concern principle and are appropriate to be used for variable remuneration purposes.

[9] Delegated regulation (EU) 530/2014 of the Commission of 12 March 2014, which complements European Parliament and Council directive 2013/36/EU in respect of the technical regulatory standards on the improvement of the definition of positions at significant risk and the thresholds for the application of internal methods for the specific portfolio trading risk.

1152/2014[10] and 1187/2014[11]. In respect of this issue, the guidelines issued by the European Banking Authority (EBA) in addition to Bank of Portugal regulation (namely official notice 9/2014 of 3 November[12] and instructions 11/2014[13]; 24/2014[14]; 28/2014[15] and 29/2014[16]) should also be taken into account.

The single supervisory mechanism came into force on 4 November 2014. Reference should, herein, be made to EU Council regulation 1024/2013 of 15 October 2013, which confers specific attributes to the European Central Bank on prudential supervision policies for credit institutions and European Central Bank regulation (EU) 468/2014 of 16 April 2014, which establishes the cooperation framework in the sphere of the single supervisory mechanism, between the European Central Bank and the competent national authorities and with the designated national authorities.

Also in the legislative sphere reference should be made to the fact that, in 2014, a series of statutes having a marked impact on coming years was published. Merely by way of example reference should be made to regimes on *i)* residential mortgage loan agreements[17]; *ii)* deposit guarantee systems[18]; *iii)* recovery and resolution of credit institutions[19]; *iv)* market abuse[20]; *v)* financial instruments markets[21]; *vi)* payment accounts[22]; and *vii)* investment product packages[23].

As regards national legislation reference should be made to the publication of decree law 40/2014 of 18 March, which ensures the transposition into national law of European Parliament and Council Regulation (EU) 648/2012 of 4 July on OTC derivatives, central counterparties and trade repositories and law 64/2014 of 26 August, which approves the regime for subsidised residential mortgage loans for the handicapped.

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[10] Delegated regulation (EU) 1152/2014 of the Commission of 4 June 2014, which complements European Parliament and Council directive 2013/36/EU in respect of the technical regulatory standards on the assessment of the geographic location of credit positions at risk for the purposes of the calculation of the rates on the specific counter cyclic reserve of an institution's own funds.

[11] Delegated regulation (EU) 1187/2014 of the Commission of 2 October 2014, which complements European Parliament and Council directive (EU) 575/2012 in respect of the technical regulatory standards on the assessment of the global risk of a customer or linked group of customers as regards operations on underlying assets.

[12] Regulates the options provided for in regulation (EU) 575/2013, the exercising of which is attributed to the competent authorities.

[13] Rules that the inclusion of an instrument (either on a separate or consolidated basis) in own funds should be submitted to the advance authorisation of the Bank of Portugal, indicating the form of preparation of this request.

[14] Rules on the quarterly submission of financial and accounting information on a separate basis.

[15] Guidelines on the disclosure of information on collateralised and uncollateralised assets.

[16] Risk management on the collateralising of assets by credit institutions.

[17] European Parliament and Council directive 2014/17/EU of 4 February 2014 on residential mortgage loans

[18] European Parliament and Council directive 2014/49/EUI of 16 April 2014, on deposit guarantee systems.

[19] European Parliament and Council directive 2014/59/EU of 15 May 2012 which establishes a framework for the recovery and resolution of credit institutions and investment companies and European Parliament and Council regulation (EU) 806/2014 of 15 July 2014, which establishes standard rules and procedures for the resolution of credit institutions and certain investment companies in the framework of a single resolution mechanism and a single bank resolution fund.

[20] European Parliament and Council directive 2014/59/EU of 16 April 2014 on the penal sanctions applicable on the use of insider information and market abuse; and European Parliament and Council regulation (EU) 596/2014 of 16 April 2014 on market abuse (abuse of market regulation).

[21] European Parliament and Council directive and regulation of 15 May 2014 on financial instruments markets.

[22] European Parliament and Council directive 2014/92/EU of 23 July 2014 on the comparability of fees related to payment accounts, change of payment account and access to basic payment accounts.

[23] European Parliament and Council regulation 1286/2014 (EU) of 26 November 2014 on fundamental information documents for retail investment products packs based on insurance.

Reference should also be made to the fact that the state budget law for 2015[24], incorporated the "rules governing the communication of financial information", into national law, defining financial institutions' obligations for the identification of certain accounts and communication of information to the tax and customs authorities and ensuring the requirements for the application of the Foreign Account Tax Compliance Act (FATCA) mechanisms.

In terms of regulatory standards reference should be made to the publication of the Bank of Portugal's official notice 10/2014, which defines the minimum duties regarding information to be provided to customers during the period of application of consumer credit agreements, resulting from the revision of the legal rules governing consumer credit as set out in decree law 42-A/2013[25] of 28 March.

CGD is also subject to compliance with recommendations on good practice as defined by the supervisors. Reference should be made the Bank of Portugal's circulars 24/2014/DSC (good practice to be complied with by credit institutions for the simplification and standardisation of fees payable on current accounts) and 54/2014/DSC (good practice on the supply of property valuation reports). As regards the diverse recommendations issued by the European supervisors, particular reference should be made to the guidelines of the Joint Committee of European Supervisory Authorities on the processing of complaints in the securities (ESMA) and banking sectors (EBA)[26] and EBA guidelines on the security of internet payments[27].

CGD's activity is also subject to its articles of association as approved by its shareholders' meeting of 22 July 2011[28].

CGD has also published an internal standards system on its intranet. The system is binding on all workers and covers the most relevant aspects of the company's operation and performance.

## CODES OF CONDUCT AND ETHICS

CGD's code of conduct as a self-regulatory instrument, was published for the first time in July 2008 and latterly updated and republished in October 2010.

CGD's code of conduct is a self-regulating document which was published for the first time in July 2008 and latterly updated and republished in October 2010

During the course of its activity and in its relationship with various interested parties Caixa complies with the values, operating principles and standards of professional conduct set out in the code.

The code of conduct's impact on its recipients (i.e. members of CGD's statutory bodies, employees, trainees, service providers and proxies), has been assessed in the following dimensions:

- "Knowing the Code" (values, *modus operandi* and standards of professional conduct as set out in the code);
- "Know how" (*modus operandi* in practical situations in accordance with the standards set out in the code);
- "Commitments" (commitments to CGD's values and principles).

[24] Article 239 of law 82-B/2014 of 31 December.

[25] Amends and republishes decree law 133/2009 of 2 June.

[26] JC/2014/43 of 27 May.

[27] EBA/GL/2014/12 of 19 December.

[28] Latterly amended by the unanimous written declaration of 27 June 2012.

Importance of ethics and the code of conduct strongly related with the relevance attached by CGD to ethical business conduct as a *sine qua non* for development and growth

These dimensions include ethical performance indicators designed to contribute towards the periodic revision of the management model for CGD's code of conduct in order to guarantee the real implementation, operationalisation, monitoring and continuous improvement of the code.

The importance of ethics and the code of conduct is strongly related to the relevance afforded by CGD to ethical conduct in its business as a *sine qua non* for its development and growth.

CGD therefore launched a three year programme for training in ethics and the code of conduct in 2012, geared to employees in central departments and promoting the recognition of the importance of ethics to CGD's business and activity, recognition of the role of each employee in the sphere of business ethics, identification of the main international recommendations, standards and voluntary commitments assumed by CGD, identification of the concept, objectives, structure and dispositions of CGD's code of conduct and the capacity to resolve ethical dilemmas in real situations.

The programme endeavoured to strengthen employees' commitment to the ethical principles and values subscribed for by CGD: rigour, transparency, security, responsibility, integrity and respect.

In 2014, the last year of the three year ethics the code of conduct training programme, 195 hours of classroom training comprising 65 sessions involving 987 workers were given.

CGD's code of conduct may be viewed on its intranet and website

In the sphere of initiatives related with compliance risk management and the code of conduct, other training actions were also organised with CGD's subsidiaries and sessions in the sphere of the professional placements programme, in 2014.

CGD's code of conduct may be viewed on CGD's intranet and website at:

https://www.cgd.pt/Investor-Relations/Governo-Sociedade/Regulamentos/Codigo-Conduta/Pages/Codigo-Conduta-CGD-Introducao.aspx

## APPLICATION OF REGULATIONS ON THE PREVENTION OF CORRUPTION AND ACTION PLANS TO PREVENT AND MITIGATE FRAUD

CGD's internal control system has been provided with permanent measures to prevent and repress corruption and connected crimes, in the form of procedures and internal standards on the opening and use of deposit accounts, verification of signatures in contracts with CGD, CGD's employees' intervention in loan operations, control of access to privileged information on issuing customers, contracting for the provision of services, approval of expenses, external services, sponsorships and donations and in the personnel management area, including recruitment and training.

CGD's activity is subject to rigorous internal control mechanisms which include internal standards geared to preventing and combating corruption

As a result of these policies, CGD is on the list of the Council for the Prevention of Corruption (CPC) of entities which have provided the Council with information on their respective corruption risk and connected breaches management plans, in accordance with CPC recommendation 1/2009 of 1 July.

In the sphere of preventing and combating corruption CGD published an internal standard, in 2013, formalising the establishing of an internal communication system on irregular practices (SCIPI). This tool is available to all employees who consider that they have encountered a situation of potential fraud, crime or serious risk and in which the use of the usual internal reporting mechanisms is neither adequate nor possible. CGD also produced and published a policy on the prevention and management of conflicts of interest, in 2014, establishing operating principles and standards of professional conduct to be complied with, in this sphere by CGD, its employees and relevant persons in the performance of their respective activities and functions and also defining the type of organisational measures and procedures necessary to ensure the adequate prevention and effective management of any conflicts of interest.

Reference should also be made to the fact that a multidisciplinary project designed to consolidate CGD's prevention policy for the risks of corruption and connected breaches, leading to the production of the "Report on the identification of occurrences or risks of occurrences" is still in progress.

Caixa has expended ever greater resources on a preventative approach to internal/external fraud, mainly based on the following tools:

i. The maintenance of a permanently updated record of recommendations/fraud alerts published on the intranet and warnings published in *Notícias de Negócio*, as regards the issue of certifying signatures, registrations of online acts, adhering to the CaixaDirecta service, payments of cheques, non-personal transfers; acceptance of deposits, processing of cheques drawn on foreign banks;

ii. Implementation (starting 1 January 2015) of a series of awareness actions at branch offices, to be conveyed to the teams on the basis of a predefined, standardised scheme, with the aim of providing a more detailed, personal account of the most common, recurrent worries/issues in terms of fraud;

iii. Inclusion, in the audit system, of a series of indicators on certain operations, with certain characteristics which could potentially indicate the existence of internal or external fraud, which automatically and continuously activate audit alarms, which generate or could generate the intervention of operators.

In addition, Caixa, through its internal audit division, deals with fraud on the basis of a reactive and remedial strategy.

The investigation is carried out by the internal audit division which, in the first instance, identifies eventual precautionary measures (contacts for clarification purposes; conditioning of accounts; blocking amounts; ratings; denunciations to the authorities etc.) which become necessary to preserve its own interests and those of potentially affected customers.

The investigations aim to define disciplinary and third party liabilities and prepare/promote the applicable recovery/remedial measures (e.g. negotiation of payment plans; legal action).

Whenever, during the course of such investigations, any control weaknesses which may give rise to internal or external fraud or needs for any additional procedures are identified, they are sent to the entities/structural bodies which are best qualified to study them in greater detail and implement them.

The Bank has an identification and registration system for all occurrences related with internal and external fraud as well as the identification of occurrences and measures taken to mitigate them.

Caixa sends a specific report on fraud related with means of payment to the Bank of Portugal, every month.

Full price lists are on display at all of the bank's access points and service channels in line with the model defined by the Bank of Portugal

Creation of a central structure specialising in dealing with cases of default with the aim of facilitating credit restructuring operations with customers

Integration of environmentally responsible products in the Bank's portfolio and assessment of environmental compliance risk in the project finance area

## COMPLIANCE WITH LEGISLATION AND REGULATION

### APPLICATION OF FISCAL STANDARDS

CGD has two inter-complementary technical units for compliance with the fiscal legislation and regulations in force. One is geared to CGD's compliance with its own fiscal obligations and the other focuses on logistical support for the interpretation of legislative standards and those pertaining to CGD itself and products geared to customers, in addition to other functions attributed to it in matters of tax disputes.

### APPLICATION OF STANDARDS ON COMPETITION AND CONSUMER PROTECTION

Caixa Geral de Depósitos has adopted a competitively balanced position in the context of competition, furthering objectives of profitability, quality, customer satisfaction, fair prices and rigorous compliance with competition and protection of banking customer standards.

The process for the definition and revision of the price of various banking products and services requires the decision of the communication and marketing executive board and is based on benchmark information, the evolution of funding and product costs, evolution of the financial situation and the bank's operation and estimates of impacts on the Group. Customers and the Bank of Portugal are informed of price changes in advance, in rigorous compliance with the supervisor's guidelines.

Information on the full price list is available at all of the Bank's service outlets and access channels according to the model defined by the Bank of Portugal's official notice 8/2009 and instruction 21/2009, guaranteeing the comparability of prices between the various banks, namely interest rates, fees and cost of bank services.

Caixa introduced its basic account at 31 December 2014. This is a current account which includes a series of basic banking services whose characteristics comply with Bank of Portugal recommendations. The account, in addition to the services involved in setting up and maintaining the account, includes the management of and title to the current account, fundamental services in terms of its use and payments: a debit card with no annuity, access to the Caixadirecta service and up to 3 free withdrawals per month at branch offices and free transfers to Caixa accounts. A single fixed monthly account maintenance fee is charged for all of the services included in the basic account.

With the introduction of its basic account, Caixa broadened its offer of standardised deposit accounts which include the minimum banking services account for customers who only have a single current account in the banking system. Caixa therefore helps users of banking services to make their choice of account in conditions of total transparency and ease of cost comparisons.

Loan agreements to customers covered by decree law 133/2009 comply with the maximum rate limits defined every quarter by the Bank of Portugal on personal loans, vehicle loans, credit cards, overdraft facilities and when credit limits are exceeded.

In the sphere of regulation on defaults, CGD introduced solutions to mitigate mortgage loans, personal loans, overdrafts and credit card defaults, in 2013, based on its timely identification of signs of a deterioration in its customers' capacities, identifying customers with restructured loans owing to financial difficulties and effective control of commercial activity in information systems. These measures include the implementation of processes for the collection, processing and analysis of information on customers, risk appraisal or default status and a customer's financial capacity and the submission of loan agreement proposals for financially distressed individual and self-employed customers.

Caixa created a central structure specialising in handling default processes, in 2014 to facilitate loan restructuring agreements with its customers.

CGD has always been concerned to promote and collaborate directly on the implementation of transparency in its commercial practice on investment, savings and services products, namely through ongoing improvements to informational and contractual contents on all simple and tracker bank-deposit taking channels, by providing customers with standardised information sheets or prospectuses, deriving from Bank of Portugal notices 4/2009 and 6/2009, in the former and 5/2009 in the latter case, in addition to the respective contracts and supply of simulators and samples of standard cases on its website (around 50,000 visits per day in 2013) and electronic newsletters, sent every month to more than 900,000 customers.

Caixa continues to operate a price differentiation policy in personal lines of credit involving a strong social responsibility component (education, health and renewable energies). In the deposits area, Caixa continues to build a value proposal which goes beyond the price variable, providing automatic user-friendly solutions to create and promote savings habits.

CGD is also concerned that the disclosure of information on products should use a clear, transparent language in order to be easily read and understood by customers as set out in its code of conduct, complying with the duty of information and transparency established by law and regulation whose respective supporting texts are previously and internally submitted for the consideration of the compliance support office, risk management division and communication and brand division and externally to the supervisors in the case of complex financial products.

## APPLICATION OF ENVIRONMENTAL STANDARDS

CGD performs its activity in accordance with the applicable environmental legislation, evidenced by the non-existence of fines or non-monetary sanctions for any breaches of laws and environmental regulations.

Integration of environmentally responsible products in the Bank’s portfolio and assessment of environmental compliance risk in the project finance area

CGD has identified the environmental impacts resulting from management, remodelling and maintenance activities on its premises and property. It has systematically implemented a collection of eco-efficiency measures based on best environmental practice to include the management and consumption of electricity and water, waste management and management of the air quality inside its buildings. These measures are published in its annual sustainability report. Deriving from the implementation of the environmental management system, certified to ISO 14001, CGD has contracted for the services of an external provider to assess conformity with the environmental legislation applicable to its activity.

As regards the indirect impact of its own banking activity, CGD has been integrating environmentally responsible products in its portfolio, in addition to the appraisal of environmental compliance risks in the project finance area, operationalised by Caixa BI – Banco de Investimento, SA. Socio-environmental criteria have been defined to secure and organise the operations, at the time of the analysis of projects and candidate companies, in conformity with an environmental opinion required by law, comprising an environmental impact statement and/or environmental impact assessment for all of the main infrastructure funding projects. No financing is issued prior to the confirmation of the environmental permit involved in the legal due diligence process. Independent technical consultants are solely responsible for validating projects' technical and environmental premises (including all relevant permits) required during the construction and operation stage. Loan agreements include contractual obligations related with socio-environmental aspects.

CGD is governed by highly rigorous ethical and technical-juridical principles

CGD, through CaixaGest, also has an investment fund with an environmental benefit in the form of Fundo Especial de Investimento Caixagest Energias Renováveis to provide its participants with access to a diversified portfolio of assets directly and indirectly associated with renewable energies, environmental quality and carbon. The appraisal of corporate credit risk also includes environmental and social aspects which are considered to be relative to the company's social and environmental credibility.

Additional information on environmental management is referred to in item b) Environmental responsibility – adoption of policies to promote environmental protection and respect for principles of legality and business ethics as well as the implementation of rules designed to achieve sustainable development.

## APPLICATION OF LABOUR REGULATIONS

In the sphere of its legal-labour relationships, CGD is governed by highly rigorous ethical and technico-legal principles. CGD accordingly meticulously analyses all changes and promotes the application of legislation having an impact on the Group's labour relations.

The following were the most relevant changes in 2014:

State budget law for 2014;

Application of constitutional court ruling 413/2014 of 30 May, declaring the reductions of remunerations under the state budget law for 2014 to be unconstitutional;

Application of law 75/2014 of 12 September, approving new reductions to remunerations for 2014 and 2015;

Changes to the labour code – law 27/2014 of 8 May and law 55/2014 of 25 August.

In terms of its relationship with employees, the company favours dialogue in the quest for consensual, equitable solutions.

In light of the size of CGD, the number of cases brought against the institution was very low in 2014 (19) in comparison to 2013 (15).

## SPECIAL INFORMATION REQUIREMENTS

Under the terms of ministerial ruling 1361, issued on 18 July 2014 by the secretary of state for finance, CGD was dispensed from the requirement to disclose the information provided for in sub-paragraphs d), f) and g) of article 44 of decree law 133/2013, with CGD considering the extension thereof to sub-paragraph i) of the same article given the analogous nature of the information in question.

Caixa Geral de Depósitos, in compliance with its reporting requirements provides information on its performance and economic-financial situation through via "SIRIEF" ("system for the collection of economic and financial information"). The annual accounting documents are published on various platforms namely CGD's website, the CMVM's extranet, BPNet (Bank of Portugal), SIRIEF (DGTF) and the Portuguese audit court's electronic application for the submission of accounts.

## MARKET RELATIONS AND WEBSITE REPRESENTATIVE

CGD, as an issuer of financial instruments, has appointed a market relations representative:

### CONTACTS OF MARKET RELATIONS REPRESENTATIVE

Filomena Raquel da Rocha Rodrigues Pereira de Oliveira

Av João XXI, 63
1000-300 Lisbon
Telephone: (351) 21 790 5586
Fax: (351) 21 795 3479
E-mail: filomena.oliveira@cgd.pt

As regards the ongoing and consistent disclosure of information on policies, strategic pillars and financial evolution of CGD Group, reference should be made to the activities of CGD's investor relations office (GIR), operating in the proactive two-way management of a series of relationships with the financial community in global terms, i.e. investors, rating agencies, counterparties, analysts and supervisors.

### DISCLOSURE OF PRIVILEGED INFORMATION

CGD, as an issuer of financial instruments, as defined under the respective legal framework, has appointed a market relations representative who provides prompt information on any matter which may have a relevant effect on the company's economic and financial status and net worth. This is also complemented by a collection of business-related institutional information on CGD's website (www.cgd.pt).

CGD disclosed the following privileged information in 2014, in full compliance with its duty to immediately publish relevant information:

| Date | Subject |
|---|---|
| 17/12/2014 | Caixa Geral de Depósitos, informs about DBRS' rating decisions |
| 11/11/2014 | Caixa Geral de Depósitos, SA informs about the European Commissions publishing of the decision on CGD Restructuring Plan, which CGD announced to the market on July 24th, 2013 |
| 31/10/2014 | Caixa Geral de Depósitos, SA informs about first nine months of 2014 Consolidated Results |
| 26/10/2014 | Caixa Geral de Depósitos S.A. informs about Comprehensive Assessment Results |
| 31/07/2014 | Caixa Geral de Depósitos, SA informs about first half 2014 Consolidated Results |
| 23/05/2014 | Caixa Geral de Depósitos, SA launches na offer of REN shares - Redes Energéticas Nacionais, SGPS, S.A. by Parpública and Caixa Geral de Depósitos |
| 22/05/2014 | Caixa Geral de Depósitos, SA informs about Standard&Poor's rating decisions |
| 21/05/2014 | Caixa Geral de Depósitos, SA informs about 1st quarter 2014 Consolidated Results |
| 21/02/2014 | Caixa Geral de Depósitos, SA informs about 2013 Results - corrected version |
| 14/02/2014 | Caixa Geral de Depósitos, SA informs about 2013 Results |
| 22/01/2014 | Caixa Geral de Depósitos, SA informs about Standard&Poor's rating decisions |
| 09/01/2014 | Caixa Geral de Depósitos S.A. informs about the reprivatization process of the insurance companies of CGD group |
| 08/01/2014 | Caixa Geral de Depósitos S.A. i provides information on a €750 million covered bonds issue |

## DISCLOSURE OF OTHER MARKET INFORMATION

CGD maintained its market information feed over the course of 2014 in line with the recommendations of the Securities Market Commission and best international practice, in a context of transparency and rigour for its investors, analysts, customers and other stakeholders.

In compliance with its public disclosure requirements, Caixa Geral de Depósitos has published all relevant, mandatory information on the CMVM's information disclosure system as well as hosting it on its internet for all interested parties.

## DISCLOSURE OF INFORMATION ON CGD'S WEBSITE

The informational architecture of CGD's website contains a public area exclusively for the disclosure of corporate governance information, in full compliance with good governance principles for companies in the state's corporate sector. This website area ensures the disclosure of all mandatory and legal information on the company's diverse corporate governance issues, including information on the issues set out in the following table:

| | Disclosure | | | Remarks |
|---|---|---|---|---|
| | Yes | No | NA. | |
| Mission and Strategy | X | | | |
| Shareholder Structure | X | | | |
| Governance Model | X | | | |
| Remunerations and other Benefits | X | | | |
| Organisational chart | X | | | |
| Code of Conduct | X | | | |
| Regulations | X | | | |
| Historical and Current Financial Information | X | | | |
| Corporate Governance Principles | X | | | |

This information is available at:

https://www.cgd.pt/Investor-Relations/Governo-Sociedade/Pages/Governo-Sociedade.aspx

The information disclosed at 31 December 2014 on the "SEE" (state business sector) website (DGTF portal) can be found in Annex I.

# VI - Remuneration

## COMPETENCE FOR ASSESSING REMUNERATION

Decisions regarding the remunerations of members of statutory bodies and the eventual appointment of a wages committee having the authority to define such remunerations, under the terms of the public manager statute and other applicable legislation is the responsibility of the shareholders' meeting which, as already referred to, decides on all issues for which it is competent under the law and articles of association.

The board of directors submitted a "Declaration of the board of directors on the remuneration policy of the members of CGD's board of directors and audit bodies" for a resolution of the annual shareholders' meeting, as required by law, and which was approved at the shareholders' meeting of 22 May 2014, under the terms of and in compliance with a ruling of the Secretary of State for Finance no. 6555-B/2014 dated 19 May 2014 and published in the *Diário da República* 2nd series 95 of 19 May 2014.

The resolution on the remunerations of members of statutory bodies and eventual appointment of a wages committee with the authority to define such remunerations under the terms of the "public manager statute" and other applicable legislation is the responsibility of the shareholders' meeting

## REMUNERATION POLICY FOR MEMBERS OF THE BOARD OF DIRECTORS AND INSPECTION BODIES

CGD is a state-owned company in the public corporate sector.

CGD's board members are therefore considered to be public managers and their remuneration is governed by the rules deriving from the public manager statute (PMS)[29] .

CGD's board members are considered public managers

CGD'S remuneration policy for its statutory bodies, in 2014, continued to be strongly conditioned by the state budget law for 2014 in the form of law 83-C/2013 of 31 December, the public manager statute (PMS), general credit institutions and financial companies regime (RGICSF), Community and Bank of Portugal regulations which establish imperative rules and restrictions on the referred to policy.

The rules and restrictions in force have the following primary objectives:

- To ensure that the total remuneration and its respective composition are in line with the corporate governance model and adequately compensate the performance, qualification and responsibility required for the performance of functions;
- To discourage excessive and imprudent risk-taking;
- To promote alignment between remuneration and the company's objectives, corporate strategy, values and long term interests.

Reference should be made to the following (new or retained) limitations on the remuneration policy for the members of CGD's board of directors in 2014:

*Executive board members*

Definition of monthly remuneration, which is limited to the monthly remuneration of the prime minister and a monthly expense account allowance of 40% of the respective remuneration, or, as an alternative, an option for the remuneration paid by an incumbent's former employment, subject to the limit of the average monthly remuneration of the last three years of such former employment, adjusted by the CPI, with the express authorisation of the member of government responsible for the area of finance.

[29] Information on the public manager statute is set out in decree law 71/2007 of 27 March, amended and republished by decree law 8/2012 of 18 January, rectified by declaration of rectification 2/2012 of 25 January and complemented by council of ministers' resolutions 16/2012 of 14 Febuary and 36/2012 of 26 March.

*Non-executive board members*

Fixed remuneration, up to the limit of 1/4 of the same type of remuneration as defined for executive board members and who, when effectively participating in committees specifically created for the oversight of the company's activity, are also entitled to complementary remuneration, in which case the limit on the global remuneration is 1/3 of the fixed remuneration established for executive members.

*Both*:

- Reduction of 5% in remuneration (law 12-A/2010 of 30 June);
- Complementary reduction of 10% in remuneration (successive state budget laws);
- Non-attribution of management bonuses (PMS and state budget laws).

Without prejudice to the referred to limitations, the company's shareholders' meeting is responsible for deciding on the remunerations of the members of its statutory bodies.

Accordingly at the shareholders' meeting of 22 May 2014, the state shareholder approved the "Declaration of the board of directors on the remuneration policy of members of CGD's board of directors and audit body", under the terms of a ruling issued by the Secretary of State for Finance 6555-B/2014, dated 19 May 2014 and published in *Diário da República,* 2nd series, no. 95, on the same date.

Based on the referred to ruling the state shareholder defined the remunerations of the chairman of the board of directors and all of the executive board members for the term of office in progress, effective from 8 July 2013, having, for the purposes authorised, in respect of each, the option for the average remuneration of the last 3 years of their former positions.

## REMUNERATORY STATUS IN 2014

*Board of the General Meeting*

| Board of General Meeting | Remuneration |
|---|---|
| Chairman | Attendance voucher of €650.00 |
| Vice- Chairman | Attendance voucher of €525.00 |
| Secretary | Attendance voucher of €400.00 |

No remuneration was paid to the members of the board of CGD's shareholders' meeting in 2014.

## BOARD OF DIRECTORS

As stated, the chairman of the board of directors and all of the executive board members exercised the right to the their option under the PMS, effective from the date of the start of their respective mandates and which was authorised by ruling 6555-B/2014, dated 19 May 2014 issued by the Secretary of State for Finance in May 2014 and approved by the shareholders' meeting of 22/05/2014.

The amounts for the non-executive board members, comprise 1/3 or 1/4 of the prime minister's basic wage depending on whether or not they serve on committees specifically created to oversee the company's activity as established in the PMS.

The fixed remunerations of CGD's board members in 2014 were therefore:

| | Remuneration (14 months) |
|---|---|
| Board of Directors | |
| Charmain | |
| Álvaro Nascimento | €7,704.20 |
| Non-executive members | |
| Pedro Bela Pimentel | €1.826.70 |
| José Luís Crespo de Carvalho | €1.826.70 |
| José Ernst Henzler Vieira Branco | €1.826.70 |
| Executive Committee | |
| Charmain | |
| José de Matos | €16,578.28 |
| Vice- Charmain | |
| Nuno Fernandes Thomaz | €8,647.80 |
| Members | |
| João Nuno Palma | €13,481.60 |
| José Cabral dos Santos | €11,424.33 |
| Ana Cristina Leal | €12,703.17 |
| Maria João Carioca Rodrigues | €12,039.21 |
| Jorge Cardoso (*) | €13,887.00 |
| Audit Committee | |
| Charmain | |
| Eduardo Paz Ferreira | €1,826.70 |
| Vice- Charmain | |
| Daniel Traça | €1,826.70 |
| Member | |
| Pedro Fontes Falcão | €1,826.70 |

(*) Jorge Cardoso asked to be relieved of his functions with effect from 16/09/2014, which status remained unchanged at 31/12/2014.

## REMUNERATION AND OTHER BENEFITS OF MEMBERS OF STATUTORY BODIES

Under the terms of the PMS and the state budget law for 2014 no management bonuses were paid to CGD's board members, which bonuses comprised the variable component of executive board members' remuneration.

The issues of defining parameters for attributing such remuneration, the structure of this remuneratory component or deferment of its payment were not, therefore, raised.

Reference should also be made the other remuneration or benefits of board members, all of which under the PMS:

- Entitlement to the general social security regime, if not opting for another such as in the case of several board members;
- No entitlement to any complementary retirement plans or early retirements;
- Entitlement to the corporate benefits afforded to the company's workers;
- Entitlement  to the use of company cars whose fuel costs are paid for by CGD;
- No entitlement to acquire company cars;

- Entitlement to the use of mobile communications paid for by CGD;
- No individual healthcare of life insurance products but only covered by personal accidents insurance when travelling on behalf of the company, in the form of a personal accidents insurance which covers for all of the company's workers;
- No other remunerations with significant non-pecuniary benefits;
- No entitlement to use credit cards;
- No entitlement to personal expense account items;
- Executive board members do not earn any remuneration for their performance of office in companies in a controlling or group relationship with CGD;
- There are no agreements for amounts to be paid to executive board members in the event of dismissal for the inadequate performance of their functions;
- The compensation and indemnities paid or owed to board members are set out at law;
- Board members are subject to an annual appraisal by the audit body.

Remuneration policy of CGD employees, set out in collective labour regulation instruments published in the Labour and Employment Bulletin and internal regulations

## STAFF REMUNERATION POLICY

The remuneration policy for CGD's employees workers takes the form of collective bargaining agreements which are published in the Labour and Employment Bulletin and internal regulations accessible to all workers.

In the sphere of remuneration policy, the company agreements and internal regulations govern the following:

- Wage scales and pecuniary clauses
- Professional careers
- Remuneration system
- Performance management system
- Labour conditions
- Welfare regime
- Incentives system
- Profit sharing

The remuneration of CGD workers has a fixed and variable component.

The fixed remuneration defined under the terms of the company agreements in force and internal regulations, comprises a basic wage complemented by various remuneratory items such as continuity payments, subsidies for no fixed working hours, subsidies for certain functions, holiday and Christmas subsidies.

Variable remuneration is paid on a one-off basis by the board of directors and is closely linked to performance and the degree of fulfilment of objectives.

The performance management system consists of an annual process by means of which CGD plans its activity, monitors performance and evaluates results.

The assessment of performance and fulfilment of objectives are relevant factors to be taken into consideration for any change in the remuneratory status of workers, including management staff, either in the form of merit based promotion or the revision of other fixed or variable wage components.

However, in 2014, as, in any event, since 2011, the remuneratory policy for CGD workers continued to be heavily constrained by the state budget law for 2014, law 83-C/2013 and law 75/2014 of 12 September which maintained the imperative rules and restrictions taking precedence over the applicable labour regulation instruments.

Reference should be made, herein, to article 33 of the state budget law for 2014 and articles 2 and 4 of law 75/2014, which maintained the general measures on the reduction of remuneration as well as article 39 of the state budget law for 2014, which prohibits any acts comprising increases in remuneration namely the award of performance bonuses or other similar pecuniary payments.

As a consequence of the restrictions imposed in 2014 there were no promotions or wage increments (except for those deriving from indispensable nominations during the course of CGD's normal operations)

Therefore, as a consequence of the restrictions imposed there were no promotions or wage increases in 2014 (except for those deriving from indispensable appointments in the normal development of CGD's activity), nor was any variable annual remuneration paid to any CGD employee except for productivity incentives to commercial area workers.

For the same reason, there were no changes in wage scales in 2014.

To comply with the disclosure criteria established in article 17 of the Bank of Portugal's official notice 10/2011, a table containing quantitative information in CGD's payment of remuneration, broken down into managerial staff of CGD structures (except for control functions) and management staff in CGD control structures (DAI, DCO, DGR and GFC) is presented.

In light of the specificities deriving from the legal framework applicable to CGD, sub-paragraph b) of no. 1 and sub-paragraphs c), e), g) and i) of no. 2 of article 16 and sub-paragraphs b) to d) of no. 1 of article 17 of the Bank of Portugal's official notice no. 10/2011 are prejudiced for disclosure purposes.

**Workers covered by article 17 no. 1 of the Bank of Portugal's Official Notice 10/2011**

| | Management staff CGD Structures (without Control Functions) | Management staff CGD Structures (with Control Functions) |
|---|---|---|
| **1.** REMUNERATION | | |
| 1.1. Base remuneration | 22,799,681.18 | 1,634,279.12 |
| 1.2. Variable remuneration | 86,638.79 (1) | ----- |
| 1.3. Number of Beneficiaries | 240 | 20 |
| **2.** ADDITIONAL INFORMATION | | |
| 2.1. New Hirings in 2014 | 0 | 0 |
| 2.2. Amounts paid on early rescissions of work contracts | ----- | ----- |
| 2.2.1. Number of payment beneficiaries | ----- | ----- |
| 2.2.2. Largest amount paid to an employee | ----- | ----- |

(1) Productivity incentives attributed to workers with managerial functions in commercial areas.

# VII - Transactions with Related and Other Parties

CGD performs transactions with group and associated companies and other entities controlled by the Portuguese state.

CGD's financial statements, at 31 December 2014, included the following balances and transactions with related entities, excluding management bodies:

| | 31-12-2014 | | | |
|---|---|---|---|---|
| | The Portuguese State (Treasury) | Other Portuguese State entities | Associates | Other Companies of CGD Group |
| **Assets:** | | | | |
| Liquid assets held in credit institutions | - | - | - | 56.895 |
| Loans and advances to credit institutions | - | 141.771 | - | 2.923.043 |
| Bonds and trading derivatives | 7.413.253 | 3.072.829 | 5 | 2.044.109 |
| Loans and advances to customers | 36.391 | 8.411.563 | 1.008.631 | 226.616 |
| Impairment of Loans and advances to customers | - | 6.092 | 2.211 | - |
| Other Assets | - | 2.242 | 1.023.923 | 2.015.680 |
| **Liabilities:** | | | | |
| Resources from credit institutions | - | - | - | 2.101.758 |
| Customer resources | 4.257 | 6.567.546 | 3.240.187 | 2.303.961 |
| Debt securities | - | 1.465 | 698.546 | 1.100.214 |
| Subordinated Liabilities | - | 650 | 12.500 | 266.826 |
| Financial liabilities held for sale | 81.123 | 6.972 | - | 132.384 |
| Other Liabilities | - | 257 | 2 | 1.342.771 |
| **Guarantees Given** | 62.613 | 8.246 | 28.660 | 109.629 |
| **Income:** | | | | |
| Interest and similar income | 162.219 | 241.136 | 6.781 | 260.288 |
| Gains from financial operations | 697.752 | 129.819 | - | 1.437.615 |
| Income from services rendered and comissions | 58 | 6.183 | 12.275 | 46.709 |
| Other operating income | - | 198 | 167 | 46.426 |
| **Costs:** | | | | |
| Interest and similar costs | 31.463 | 16.635 | 50.511 | 149.178 |
| Losses from financial operations | 473.069 | 95.567 | - | 1.218.869 |
| Commissions costs | - | 891 | 567 | 23.824 |
| Other operating costs | - | - | 175 | 510 |
| General administrative costs | - | 601 | 19 | 57.875 |

As regards the concept of "related parties" established in the general credit institutions and financial corporations regime, CGD adopted a collection of internal standards in the respective regulation sphere.

Caixa records and regularly oversees operations with related parties as regards the companies included in the Group's consolidation perimeter.

## OTHER TRANSACTIONS

### PROCEDURES FOR THE ACQUISITION OF GOODS AND SERVICES

Caixa Geral de Depósitos (CGD) has transparent procedures in place for the acquisition of goods and services, subject to principles of economy and effectiveness.

CGD has adopted the following procedures:

*Preparation and market consultation*

- Initiation of process with the identification of the need for new services or renewal of contracts;

- Identification of suppliers to be consulted;
- Production of tender documents, using the adequate draft model for the goods/service;
- Preparation of the suppliers' assessment grid;
- Tender documents sent to previously identified suppliers, inviting them to submit their proposals, which consultation, whenever possible, is sent to a minimum number of 3 suppliers per item/service;
- Reception of calls for tender and scheduling of meetings for clarifying doubts within the periods indicated in the tender documents.

*Reception, assessment and negotiations of bids*

- Reception of the bids from consulted suppliers, within the periods specified in the tender documents and in a sealed letter;
- Opening of bids by a bid opening committee;
- Preparation and signing of the minutes of the opening of the bids;
- Analysis and comparative assessment of bids (production of shortlist if necessary);
- Production of a bid assessment grid, taking the previously defined assessment table into account.

*Selection, approval of expense and award*

(1) Selection of suppliers for inclusion in the following stage of the negotiating process;

(2) Notification of suppliers excluded during the course of the negotiating process;

(3) Negotiating rounds up to the selection of the final supplier (in each round the collection of activities set out in this item is checked);

(4) Allocation of expenditure;

(5) Production of information for the decision of the competent corporate body;

(6) Production of award document in accordance with the current draft model;

(7) Award of the acquisition of goods/services to supplier.

*Contracts*

- Production of draft contract, based on the contents of the negotiating process, with no work being allowed to commence on its execution prior to the start date defined in the award;
- Copy of draft model sent to supplier.

The procedures applicable to the acquisition of goods and services were not revised in 2014.

## TRANSACTIONS WHICH HAVE NOT BEEN MADE UNDER MARKET CONDITIONS

Information on the contracts usually entered into with CGD Group companies, without consulting the market is set out below:

- Valuables transport – ESEGUR – Empresa de Segurança, SA;
- Leasing operations – Caixa Leasing e Factoring, IFIC, SA;;
- Insurance – Companhia de Seguros Fidelidade-Mundial, SA;
- Vehicle hire – LOCARENT - Companhia Portuguesa de Aluguer de Viaturas, SA;
- New media developments with CaixaTec – Tecnologias de Informação, SA;

## LIST OF SUPPLIERS REPRESENTING MORE THAN 5% OF EXTERNAL SUPPLIES AND SERVICES ON A SEPARATE BASIS

The following suppliers represented more than 5% of external supplies and services on an individual basis, in 2014:

| Tax no. | Suplier | Total in 2014 |
|---|---|---|
| PT500068801 | Companhia IBM Portuguesa, S.A. | €34,688,164.26 |
| PT720003490 | Fundo de Pensões do Pessoal da Caixa Geral de Depósitos | €29,862,297.06 |
| PT504940899 | SOGRUPO II – Sistemas de Informação, ACE | €29,120,745.73 |

# VIII - Analysis of the Company's Sustainability in the Economic, Social and Environmental Domains

## STRATEGIES ADOPTED AND DEGREE OF COMPLIANCE WITH TARGETS

Activity based on a business strategy including various aspects with a threefold benefit to economic development, environmental protection and investment in the community

CGD's activity is based on a business strategy which encompasses various aspects of threefold benefit to economic development, environmental protection and investment in the community. CGD's corporate sustainability programme operationalises its sustainability strategy in alignment with CGD Group's strategy, based on a series of operational areas ranging beyond CGD's legal and compliance, economic (sustainable business, financial literacy, ethics and conduct, quality of processes and certification, involvement with stakeholders, promotion of sustainability in the suppliers' chain), social (management of human assets, social responsibility and entrepreneurship and corporate citizenship) and environmental (eco efficiency, protection of the environment and awareness-raising for the preservation of natural resources) obligations.

Implementation of a sustainability management model across the organisation as a whole

To ensure that CGD's sustainability strategy is fulfilled, a sustainability management model involving most structural bodies and economic interest groupings in the furtherance of the corporate sustainability programme, as well as several group companies and affiliate banks – Caixa Banco de Investimento; Caixa Gestão de Ativos; Caixa Geral de Depósitos Foundation - Culturgest; Banco Interatlântico, Banco Comercial do Atlântico and Banco Caixa Geral Brasil, has been implemented across the organisation. The model comprises:

- General sustainability committee (GCSU), an advisory body responsible for the assessment, discussion and oversight of the implementation of CGD's sustainability strategy and recommending relevant issues for the approval of the executive committee.
- Sustainability steering committee, as an interim oversight forum for the implementation of the corporate sustainability programme and preparation of meetings for GCSU;
- Sustainability programme coordination team, responsible for coordinating and overseeing the corporate sustainability programme and promoting taskforce activities;
- Ambassadors and directors responsible for analysing and validating taskforce proposals and submitting them to CGSU;
- Taskforces set up by the directors of various structural bodies working on specific issues such as policies and voluntary codes; risk; products; environment; community involvement; reporting and stakeholders; human resources and CGD Group/Africa/Brazil.

Based on this model which is currently under review, CGD defines objectives and goals, implementing and overseeing a series of initiatives of structural bodies working on the corporate sustainability programme, information on whose current status is annually disclosed in the sustainability report. This document can be viewed in the sustainability area of CGD's website at:

https://www.cgd.pt/Institucional/Sustentabilidade/Relatorio/2013/Pages/Relatorio-Sustentabilidade.aspx

CGD considers relationship management and ongoing dialogue with various stakeholder groups to be a strategic tool designed to ensure transparency, confidence and the alignment of performance with stakeholders' expectations, including the prompt management of risks and opportunities.

This explains why CGD employs various channels in its dialogue with different stakeholder groups and periodically consults its strategic stakeholders on sustainability issues: shareholder/state, regulators, government bodies, employees, community (charitable institutions/NGOs), suppliers, individual and corporate customers and the media. This process aims to assess the expectations of stakeholders on sustainability issues, assessing their perception of CGD and its capacity to respond to relevant issues; assessing the adequacy of the communication channels used; identifying business opportunities to improve its performance in economic, environmental and social aspects and assessing stakeholders' perception of the quality of the last report published. The information collected in this process is duly processed and communicated to management and used to identify opportunities for improvement and to define operating priorities for the implementation of the corporate sustainability programme, including the sustainability report and is latterly integrated with the functional structures engaged on the implementation of the corporate sustainability programme.

Periodic consultation of strategic stakeholders on sustainability issues

In its reporting and communication on sustainability performance, CGD publishes an annual sustainability report, in accordance with "Global Reporting Initiative" directives. In 2014, CGD upgraded to the most recent version (GRI 4.0) and produced its sustainability report in accordance with the new directives for the "Comprehensive", option which was certified by an external entity.

In the responsible performance of its activities, CGD subscribes to the following codes and relevant principles in terms of its economic, environmental and social performance:

- Good governance practice for companies in the state's corporate sector (council of ministers' resolution 49/2007 replaced by decree law 133/2013 of 3 October);
- European agreement on a voluntary code of conduct for home loans, since 2000.
- Code of conduct of the Civil Institute for Advertising Self-Discipline, since 2000;
- Enterprise for Health — European Healthy Enterprises Network of which CGD was a founding member, since 2000;
- United Nations Environment Programme — Finance Initiative, since 2009;
- World Savings Banks Institute/European Savings Banks Group (WSBI/ESBG) Charter for Responsible Business, since 2011;
- APAN (Portuguese Advertisers' Association) Charter of Commitments for responsible communication, since 2012.
- "Global Compact" - 10 universally accepted principles in the human rights, labour practice, environmental protection and anti-corruption areas, since 2013.

Publication of an annual sustainability report in accordance with "Global Reporting Initiative" directives

CGD continues to be a member of the "Advisory Committee" of UNICRI (United Nations Interregional Crime and Justice Research Institute), through its office for prevention, security and business continuity (GPS).

CGD remained active in the main sustainability associations and initiatives including: UNEP-FI, "Carbon Disclosure Project" - CDP, Corporate Responsibility Council of the "European Savings Bank Group" (ESBG), the Expert Committee of the European Commission for Social Entrepreneurship in addition to BCSD Portugal – Business Council for Sustainable Development.

Voluntary response to the various external assessments of entities which communicate their results to investors, including, inter alia, the CDP, RobecoSAM assessment for the Dow Jones Sustainability Index, Oekom assessment and BCSD sustainability Index

CGD has also volunteered for the external assessments of entities which communicate results to investors, including, *inter alia,* CDP, the RobecoSAM assessment for the "Dow Jones Sustainability Index", Oekom assessment and the BCSD Business Sustainability Index.

## POLICIES TO ENSURE ECONOMIC, FINANCIAL, SOCIAL AND ENVIRONMENTAL EFFICIENCY AND SAFEGUARD QUALITY STANDARDS

As performance guidelines, together with the codes and principles to which it subscribes (identified in the preceding item), CGD has defined a set of policies upon which its corporate sustainability programme, is based. They include:

- Its sustainability policy based on five key strategic areas geared to the creation of stakeholder value – responsible banking, promotion of the future, protection of the environment, involvement with the community and human assets management;
- Its environmental policy;
- Its community involvement policy;
- Its product and service policy, from a sustainability viewpoint, aligned with CGD Group's marketing and commercial policy.

These policies may be viewed online, in Portuguese and English in the sustainability area of the corporate website.

With the objective of disseminating a culture of quality and promoting the efficiency and effectiveness of processes, CGD has taken several steps, ranging from the broadening of the quality management system to other processes, including communication and training on quality. CGD has a process quality area responsible for the definition and oversight of service levels, recommendation of operations and validation of quality principles. The general quality of processes committee (CGQP) is the body responsible for the assessment, discussion and oversight of the implementation of CGD's quality of processes strategy.

Certification of conformity to ISO 9001 for CCC - Quality Management System – Inbound Operations as well as certification of environmental management system to ISO 14001

CGD maintained its ISO 9001 process quality certifications in 2014 (issued by APCER - Portuguese Certification Association) on the management quality system of CGD's financial markets division; CGD group's operations processing system in financial markets, CGD's operational support division, its office for prevention, security and business continuity (GPS) and the management and processing of customers' suggestions and complaints except for cases of fraud of its customer support office. Reference should be made to the certification of its environmental management to ISO 14001 on its call centres' incoming calls operations.

## FORM OF COMPLIANCE WITH ADEQUATE BUSINESS MANAGEMENT PRINCIPLES

### A) SOCIAL RESPONSIBILITY

### SOCIAL RESPONSIBILITY AND AND SUSTAINABLE DEVELOPMENT POLICY AND TERMS OF THE PROVISION OF PUBLIC SERVICE IN THE CONSUMER PROTECTION SPHERE

As referred to in the preceding item, CGD's sustainability policy defines a set sustainable development guidelines. In alignment with this policy, CGD has defined a policy of involvement with the community which establishes directives to assist the community's needs, focusing on entrepreneurship, education, social economy and financial literacy, including ongoing support for social and cultural activities.

CGD acts as a catalyser for sustainable development in Portugal and is present via its nationwide branch office network, including the Autonomous Regions of Madeira and the Azores

CGD operates as a catalyst for sustainable development in Portugal through the presence of its branch office network, in all municipal districts nationwide, including the autonomous regions of Madeira and the Azores.

CGD's commitment to promoting good social responsibility practice was recognised in 2014, with the "Best Ethical Practices Awards" in the "social responsibility" category owing to its intervention in society and promotion of initiatives in diverse social areas.

Integration of the community as a decisive factor in value creation and business sustainability is one of CGD's fundamental operating pillars

Integrating the community as a determinant for the creation of value and business sustainability is one of CGD's fundamental operating pillars. This is evidenced by its financial solutions for customers to incentivise entrepreneurship, development of the Portuguese business fabric, financing of a low carbon economy and mechanisms to facilitate and encourage savings and solutions for the prevention and processing of credit default situations, strengthening its ongoing commitment to link business objectives and sustainability with social responsibility.

Assessment of quality of service and customer satisfaction comprise one of the strategic pillars for consolidating CGD's value proposals. The methodologies used, in alignment with best international practice, enable CGD to identify critical performance areas, adjust its supply and service models and achieve the levels of service adequate to each segment.

Following the supply of specific communication channels for customers with special needs, in 2014, CGD incorporated the ColorADD universal colour identification system in its informational and advertising media in its attempts to improve accessibility and communication on products and services, promoting the social responsibility of all and for all.

Incentivising the active participation of CGD employees in terms of corporate volunteering

One of the directives of the community involvement project consists of incentivising its workers' active participation in corporate volunteering. CGD formalised this type of voluntary work in its creation of the Caixa volunteer programme which represents CGD's community initiatives, based on the provision of knowledge related with the business area and its workers' skills together with the willingness to rise to other challenges and intervention areas of equal importance for the country's sustainable development.

CGD has continued to develop its Young VolunTeam programme for the promotion of voluntary work in primary and secondary schools, in partnership with ENTRAJUDA and Sair da Casca and with the support of the Directorate General for Education (DGE) and the European Commission's Youth in Action programme. The significant increase in the number of schools enrolled in the 2nd edition enabled an increase in the development potential of the skills of young people, particularly when associated with entrepreneurship, citizenship and social inclusion.

The *Young VolunTeam* aims to encourage voluntary work in primary and secondary schools while strengthening the recognition of this contribution's importance to the development of young people's fundamental skills in areas such as social inclusion, entrepreneurship, education, employment and citizenship.

90 schools and 1 080 students who were involved in various school and community actions promoting the voluntary work of young people enrolled in the 2013/2014 edition. These student ambassadors had an impact on 60 984 school colleagues in a total number of 310 actions, campaigns and voluntary projects, developing partnerships with parents' associations, other schools in the district, associations, NGOs, parish councils, care homes and day centres *inter alia*.

Consolidation year for growth in the financial literacy sphere

A total number of 235 beneficiaries was involved. 20,000 kilos of food products, 6,300 kilos of paper for recycling, 2,200 kilos of clothes and toys, 1,083 kilos of books and €24,961 in donations were collected.

CGD also continued its involvement with volunteers in the "Junior Achievement Portugal" project, in various districts nationwide and programmes geared to different educational cycles.

CGD also maintained its association with major solidarity issues through its blood donors' group and donations of cash and kind.

In the financial literacy sphere, CGD's "positive balance" financial literacy programme for individual customers and companies posted a year of consolidation and growth.

Best ever year for *Saldo Positivo* website

Financial literacy has long been a focus of attention and investment, with CGD having pioneered the launch of a specific "Saldo Positivo" - Positive Balance site, in Portugal and even on a European level. The partnership entered into with the University of Aveiro, in 2006, for a school roadshow on the importance of mathematics and, sequentially, financial education is also paradigmatic.

2014 was the best ever year for the "Positive Balance" site which received a total number of 2.7 million visitors and 13 million page views. This was up 129% over 2013.

The "Positive Balance" programme comprises:

- A portal with two distinct areas (individual and corporate);
- Its own YouTube channel housing all video production;
- The management of a Facebook page with more than 75 000 followers;
- An own contents area in Sapo *Lifestyle*;
- A new "Voice of the Brands" area on the Público website, in which "Positive Balance" publishes a new article every week;
- A standing personal finance column in Prevenir magazine.

The project's growth rates show that "Positive Balance", as a financial tool, has been used by many people to meet the challenge of a new economic context.

This year in the publishing sphere, CGD published items on the development of various highly popular financial calculators and simulators (e.g. unemployment subsidies, social security contributions, savings and deposits calculator). Four out of the ten most viewed articles involved simulators.

Particular reference should also be made to the corporate area with a significant increase in the number of visitors.

The 2013/2014 edition of the partnership with the University of Aveiro, for the disclosure and promotion of information on financial education in schools achieved a warm reception in Portuguese schools last year.

This time visits were made to the cities of Aveiro, Porto, Viana do Castelo, Covilhã, Moimenta da Beira, Lousã, Águeda, Pombal, Barcelos, Tomar, Pinhal Novo, Ponte de Sor, Évora, Beja, Albufeira, Lourinhã, Vila Real, Bragança and Guarda. Following its closure on Aveiro's university campus in April during the national science competitions, the exhibition had been visited by more than 22 500 students, teachers and other citizens to a total of 89 000 visitors over four years.

Backing for culture continues to be one of CGD's operating pillars

CGD's ongoing support for culture continues to be one of its operating pillars, in which CGD's Culturgest Foundation has been a crucially important cultural agent in its organisation of a series of events in various artistic domains.

Reference should be made to the following out of the innumerable projects either hosted by CGD or in partnership, across the year in question:

- CGD's orchestras project – dedicated to traditional classical and fusion music and designed to encourage the creation of new audiences and the habit of enjoying culture and taking pleasure in music. This project, launched in 2001, grew in 2014 with the appearance of more orchestras and now includes: *Orquestra do Norte,* *Orquestra Clássica do Centro, Orquestra Filarmonia das Beiras, OML - Orquestra Metropolitana de Lisboa, Orquestra Clássica do Sul* and *Orquestra XXI*

- Jewels of India exhibition at the National Museum of Ancient Art
- “Too young to marry” photography exhibition sponsored by the United Nation’s Population Fund open to the public in Portugal in the central foyer of CGD’s headquarters building
- Caixa Alfama Festival, on 19 and 20 September, more than 12 000 people listened to 40 *fado* singers on 10 different stages in one of Lisbon’s most traditional quarters
- National Centre for Culture
- Belém Cultural Centre
- Júlio Pomar Foundation
- Arpad Szènes/Vieira da Silva Foundation
- Casa da Música Foundation
- Teatro Micaelense
- Coliseu Micaelense
- Cool Jazz Fest
- Rock In Rio, NOS Alive, SBSR, MEO Southwest Summer festivals.

Reference should also be made, in the cultural domain, to CGD’s historic heritage responsible for the conservation of objects and historical documentation (from the 16th century to present day times) in respect of banking activity and much in demand by researchers and university students; in addition to the role played by the mediatheques in their disclosure of culture and the Portuguese language worldwide and promoting the economic, social and cultural development of the populations of the countries housing such structures.

The sustainability report provides more detailed information on CGD’s performance in the various referred to domains.

*Convergence between commercial strategy and sustainability and social responsibility*

CGD’s performance continued to be guided by its strategic objective of backing the national economy and companies, namely in their endeavours to internationalise. In this area reference should be made, out of the innumerable actions and initiatives sponsored, to the following:

- The 2nd World Meeting of Lusophone businesspeople – held in Aveiro, over two days in a more “informal” setting with a high level of networking, was attended by around 100 Portuguese businesspeople interested in exporting to other Lusophone countries and non-resident businesspeople from the said geographies, interested in importing national products;
- SISAB – the biggest agrofood exhibition to be organised in Portugal, in which CGD has been present from the word go. This is an indispensable networking event for national exhibitors and international customers. The numbers speak for themselves: 1 600 international purchasers, 500 exhibitors, 6 000 products and 28 sectors;

- 1st major *SIC Notícias* conference on the growth of the Portuguese economy;
- Expresso survey: “What companies want”;
- Corporate Cycle in Caixa – major conferences in Lisbon and Porto especially geared to businesspeople, in partnership with the Controlinveste publishing group.

CGD Group’s intervention in the entrepreneurship area was fundamentally based on its sponsorship of three of the most important national accelerators, *Building Global Innovators*, *Beta-i* and *Act By COTEC* and Caixa Capital’s formation of an investment fund - *Tech Transfer Accelerator* – which will distinguish the 7 most promising funds from the three accelerators, over three years.

Group’s intervention in the entrepreneurship area is fundamentally based on its sponsorship of three of the most important domestic accelerators, *Building Global Innovators*, *Beta-i* and the *Act By COTEC* and the formation of a Caixa Capital *Tech Transfer Accelerator* investment fund

CGD was also present at the main events sponsored by the three entities such as the launch and closure of the two editions of *Beta-i’s Lisbon Challenge*, *Act by COTEC* accelerator and *Building Global Innovators*, attended by a total number of more than 1 000 people and 100 teams.

In the same context of a bank which backs entrepreneurship and with the aim of interesting international investors to Portugal to find out about the Portuguese entrepreneurship ecosystem and invest in domestic start-ups, Caixa Capital sponsored the *Tech Tour Ibéria*, which was held in Barcelona and in Lisbon, on 2 October and was of interest to around 200 investors and 200 domestic entrepreneurs.

Lastly, reference should be made to the *Caixa Empreender* prize, as an initiative launched in 2013, in partnership with Cofina and Jornal de Negócios and which distinguishes the best Portuguese SMEs and start-ups. The roadshow, which visited five cities in the year in question and its closing conference and prize-giving ceremony had an audience of 450 people who took advantage of the opportunity for indispensable networking purposes.

Implementation of measures to ensure the financial sustainability of customers and business

Caixa revised the pricing terms on its personal loans and overdraft facilities, in 2014, having made several adjustments to simplify sales and decision-making authority, namely in the area of default management.

Caixa remained committed to sustainability and social responsibility, in its discounted spreads for training, health and renewable energy purposes:

Important role in funding higher educational courses (first degrees, masters, doctorates and MBAs)

- Caixa funded higher educational courses, masters degrees, doctorates and MBAs, rewarding academic merit with discounts on spreads, via *Crediformação* and the line of credit with a mutual guarantee for students;
- It maintained protocols with various entities in the renewable energies sphere for the acquisition and installation of environmental-friendly equipment, promoting changes of attitude with regard to the reduction of energy consumption and enhancing the role of forests, furthering its sustainability objectives;
- Caixa continued to commercialise its health emergency personal loans, exclusively for customers with lower income levels;
- In terms of vehicle finance it incentivised the purchase of environmental-friendly vehicles by reducing spreads.

In addition to adopting legislative measures on defaults, Caixa implemented measures to endeavour to ensure the financial sustainability of customers and business, creating a specific new department (DAP) for the oversight of all individual customers in arrears for 30 days or more.

In the premium customers segment, it continued to implement a differentiation policy in the case of personal loans, in its reduction of spreads for purpose associated with sustainability and social responsibility: training, health and renewable energies.

Caixa maintained the benefits attached to its *Caixa Woman* offer with reductions of spreads on personal loans for training and health.

Management centered on human capital and socially responsible leadership

For its *Caixa Activa* customers, Caixa maintained the benefits with reductions of the spread for reasons of health.

Caixa continued to play an important role in funding higher educational courses (first degrees, master degrees, doctorates and MBAs), in 2014, both by issuing loans under the line of credit with a mutual guarantee for students in higher education in the form of its specific *Crediformação Caixa* product, both with extended periods of use and repayment facilities adapted to the duration and specificities of each course with discounted spreads as a means of rewarding academic merit.

- Loans with a mutual guarantee for students in higher education – line of credit approved by the Ministry of Science, Technology and Higher Education.
- Crediformação – a specific product with longer maturities and more flexible conditions.

## GUARANTEE OF PROMOTION OF EQUAL OPPORTUNITIES AND NON-DISCRIMINATION AND BALANCE BETWEEN ITS WORKERS' PERSONAL AND PROFESSIONAL LIVES

CGD's Social and Family Responsibility policy reflects a management centred on the human factor, comprising conciliation between work, family, health and leisure as complementary dimensions of People's lives and contributing to the organisation's success.

In its furtherance of an inclusive policy CGD integra tes the physically handicapped without any discrimination

The management of CGD's social responsibility and family policy is centred on human capital and socially responsible leadership, involving all of the company's management levels in the creation of an inclusive environment, support for integration and permanent development and the prevention of the broadest range of problems.

CGD's human resources management mission consists of achieving a strong, motivated team always based on direct backing for business, ensuring non-discrimination and equality of treatment and opportunities – in addition to balance between its workers' personal and professional lives, their professional development and well-being on a health and labour security level.

During the course of its activity, CGD fully respects human rights, as a socially responsible institution which complies with legal requirements and which reflects such principles in the management of its human assets, guaranteeing freedom of association, prohibition of child labour and forced work.

Incentivisation and support for its employees' development in all aspects of their non-working lives

In its furtherance of an inclusive policy, CGD integrates physically handicapped persons without any discrimination and ensures technical assistance guaranteeing such workers' accessibility and full integration and development.

These principles are set out in its code of conduct, sustainability, recruitment, remuneration, development and career management policies. By way of example, both in the case of internal and external recruitment, the disclosure of information on opportunities and submission of candidatures is accessible to all interested parties whatever their gender and the selection is based solely and exclusively on the basis of each candidate's résumé and skills profile. Equality is also ensured in terms of the management of remuneration, in which the basic remuneration paid to workers comprises the wages which have been defined by levels/scales for each professional category. There is no distinction between genders.

Promotion of a healthier working environment

In addition to the internal value attributed to these principles, CGD promotes sustainability in its chain of suppliers and service providers - prohibiting discrimination based on criteria such as race, gender, disability, political or ideological convictions, religion, level of instruction, marital status *et al*.

The annual sustainability report contains data on the application of these principles, certified by an independent entity.

Quest for sustainable preventative solutions and support for household solvency

In the sphere of conciliation between personal, family and professional lives, CGD endeavours to promote and back its workers' development in all aspects of their non-working lives, placing value on the family, strengthening multiple social roles and citizenship and the socio-cultural and sporting dimension, promoting a healthier working environment.

Given the context of a more across-the-board crisis, the search for sustainable prevention solutions and support for the solvency of families was furthered and linked with psychosocial support with conjunctural financial support measures.

The support measures with an impact on conciliation particularly include:

a) Psychosocial assistance:

- Provision of psychosocial assistance to employees and their families by a multidisciplinary social services and psychology area team, in articulation with the company's healthcare services and mobilisation of forms of internal solidarity.

b) Socioeconomic assistance:

- Financial support measures, given the recessionary economic environment felt during the year, to attenuate the impact of the reduction of income from employment and prevent situations of need.

c) Healthcare:

Purpose of Caixa's healthcare policy: maintenance of its employees' physical, mental and socal wellbeing

- Provision of health clinics and nursing facilities in the main urban centres and special protocols with providers in diverse areas, providing ample nationwide medical cover;
- Vaccination campaigns and free screening, concentrating on seasonal flu prevention, how to stop smoking and the prevention of cardiovascular and other illnesses;
- Protocols to ensure ongoing integrated care for employees and their families;
- Specific treatment protocols for employees and their families in the area of addiction;
- Subsidies and assistance for specific treatment for children with special needs;
- Special payments in the case of major illness.

*Medicine in the workplace*

Caixa's healthcare policy, designed to maintain its employees' physical, mental and social well-being, ensures the following:

CGD's medicine in the workplace operates closely with safety in the workplace and social action areas

- Working conditions to safeguard workers' security and health;
- A careful analysis of environmental and organisational factors and human and individual characteristics influencing working conduct;
- Adapting work to the worker, particularly as regards workplace ergonomics choice of equipment and working methods;

- Oversight of rehabilitation and return to work following professional illnesses, developing preventative measures;
- Evaluation of professional risks (biological, chemical, physical and psychosocial) and implementation of respective prevention measures with a view to eliminating/reducing damages;
- Raising workers and employers' awareness for the creation of a true preventative culture;
- Informing and training workers in their awareness of safety and health in the workplace.

Based on a global healthcare approach, CGD's medicine in the workplace operates in close cooperation with the safety in the workplace area and social action unit. It encompasses routine and specialised auxiliary diagnoses such as gynaecological mammary screening, how to stop smoking, nutrition, assistance to workers who travel on the bank's behalf and support for breastfeeding. There is also a psychology area which characterises and oversees problematical situations, crises and workers on sick leave.

Medicine in the workplace, in compliance with its legal obligations, arranged for 8,089 medical examinations in 2014:

| | |
|---|---|
| Periodical exams | 7,291 |
| Initial / admission exams | 126 |
| Occasional exams | 121 |
| Interviews | 551 |

In the health prevention sphere and in addition to its legal obligations, medicine in the workplace performed the following activities:

- Gynaecological mammary screening: 132 consultations for 110 workers. This screening was performed weekly by a medical specialist;
- Nutrition: 350 consultations for 159 employees. This consultation was given weekly by a nutritionist;
- Giving up tobacco: 29 medical and 37 nursing consultations for 13 employees;
- Support for workers who travel on the job; 66 consultations for 61 workers;
- Breastfeeding support: 6 employees used the "breastfeeding corner", 4 of whom on a daily basis for around 2 months
- "May Month of the Heart" campaign: 47 employees volunteered for a medicine in the workplace examination
- The main thrusts in the psychology area, in 2014, continued to be to identify and accompany:
    - All situations of prolonged absenteeism owing to illness (302 cases of absences of more than 60 days);
    - All problematic situations identified – intermittent absenteeism, presenteeism interpersonal conflicts, dissatisfaction, lack of motivation (370 situations were identified and accompanied);
    - Psychosocial intervention in crisis situations (assaults).

d) Flexibility and socio-professional support policies

- Adequacy of function, location/workplace to employees' physical and psychological conditions;
- Geographical and functional mobility based on a combination of CGD's/employees' personal and family interests;
- Possibility of extending absences for family assistance in extreme situations such as major illness;
- Student worker grants;
- Grants for employees' children in higher education, based on social criteria and merit;
- Priority in the employment of family members of workers who have passed way or who are no longer fit for work.

e) Social support for families

- Expansion of the network of protocols for the acquisition of products and services on special terms in the insurance, transport, kindergartens and nurseries, homes and homecare support areas;
- Holiday camps, language and other courses during the school holiday period;
- Sharing of used school books;
- Supervised English language lessons for young people in primary and secondary education;
- Social subsidies for employees' children.

f) Social solidarity

- Campaign for blood platelet and bone marrow donors, expanding the action of CGD's social services' blood donors group;
- Development of corporate volunteerism supporting innumerous voluntary social work and environmental initiatives in which reference should be made to the "Seniamor" internal volunteers' group which helps to prevent post-retirement social isolation;
- Assistance for associations of retirees/pensioners, particularly ANAC - Associação Nacional dos Aposentados da CGD.

g) Culture and sport

- Special terms on events for specific target groups;
- Readers' club, possibility of ordering books with no postage costs for residents in the autonomous regions (of Madeira and the Azores), combating insularity through partnerships with publishers and booksellers;
- Divulgence of books particularly geared to children with special needs;
- Special terms for employees and their families on the Culturgest Foundation's cultural offer;
- CGD provides various sports-related infrastructures, particularly, at its headquarters culture and sports centre and Ajuda sports hall. There are also special protocols for employees and their families nationwide for the most diverse events.

## MEASURES ADOPTED BY THE COMPANY IN TERMS OF GENDER EQUALITY, ACCORDING N.1 OF THE RESOLUTION OF THE COUNCIL OF MINISTERS – 19/201 OF 23 FEBRUARY

Inclusive policy based on a collection of fundamental pillars, namely:
- Effective non-discrimination
- Social responsibility and defence of ethical standards and trust

CGD develops good non-discrimination practice and a policy of inclusivity based on a series of fundamental pillars, namely, effective non-discriminatory practice, social responsibility and the defence of high ethical standards and values of trust.

Although there is no formal equality plan, all employee policy plans are based on a policy of equality.

The diagnostics show the existence of effective equality of treatment and opportunities between men and women in CGD, with no discrimination.

CGD therefore scrupulously complies with the principles of equality both in terms of hiring and staff career advancements and its workers' remuneration.

There is no discrimination between men and women in terms of access to work whose selection is made solely and exclusively on the basis of candidates' résumés and their skill profile. Gender is immaterial.

Career advancement is solely analysed on the basis of merit and competence.

CGD employs an effective policy of wage equality between men and women, with no gender-based distinction.

CGD also affords equal access to professional training which is available to all workers on its e-learning platform.

There was a balanced distribution between genders, in CGD, in 2014 (56% women and 44% men). This trend is across-the-board to administrative, technical and specific functions.

Although there are still significant differences in staff and management functions, owing to the historic evolution of the employability of both genders, this is trending to greater future balance.

Two women were appointed as CGD board members in 2013 and remained in office in 2014. Women represent 18% of board membership.

Equality in terms of staff distribution can be seen in the evolution , of men and women in various functions as set out in the following table:

| Functional Distribution | 'Femalisation' rate (Change 2002 – 2014) |
|---|---|
| Administrative | +10,9% |
| Technical | +21,6% |
| Line Management | +78,4% |
| Management | +44,2% |

CGD's policies are based on effective conciliation between personal, family and professional lives in a culture of solidarity based on the adopting of sustainable practice, as a family-responsible company.

In particular as regards its backing for parenthood, CGD promotes balance between men's and women's social roles terms of the rights of both parents.

Reference should also, herein, be made to CGD's backing for the breastfeeding support project and its family planning consultations and preparations for birth and medical consultations for newborns.

In short CGD promotes effective equality between men and women in all aspects of the company's life, providing them with equal opportunities and rights.

Promotion of effective equality providing men and women with equal opportunities and rights

## INDICATION OF THE IMPLEMENTATION OF MEASURES IN THE SPHERE OF INVESTMENT IN PROFESSIONAL ADVANCEMENT

Caixa maintains its guideline policy geared to the advancement of its human resources and talent management. Its workers' career development translates into the creation of opportunities for professional evolution, particularly based on internal mobility processes permitting them to develop their skills and fulfil their expectations. Its actions also promote equal access to professional training, which is available to all workers on the e-learning platform.

Maintenance of guideline policy on the advancement of its human resources and talent management

The knowledge management strategy upon which the training model and worker development and advancement are based, enables the needs of workers to be aligned with business requirements to promote a culture of excellence.

CGD continued to develop various ongoing initiatives, in 2014, particularly:

- Definition of an annual training plan on which the training and development of CGD workers are based;
- Promotion of a performance culture based on a performance management system, upon which employees are assessed on their skills, attitudes and fulfilment of annually defined objectives, based on a cascade process;
- Attraction of young talent via the placements programme based on a policy of proximity with academia;
- Promotion of internal mobility via the internal recruitment pool and identification process of areas for improvement and the production of individual development plans, in partnership with the company's line management;
- Placing value on internal know-how and strengthening internal training, through the consolidation of the internal trainers' pool;
- Development of training programmes in conjunction with educational institutions in line with CGD's requirements, expanding local training initiatives; continuation of functional certification process and continuity of executive training programmes.

In parallel with these measures, various internal communication and support channels play a fundamental role in ensuring permanent dialogue with workers and promoting CGD Group's values.

The various internal communication channels and media play a fundamental role in ensuring permanent dialogue with workers and promoting CGD Group values

Reference should be made to "relationship managers", who encourage proximity in terms of worker relationships and career support development and motivation and provide technical support to all departments on human resources management issues. Caixapessoal is the portal exclusively available to CGD workers. It is totally dedicated to human resources management and available to each employee even from outside the workplace, permitting day-to-day access to personalised HR information and applications, including e-learning courses and/or training tutorials, as a support tool for professional and personal development. There is also a Caixapessoal online help facility for workers who are unable to find the desired information on the portal.

## B) ENVIRONMENTAL RESPONSIBILITY

### ADOPTION OF POLICIES TO PROMOTE ENVIRONMENTAL PROTECTION AND RESPECT FOR PRINCIPLES OF LEGALITY AND BUSINESS ETHICS, IN ADDITION TO THE IMPLEMENTATION OF SUSTAINABLE DEVELOPMENT RULES

CGD assumes its responsibility for preserving the environment, managing and monitoring the direct and indirect impacts of its activities, products and services

CGD assumes responsibility for the preservation of the environment in managing and monitoring the direct and indirect impacts of its activities, products and services. CGD assumes three fundamental environmental policy commitments: i) compliance with environmental legislation and other applicable requirements ii) the adoption of a proactive attitude to pollution prevention and iii) an ongoing improvement of its environmental performance.

The fact that CGD operates in accordance with the applicable environmental legislation, is evidenced by the fact that it has not been subject to any fines or non-monetary sanctions for breaches of environmental laws and regulations.

First Portuguese bank to be environmentally certified to ISO 14001, deriving from the implementation of an environmental management system at its headquarters office

2014 was marked by a major conquest in respect of the environmental pillar of CGD's sustainability strategy, in which it was the first Portuguese bank to be certified to ISO 14001, deriving from its implementation of an environmental management system in its headquarters building and which is scheduled to be expanded to other structures. The implementation of the environmental management system and certification have fulfilled one of the strategic commitments assumed in its environmental policy, with various target public having been involved, encompassing workers, suppliers, customers and visitors. The bank is therefore providing for the current requirements and expectations of its stakeholders in anticipating market and societal trends in general while, at the same time, contributing to its sustainability and competitiveness.

In its active response to environmental challenges, CGD has invested in the promotion of best practice to reduce its environmental impact, particularly focusing on energy efficiency, worker mobility, waste management, re-use of resources and cutting waste to a minimum.

Launch of an internal awareness campaign on good environmental practice and development of a mandatory tutorial on the EMS for all workers

CGD launched an internal awareness campaign on good environmental practice and the development of a compulsory tutorial on the environmental management system for all workers, in 2014.

CGD also involves its suppliers in its environmental management processes, ensuring that their activities are performed in line with CGD's requirements. During the course of the year and in addition to workshops on the environmental management system for suppliers, CGD produced a manual of good environment, safety and health practice for service providers, defining suppliers' responsibilities herein, with a view to establishing their commitment to preventing environmental impacts and encouraging them to collaborate with CGD in its environmental policy and health and safety operating principles.

Objectives and goals for various significant environmental aspects were defined for the ongoing improvement of CGD's environmental performance. A diversified collection of environmental impact reduction measures continued to be implemented, including the rationalising of consumption, use of renewable energies, adoption of low carbon technologies in buildings and mobility and adequate waste management.

CGD has been producing an inventory of greenhouse gas emissions for its banking activities in Portugal, since 2006. This has enabled it to provide information on its carbon footprint and monitor its carbon-related environmental performance. It continued to reduce its environmental footprint and achieved its objectives for 2015, relating to year 2006 values for $CO_2$ emissions and electricity consumption.

As part of its low carbon project, CGD offsets a part of its greenhouse gas emissions produced by its activity in Portugal, associated with its consumption of petrol and diesel fuel by its commercial car fleet, electricity consumption, waste processing and publications. To offset its emissions, CGD employs a collection of criteria designed to guarantee the use of carbon credits with high levels of integrity for leveraging the environmental and social benefits of the projects it sponsors. An individual emissions offset report subject to independent external certification is produced every year and may be consulted on its corporate website.

Promotion of environmental responsibility with its main internal and external stakeholder groups

CGD simultaneously promotes the environmental responsibility of its main groups of internal and external stakeholders in the form of environmental actions for its community surrounds, having continued to provide online tools to calculate and identify suggestions on how to reduce environmental impacts in 2014. They include its carbon calculator and low carbon guides.

It continued to be involved in various media bodies for raising the environmental awareness of its stakeholders, backing national and international environmental projects and events such as the Bridges Conference – Bridges for a Sustainable Future in which CGD published an open letter to society, inviting it to commit to making the future of all more sustainable. This event also included BCSD Portugal's annual conference and the presentation of CDP Ibéria's results, with prizes being awarded to Portuguese companies, including CGD, which achieved the highest possible points score in the Climate Disclosure Leadership Index (CDLI).

The sustainability reports publishes more comprehensive information on environmental management, including the results achieved, description of the measures implemented and environmental awareness initiatives.

## C) ECONOMIC RESPONSABILITY

### WAYS IN WHICH THE COMPANY'S COMPETITIVENESS HAS BEEN SAFEGUARDED, NAMELY THROUGH RESEARCH, INNOVATION, DEVELOPMENT AND THE INTEGRATION OF NEW TECHNOLOGIES IN THE PRODUCTIVE PROCESS

CGD marks the difference in its innovation and commitment to new differentiated services, strengthening its market competitiveness. Structuring developments with the objective of leveraging the portfolio products and services business such as the use of contactless technology, which enables easier, faster payments to be made, guaranteeing the security of operations, were introduced in 2014.

Furtherance of backing for initiatives to promote entrepreneurship with the aim of contributing to an environment which is conducive to the growth of the Portuguese business framework

The Caixa plim app was launched in the mobile banking sphere. This banking app enables money to be sent and received among colleagues, family members and friends. It is based on a network model and represents an innovative initiative on the domestic banking scene.

Caixa also committed to an enhanced presence on social networks across the year with contents related to management, financial literacy, entrepreneurship, training, innovation and knowledge.

In light of the increase in active distance banking contracts, the Caixadirecta and Caixa *e-banking* channels have been progressively enhanced with a collection of new support functionalities and applications enabling customer service to be continually improved and more dynamic complementary management in terms of personal customer service.

CGD continues to host a website which is 100% accessible to all users with special needs, guaranteeing conformity with the requirements of the international W3C consortium at a maximum AAA level. The monitoring of accessibility is guaranteed and certified by UMIC, as a recognised, certified entity which has been authorised by the consortium to audit accessible sites.

CGD continued to back initiatives promoting entrepreneurship, helping to incentivise an environment favourable to the growth of the Portuguese business fabric. This backing comprised the formation of an investment fund specialising in this issue and sponsorship of various corporate acceleration initiatives.

As regards the internal promotion of innovation with all workers, another issue of the *Caixa de Ideias* ("ideas box") competition was organised in 2014. This project aims to stimulate the creation and presentation of original, innovative ideas, in areas of strategic interest to the bank, promoting an organisational culture of participation and entrepreneurship. The keynote of this 6th edition was on guaranteeing revenue, with the introduction of several innovations, including e-learning for entrepreneurship, for all competition participants.

## ACTION PLANS FOR THE FUTURE

As the leader of an international group, CGD's evolution is decided by its capacity to respond and adapt to society's emerging challenges, based on the ethical and responsible performance of its activity.

CGD's evolution is determined by its capacity to respond and adapt to society's emerging challenges, based on the ethical and responsible performance of its activity

The strategic guideline for the promotion of the future, as set out in CGD's sustainability policy, recognises the financial sector's relevant role as a means of achieving sustainable development. CGD's periodically reviewed sustainability strategy is based on a collection of relevant areas and initiatives geared to meeting the needs and expectations of its various strategic stakeholders, taking into account the trends and challenges the sector faces.

Based on its sustainability management model, CGD will remain committed to the evolution of the various aspects of its corporate sustainability programme, comprising its defined objectives and adoption of best current practice. CGD aims to continue to expand this programme in the future to its international structures, having already involved affiliate banks in Cape Verde and Brazil, namely – Banco Interatlântico, S.A., Banco Comercial do Atlântico, SARL and Banco Caixa Geral Brasil, S.A.

This expansion to other structures will enable the sharing of knowledge, skills and good practice and contribute towards synergies and economies of scale. The optimisation of consolidated results will also enable a contribution to be made towards the maintenance of the external recognition of CGD's performance and contribution to sustainable development, strengthening CGD brand's image and reputation.

As specifically regards the environmental certification of its headquarters building, CGD will expand the scope of the system to its branch office network and other CGD Group companies.

The partnership with *Tapada Nacional de Mafra* was renewed up to 2019, to provide continuity to the development of initiatives backing Caixa's "Forestry Project", including Caixa's offsetting of its emissions and promotion of the contents of the "Caixa Forest" microsite

A two years' partnership in the sphere of environmental literacy was also agreed with Lisbon Zoo with the aim of promoting initiatives backed by the zoo's pedagogical centre whose educational proposals deal with the conservation of biodiversity and protecting animal life. It also includes the heritage of the European Conference on Environmental Education, which will bring together environmental educators over Europe as a whole.

The annual sustainability report also identifies initiatives planned for the future in the sphere of the corporate sustainability programme.

## CREATION OF VALUE FOR SHAREHOLDER (HIGHER PRODUCTIVITY, CUSTOMER-CENTRIC APPROACH, REDUCTION OF EXPOSURE TO RISKS DERIVING FROM THE ENVIRONMENTAL, ECONOMIC AND SOCIAL IMPACTS OF ACTIVITIES, ETC.)

CGD has incessantly and effectively worked to reduce the exposure of its activity to risks deriving from economic, environmental and social impacts

CGD's operating pillars in the sustainable development domain are based on its recognition of the importance of balance, transparency and responsibility in stakeholder relationships, in addition to banking activity's contribution to sustainable development to promote a better future.

Based on the initiatives of its corporate sustainability programme, CGD has worked continuously and effectively on reducing its activity's exposure to risks deriving from economic, environmental and social aspects. This programme has been recognised by national and international external entities on account of its contribution to sustainable development.

CGD recognises that the success of its approach is also reliant upon ongoing dialogue with its diverse stakeholders, comprising the use of various communication channels in such a way as to construct balanced, mutually beneficial relationships for all parties. CGD also endeavours to ensure its customers' global satisfaction based on the establishing of long term relationships of trust in meeting their needs, accompanied by responsible communication mechanisms and safe financial management. Actions designed to enhance relational management with customers were furthered during the course of the year.

Its state shareholder also expects CGD to operate along prudent risk management principles, in addition to benchmark practice in terms of quality of service, good governance and a profound sense of social responsibility. It also expects CGD to fulfil its emission of contributing to economic development, enhanced competitiveness, innovation and the internationalisation of Portuguese companies, always endeavouring to achieve a balanced evolution between financial strength, returns and growth.

2014 was a year of consolidation *en route to* sustainable development as a leading entity in the promotion of best practice in the financial sector in the form of various initiatives enabling its exposure to the risks deriving from the impacts of its activity to be reduced and particularly in achieving certification of the already referred to environmental management system. The implementation of this type of system creates value for the shareholder and for society in general owing to the economic, environmental and competitiveness benefits it affords. It goes directly to the heart of the strategic challenge assumed by CGD Group, helping to ensure CGD's sustainability and competitiveness on an organisational and business model level in light of the paradigm shift in the banking sector. This project makes a direct contribution to achieving CGD's strategic objective of improving its domestic operational efficiency by reducing its operating costs (energy, materials) in addition to obtaining additional revenue from its waste processing operations albeit in this case on a lesser scale.

CGD furthered the implementation of its product and service policy by providing an environmentally and socially responsible commercial revenue generating offer. It maintained its strategic guidelines for funding the Portuguese economy, particularly focusing on the SME segment; support for exports and internationalisation of Portuguese companies; financial inclusion, microcredit solutions and incentivising entrepreneurship, promoting savings, backing the renovation and regeneration of urban centres and financing a low carbon economy.

The sustainability report provides more detailed information on CGD's performance in value creation terms for its shareholder based on its contribution to sustainable development.

# IX - Assessment of Corporate Governance

## ASSESSMENT OF THE LEVEL OF COMPLIANCE WITH GOOD CORPORATE GOVERNANCE PRACTICE BINDING UPON CGD IN ACCORDANCE WITH DGTF CIRCULAR LETTER 2015

| Corporate Governance Report | | Identification | | Disclosure | | Page | Remarks |
|---|---|---|---|---|---|---|---|
| | | Yes | No | Yes | No | | |
| **I** | **Mission, Objectives and Policies** | | | | | | |
| 1. | Indication of mission and furtherance thereof, in addition to the company's vision and values | ✓ | | ✓ | | 321 | |
| 2. | Policies and guidelines triggered by the defined strategy | ✓ | | ✓ | | 323 | |
| 3. | Indication of objectives and level of compliance therewith, as well as the justification for any deviations and the remedial measures applied or to be applied. | ✓ | | ✓ | | 321-324 | |
| 4. | Evidence of performance in acordance to the guidelines proposed by sectoral competent authorities | ✓ | | ✓ | | 321-324 | |
| **II** | **Capital Structure** | | | | | | |
| 1. | Capital structure | ✓ | | ✓ | | 325 | |
| 2. | Eventual limitations on ownership and/or transferability of shares | ✓ | | ✓ | | 325 | |
| 3. | Shareholders' agreements | ✓ | | ✓ | | 325 | |
| **III** | **Corporate Investments and Bonds** | | | | | | |
| 1. | Identification of singular (statutory bodies) and/or collective persons (Corporate) with direct or indirect investments in other entities with detailed information on capital and voting percentages | ✓ | | ✓ | | 326-327 329 | |
| 2. | The acquisition and disposal of corporate investments and involvement in any associative or foundational entities | ✓ | | ✓ | | 327-329 | |
| 3. | Provision of financial guarantees or assumption of the debts or liabilities of other entities | n.a | | n.a | | | |
| 4. | Indication of the number of shares and bonds held by members of boards of directors and inspection bodies | ✓ | | ✓ | | 329 | |
| 5. | Information on the existence of significant commercial relationships between equity stakeholders and the company | ✓ | | ✓ | | 384 | |
| 6. | Identification of the mechanisms adopted to prevent the existence of conflicts of interest | ✓ | | ✓ | | 342 | |

| Corporate Governance Report | | Identification | | Disclosure | | Page | Remarks |
|---|---|---|---|---|---|---|---|
| | | Yes | No | Yes | No | | |
| **IV** | **Statutory Bodies and Committees** | | | | | | |
| **A.** | **Board of the General Meeting** | | | | | | |
| 1. | Composition of the Board of the GM, term of office and remuneration | ✓ | | ✓ | | 331, 380 | |
| 2. | Identification of shareholders' resolutions | ✓ | | ✓ | | 331 | |
| **B.** | **Administration and Supervision** | | | | | | |
| 1. | Governance model adopted | ✓ | | ✓ | | 330 | |
| 2. | Statutory rules on procedures applicable to the nomination and replacement of members | ✓ | | ✓ | | 330 | |
| 3. | Composition, duration of term of office, number of permanent members | ✓ | | ✓ | | 331-334 | |
| 4. | Identification of the executive and non-executive members of the Board of Directors and identification of the independent members of the CGS. | ✓ | | ✓ | | 334 | |
| 5. | CVs of each of the members | ✓ | | ✓ | | 345-361 | |
| 6. | Production of the declaration by each of the members of the board of directors to the board of directors and the audit body, in addition to IGF of any equity investments they may have in the company in addition to any relations they may maintain with suppliers, customers, financial institutions or any business partners which could generate conflicts of interest | ✓ | | ✓ | | 342 | |
| 7. | Habitual and significant family, professional or commercial relationships of members, with shareholders having a qualified investment of more than 2% of the voting rights | n.a | | n.a | | | |
| 8. | Organisational charts on the division of competencies among the various statutory bodies. | ✓ | | ✓ | | 330 | |
| 9. | Functioning of Board of Directors. | ✓ | | ✓ | | 331-334 | |
| 10. | Existence of Board of Directors or supervisory committees | ✓ | | ✓ | | 334-336<br>339-340 | |
| **C.** | **Inspection** | | | | | | |
| 1. | Identification of the inspection body, corresponding to the model adopted and its composition, indication of the statutory minimum and maximum number of members, duration of term of office, number of permanent and deputy members | ✓ | | ✓ | | 337-339 | |
| 2. | Identification of members of the Inspection Body | ✓ | | ✓ | | 337 | |
| 3. | CVs of each member | ✓ | | ✓ | | 342 | |
| 4. | Functioning of inspection | ✓ | | ✓ | | 365 | |
| **D.** | **Statutory Auditor** | | | | | | |
| 1. | Identification of Statutory Auditor/ Statutory Audit Company | ✓ | | ✓ | | 338 | |
| 2. | Indication of legal limitations | ✓ | | ✓ | | 338 | |
| 3. | Indication of the number of years the Statutory Auditor and/or Statutory Audit Company has exercised functions in the company/group | ✓ | | ✓ | | 338 | |
| 4. | Description of other services provided to the company by the Statutory Audit Company | ✓ | | ✓ | | 339 | |
| **E.** | **External Auditor** | | | | | | |
| 1. | Identification. | ✓ | | ✓ | | 341 | |
| 2. | Rotation policy and periodicity | ✓ | | ✓ | | 341 | |
| 3. | Identification of performance of works other than audits | ✓ | | ✓ | | 341 | |
| 4. | Indication of annual remuneration paid | ✓ | | ✓ | | 341 | |

| Corporate Governance Report | | Identification | | Disclosure | | Page | Remarks |
|---|---|---|---|---|---|---|---|
| | | Yes | No | Yes | No | | |
| **V.** | **Internal Organisation** | | | | | | |
| **A.** | **Articles of Association and Communications** | | | | | | |
| 1. | Changes to the companys articles of association - Applicable rules | ✓ | | ✓ | | 330 | |
| 2. | Communication of irregularities | ✓ | | ✓ | | 363 | |
| 3. | Indication of anti-fraud policies | ✓ | | ✓ | | 364, 372 | |
| **B.** | **Internal control and risk management** | | | | | | |
| 1. | Information on the existence of an internal control system (ICS). | ✓ | | ✓ | | 364 | |
| 2. | Persons, bodies or committees responsible for internal audit and/or ICS. | ✓ | | ✓ | | 364-368 | |
| 3. | Principal risk policy measures adopted | ✓ | | ✓ | | 364 | |
| 4. | Line management and/or functional dependencies | ✓ | | ✓ | | 364, 365 | |
| 5. | Other competent functional areas for risk control | ✓ | | ✓ | | 364 | |
| 6. | Identification of main types of risk | ✓ | | ✓ | | 364 | |
| 7. | Description of the process for the identification, appraisal, oversight, control, management and mitigation of risk | ✓ | | ✓ | | 364 | |
| 8. | Implementation of ICS and risk management elements in the company | ✓ | | ✓ | | 364 | |
| **C.** | **Regulations and Codes** | | | | | | |
| 1. | Internal and external regulations applicable | ✓ | | ✓ | | 369-371 | |
| 2. | Codes of conduct and ethics | ✓ | | ✓ | | 371, 372 | |
| | Prevention of corruption | ✓ | | ✓ | | 372 | |
| | Action plans to prevent internal (committed by an employee or service provider) and external (committed by customers or third parties) fraud | ✓ | | ✓ | | 372, 373 | |
| **D.** | **Special information disclosure requirements** | | | | | | |
| | Platform for compliance with information disclosure duties | ✓ | | ✓ | | 376 | |
| | Platform for compliance with duties of transparency | ✓ | | ✓ | | 376 | |
| **E** | **Website** | | | | | | |
| | Indication of addresses and disclosure of information supplied | ✓ | | ✓ | | 377, 378 | |
| | Information to be hosted on "SEE" (government corporate sector) website | ✓ | | ✓ | | 378, 412 | |
| **F.** | **Provision of public or service of general interest** | | | | | | |
| **VI** | **Remunerations** | | | | | | |
| **A.** | **Competency for Assessment** | | | | | | |
| | Indication of body responsible for defining remuneration | ✓ | | ✓ | | 379 | |
| **B.** | **Remuneration Committee** | | | | | | |
| | Composition | n.a | | n.a | | | |
| **C.** | **Remunerations structure** | | | | | | |
| 1. | Remuneration policy for boards of directors and audit bodies | ✓ | | ✓ | | 379-381 | |
| 2. | Information on the way in which remuneration is structured | ✓ | | ✓ | | 379-382 | |
| 3. | Variable component of remuneration and attribution criteria | ✓ | | ✓ | | 381 | |
| 4. | Deferral of payment of variable component | n.a | | n.a | | | |
| 5. | Parameters and bases for attributing bonuses | ✓ | | ✓ | | 381 | |
| 6. | Complementary pension regimes | ✓ | | ✓ | | 381 | |

| Corporate Governance Report | | Identification | | Disclosure | | Page | Remarks |
|---|---|---|---|---|---|---|---|
| | | Yes | No | Yes | No | | |
| **D.** | **Disclosure of information on remunerations** | | | | | | |
| 1. | Indication of annual amount of remuneration earned | ✓ | | ✓ | | 381, 413 | |
| 2. | Amounts paid by other companies in a controlling or group relationship | ✓ | | ✓ | | 382 | |
| 3. | Remuneration paid in the form of profit sharing and/or bonuses | ✓ | | ✓ | | 380 | |
| 4. | Indemnities paid to former executive board members | ✓ | | ✓ | | 382 | |
| 5. | Indication of the annual amount of remuneration earned by the company's audit body | ✓ | | ✓ | | 381, 413 | |
| 6. | Indication of annual remuneration of the board of the shareholders' meeting | ✓ | | ✓ | | 380 | |
| **VII** | **Transactions with related and other parties** | | | | | | |
| 1. | Implementation of mechanisms for the control of transactions with related parties | ✓ | | ✓ | | 384 | |
| 2. | Information on other transactions | ✓ | | ✓ | | 384 | |
| **VIII** | **Analysis of the company's sustainability in the economic, social and environmental domains** | | | | | | |
| 1. | Adoption of strategies and degree of compliance with targets | ✓ | | ✓ | | 387-388 | |
| 2. | Policies pursued | ✓ | | ✓ | | 389 | |
| 3. | Form of compliance with the principles inherent to adequate business management<br>a) Social responsibility<br>b) Environmental responsibility<br>c) Economic responsibility | ✓ | | ✓ | | 389-403 | |
| **IX** | **Appraisal of corporate governance** | | | | | | |
| 1. | Compliance with recommendations | ✓ | | ✓ | | 404 | |
| 2. | Other information | | | | | | |

ANNEX I

# COMPLIANCE WITH LEGAL GUIDELINES

## COMPLIANCE WITH LEGAL GUIDELINES ON AVERAGE PAYMENT PERIODS CALCULATED UNDER THE TERMS OF RULING 9870/2009, AND DISCLOSURE OF INFORMATION ON ARREARS, AS DEFINED BY DECREE LAW 65-A/2011

The evolution of the average payment period to suppliers (average payment periods calculated in accordance with the Ministry of Finance and Public Administration's Ruling 9870/2009, which changed the formula of Council of Ministers' Resolution 34/2008 of 22 February) was as follows:

| | 2014 | | | | 2013 | | | | Change (%) 4th Quarter 2014 / 4th Quarter 2013 |
|---|---|---|---|---|---|---|---|---|---|
| Quarter | 1st | 2nd | 3rd | 4th | 1st | 2nd | 3rd | 4th | |
| Payment period (days) | 33 | 30 | 28 | 35 | 40 | 39 | 29 | 45 | -22.2% |

CGD has a mandate agreement with Sogrupo Compras e Serviços Partilhados, Agrupamento Complementar de Empresas (SCSP), which includes, *inter alia*, the provision of services related with billing and the processing of payments for the supply of goods and services.

SCSP has implemented an invoice validation process enabling the identification of divergent situations regarding the conclusion and quality of the provision of services, amounts incorrectly invoiced, invoices with missing mandatory information requested when awarding the contract, invoices with omissive descriptions and incorrect VAT rates and amounts.

As a means of improving the efficiency of the validation process with the objective of reducing the number of divergences found and promoting a strategy of reducing payment delays deriving from the above referred to situations, diverse initiatives, particularly the request for items to be set out in the invoice when awarding the contract, to improve efficiency in terms of its processing are in progress.

## SCHEDULE OF PAYMENTS IN ARREARS AT 31/12/2014 UNDER DL 65-A/2011 OF 17 MAY

(EUR)

| Payments in arrears under Decree Law 65-A/2011 | December 2014 | | | | |
|---|---|---|---|---|---|
| | 0 - 90 days | 90 - 120 days | 120 -240 days | 240 - 360 days | More than 360 days |
| Acquisitions of goods and services | 4,956,841 | 723,308 | 773,193 | 706,010 | 658,488 |
| Acquisitions of capital | 553,583 | 185,907 | 13,114 | 422 | 14,111 |
| Outstanding balance | 5,510,424 | 909,215 | 786,307 | 706,432 | 672,599 |
| **Balance payable to suppliers (Total)** | **8,584,977** | | | | |

## COMPLIANCE WITH LEGAL GUIDELINES ON REMUNERATION LEVELS

### *Chairman of the board of directors and executive board*

The chairman of the board of directors and all of the executive board members exercised their right to receive the remuneration paid by their former functions, under the terms of the public manager statute (PMS), effective from the start of the respective terms of office.

In ruling 6555-B/2014, dated 19 May 2014 and published in *Diário da República*, 2nd series, no. 95, of the same date the Secretary of State for Finance defined the remunerations of the chairman of the board of directors and all executive board members for the term of office in progress having, for the said purpose authorised, in respect of each, their option for the average remuneration of the last 3 years of their former functions.

At the shareholders' meeting of 22 May 2014, the state shareholder approved the "Declaration of the board of directors on the remuneration policy of members of CGD's boards of directs and audit boards", under the terms of and in compliance with ruling no. 6555-B/2014 of the Secretary of State for Finance.

The remunerations of the chairman of the board of directors and executive board members being processed are therefore set out in the respective declarations on their option as authorised under the terms of the PMS.

### *Non-executive board members*

The amounts processed in the case of non-executive board members, correspond to 1/3 or ¼ of the basic wage of the prime minister depending on whether they serve or not on committees specifically created for the oversight of the company's activity, as established in the PMS.

CGD was therefore in full compliance with the legal regulations on the defining and payment of the remunerations of statutory bodies in 2014.

### *Prohibition of management bonuses*

No management bonuses were paid to members of CGD's statutory bodies, in 2014, in full compliance with the dispositions of article 41 of the state budget law for 2014.

### *Application of reductions to CGD workers' remuneration*

In 2014 the remuneration of CGD workers was subject to the reductions provided for in article 33 of the state budget law for 2014, together with a reversal measure and correction factor (as in 2013), in conformity with the communication of the Secretary of State for Finance. Wage scales were not reviewed in 2014.

## COMPLIANCE WITH LEGAL GUIDELINES ABOUT THE CREDIT CARDS USE

In compliance with no. 1 of article 32 of the public manager statute, members of CGD's boards of directors do not use credit cards.

To pay for expenses made on behalf of the company, CGD provides its directors with an electronic purse for payment and control purposes.

In full compliance with no. 2 of the referred to article, there are no personal expense account items in CGD.

## COMPLIANCE WITH LEGAL GUIDELINES ON A PUBLIC CONTRACTING LEVEL

## PUBLIC CONTRACTING RULES

Without prejudice to the fact that CGD is a commercial company in the form of an exclusively state-owned limited liability company, it is governed by private law and is not subject to the public contracts code approved by decree law 18/2008 of 29 January, which sets out the rules on public contracts and the substantive regime of public contracts of an administrative type (cf. article 1).

A combination of the dispositions of no. 2 of article 1 and article 2 of the public contracts code, shows that CGD is not subject to the public contracts code regime. Even if it is considered that CGD was formed to meet the needs of the general interest, it is a commercial company and is subject to market rules and free competition and may not therefore be considered an awarding entity under the terms of the said article 2.

In the same way CGD is not bound to subscribe for the national public procurement system (SNCP), including its BASE system, because it is a commercial company, with the object of performing a banking activity in the broadest terms permitted by law.

CGD operates in the market in due compliance with the objectives and principles of legality and business ethics defined for the state's corporate sector as defined by decree law 133/2013 of 3 October, amended by law 75-A/2014 of 30 September which covers, *inter alia*:

- Transparency
- Social responsibility
- Sustainable development
- Equal treatment for all customers and suppliers
- Promotion of equality and non-discrimination.

## ACTS AND CONTRACTS INVOLVING AMOUNTS OF MORE THAN €5 MILLION

CGD awarded the following processes worth more than €5 million, in 2014:

A services contract entered into on 10/04/2014 between CGD and Siemens, S.A., for a period of 6 years starting from the date upon which it comes into effect and which may only occur following the approval of the audit court, The object of the contract is the operation and maintenance of electrical and mechanical infrastructures of CGD's headquarters building. The total estimated amount is €12,515,372.81.

The process for obtaining the approval of the audit court is still in progress as, in 2014, CGD endeavoured to clarify the requirements and approval procedure of the Secretariat of State for Finance regarding declarations of sufficiency and allocations of expenses under the terms of the state budget law as an additional requirement to be complied with in terms of the audit court's advance audit and which effectively only occurred at the start of 2015.

## COMPLIANCE WITH LEGAL GUIDELINES ON THE STATE'S VEHICLE FLEET

CGD has, over the last few years, been implementing a series of initiatives designed to reduce expenses and improve the efficiency of a wide range of processes, including vehicle management and official travel.

Permanent concern over the rationalisation of such costs required the need to consider new aspects, in 2014, in respect of the increasingly responsible use of CGD Group's vehicles fleet.

A set of centralised management measures and optimised processes related with the acquisition, allocation and use of the official vehicles of CGD and CGD Group companies headquartered on national territory were accordingly approved and particularly included:

- A revision of the vehicles' allocation policy, including the lowering of standard instalments (-20%) and limitation of choice to a single marque and two models from each category;

- Obligation to periodically review the adequacy of the standard instalments, models and marques;
- An express definition of the costs for which the company is responsible and those for which users are responsible (e.g. payment of the amount of the second and following excesses in the event of accidents; the costs of vehicle maintenance and repair when resulting from improper use);
- Definition of a process for authorising fuel consumption, permitting a more effective cost analysis and control;
- Implementation of a monthly report on each employee's individual fuel consumption to be validated by line management.

The reduction of 2014 vehicles over the preceding year (down 29) derived essentially from the closure of several structural bodies on the branch office network at the end of 2013 and 2014. The cost reduction, in addition to the change in the number of vehicles and lower fuel prices mainly result from the fact that the reconditioning costs of around 703 vehicles whose renting agreements came to an end in 2014 were processed in the accounts, in 2013.

## COMPLIANCE WITH GUIDELINES ON THE REDUCTION OF OPERATING EXPENSES

Taking into account the guidelines on the reduction of the number of employees, CGD has been readjusting its staff complement, having achieved a reduction of 7.1% and 8.6% over 2012 and 2011, respectively. The reduction over 2013 was 2.5%.

Caixa has been implementing a consistent cost reduction plan, employing all types of measures to help achieve this objective, since 2007, notably:

- Centralised demand management, revising operating and business procedures to reduce consumption;
- Integration of negotiation activities and strengthening respective competencies and operating scopes;
- Separation between functions in purchasing processes;
- Optimisation of suppliers portfolio management;
- Revision of budgeting process;
- Implementation of budget performance control processes.

In addition to the structural measures on a business and structure level to reduce future costs, notably branch and corporate office closures and the reduction of the staff complement, a series of specific measures making a direct contribution to the reduction of costs was defined in 2014, particularly:

- The renegotiation of contracts, notably communications and electricity supply contracts for the Iberian Peninsula and the contract for the printing, enveloping and processing of mail;
- Rationalisation of own equipment network;
- Rationalisation of physical, commercial and central services spaces.

The results of the implementation of the diverse initiatives were partly cancelled out owing to external factors, beyond CGD's control, forcing it to incur significant costs related to:

- Supervision on a level of the financial assistance programme;
- Definition and implementation of the restructuring plan negotiated with DG Comp;
- Changes to IT systems deriving from amendments to fiscal and other laws and standards;
- Supervisors' reporting requirements.

(EUR Thousand)

| | Target | 2014 | 2013 | 2012 | 2011 | 2010 | ΔTotal | Change % | ΔTotal | Change % |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 2014/2013 | | 2014/2010 | |
| Cost of goods sold and materials consumed | | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | | |
| External services and supplies | | 331,911 | 334,347 | 341,612 | 353,121 | 390,214 | -2,436 | -0.7% | -58,303 | -14.9% |
| Travel/accommodation | in line with 2013 | 56 | 76 | 66 | 70 | 92 | -20 | -26.3% | -36 | -39.1% |
| Allowances | in line with 2013 | 440 | 474 | 703 | 1041 | 1463 | -34 | -7.2% | -1,023 | -69.9% |
| Communications | in line with 2013 | 21,425 | 22,487 | 22,514 | 24,461 | 27,056 | -1,062 | -4.7% | -5,631 | -20.8% |
| Employee costs | | 497,342 | 492,380 | 469,916 | 512,103 | 568,739 | 4,962 | 1.0% | -71,397 | -12.6% |
| Total | | 829,253 | 826,727 | 811,528 | 865,224 | 958,953 | 2,526 | 0.3% | -129,700 | -13.5% |
| Turnover (*) | | 964,495 | 933,642 | 1,563,966 | 1,740,382 | 1,759,452 | 30,853 | 3.3% | -794,957 | -45.2% |
| Expenses/turnover | | 86% | 89% | 52% | 50% | 55% | | | | |
| Number HR (*) | -3% over 2012 | 9,661 | 9,904 | 10,400 | 10,572 | 10,791 | -243 | -2.5% | -1,130 | -10.5% |
| No. employees (exc. SBs and managers) | | 9,387 | 9,624 | 10,115 | 10,286 | 10,520 | -237 | -2.5% | -1,133 | -10.8% |
| No. management positions | | 260 | 266 | 274 | 275 | 261.00 | -6 | -2.3% | -1 | -0.4% |
| No. corporate bodies | | 14 | 14 | 11 | 11 | 10.00 | 0 | 0.0% | | |
| No. employees/management posts | | 36.10 | 36.18 | 36.92 | 37.40 | 40.31 | -0.08 | 0.00 | -4 | -10.4% |
| Vehicles (***) | | | | | | | | | | |
| No. vehicles | | 1,150 | 1,179 | n.a. | n.a. | n.a. | -29 | -2.5% | n.a. | n.a. |
| Vehicle expenses | | 8,852 | 9,288 | n.a. | n.a. | n.a. | -436 | -4.7% | n.a. | n.a. |

(*) Net operating income

(**) SBs + managers +employees

(***) Note When completing the table, the number of vehicles at 31.12.2014 and 31.12.2013 was taken into consideration given the difficulty of ascertaining the number used during the course of the year. The expenditure was calculated on the basis of the real values of the vehicle fleet costs account heading for each year (instalments, insurance, journeys, fuel, repairs, insurance and road tax). The amounts calculated include non-deductible VAT.

## COMPLIANCE WITH THE DUTY TO PROVIDE INFORMATION ON THE "SEE" (STATE BUSINESS SECTOR) WEBSITE AT 31 DECEMBER 2014

| Information to be published on "SEE" (state corporate sector) website | Disclosure | | Remarks |
|---|---|---|---|
| | Y/N/N.A. | Last update | |
| Articles of association | Y | 16.06.2014 | |
| Characterisation of company | Y | 16.06.2014 | |
| Supervisory and shareholder function | Y | 16.06.2014 | |
| Governance model / members of statutory bodies | | | |
| - Identification of statutory bodies | Y | 16.06.2014 | |
| - Fixed remuneration status | Y | 16.06.2014 | |
| - Disclosure of information on remuneration earned by statutory bodies | Y | 16.06.2014 | |
| - Identification of functions and responsibilities of members of the board of directors | Y | 16.06.2014 | |
| - Presentation of résumés of members of statutory bodies | Y | 16.06.2014 | |
| State funding | Y | 16.06.2014 | |
| Summary | Y | 16.06.2014 | |
| Historical and current financial information | Y | 16.06.2014 | |
| Good governance principles | | | |
| Internal and external regulations binding on company | Y | 16.06.2014 | |
| Relevant transactions with related entities | Y | 16.06.2014 | |
| Other transactions | Y | 16.06.2014 | |
| Analysis of company's sustainability in the following domains | Y | 16.06.2014 | |
| Economic | | | |
| Social | | | |
| Environmental | | | |
| Appraisal of compliance with good governance principles | Y | 16.06.2014 | |
| Code of ethics | Y | 16.06.2014 | |

# APPENDIX 1

| Board of directors | | | | | | |
|---|---|---|---|---|---|---|
| Term of office | Position | Name | Appointment | | ORPLE | |
| (start-end) | | | Form (1) | Date | [Identification Entity] | Paid by (S/D) |
| 2013-2015 | Board chairman | Álvaro Nascimento | Unanimous written declaration | 8/7/2013 | Univ. Católica + Esc. Gestão Empresarial + Unicer + CGD | CGD - Destination |
| 2013-2015 | Executive committee chairman | José Matos | Unanimous written declaration | 8/7/2013 | BdP + CGD | CGD - Destination |
| 2013-2015 | Vice chairman executive committee | Nuno Fernandes Thomaz | Unanimous written declaration | 8/7/2013 | Self-employed + CGD | CGD - Destination |
| 2013-2015 | Board member | João Nuno Palma | Unanimous written declaration | 8/7/2013 | REN + CGD | CGD - Source |
| 2013-2015 | Board member | José Cabral dos Santos | Unanimous written declaration | 8/7/2013 | CGD | CGD - Source |
| 2013-2015 | Board member | Ana Cristina Leal | Unanimous written declaration | 8/7/2013 | BdP | CGD - Destination |
| 2013-2015 | Board member | Maria João Carioca | Unanimous written declaration | 8/7/2013 | SIBS | CGD - Destination |
| 2013-2015 | Board member | Jorge Cardoso | Unanimous written declaration | 8/7/2013 | Caixa Banco Investimento | CGD - Destination |
| 2013-2015 | Chairman audit. Committee | Eduardo Paz Ferreira | Unanimous written declaration | 8/7/2013 | Option not exercised | CGD - Destination |
| 2013-2015 | Vice-chairman audit committee | Daniel Traça | Unanimous written declaration | 8/7/2013 | Option not exercised | CGD - Destination |
| 2013-2015 | Board member audit committee | Pedro Fontes Falcão | Unanimous written declaration | 8/7/2013 | Option not exercised | CGD - Destination |
| 2013-2015 | Board member audit committee | Pedro Bela Pimentel | Unanimous written declaration | 8/7/2013 | Option not exercised | CGD - Destination |
| 2013-2015 | Board member audit committee | José Luís Crespo de Carvalho | Unanimous written declaration | 8/7/2013 | Option not exercised | CGD - Destination |
| 2013-2015 | Board member audit committee | José Hernst Vieira Branco | Unanimous written declaration | 8/7/2013 | Option not exercised | CGD - Destination |

Legend: (1) indicate resolution (R)/AG/DUE/ruling (D)

Note: ORPLE - Option for remuneration received in place of last employment

S/D: Source/destination

| Board member (name) | PMS | | | |
|---|---|---|---|---|
| | Fixed | Classification | Gross monthly amounts € | |
| | [Y/N] | [A/B/C] | Basic remuneration | Expense account |
| Álvaro Nascimento | Yes | A | 7,704.20 | - |
| José Matos | Yes | A | 16,578.28 | - |
| Nuno Fernandes Thomaz | Yes | A | 8,647.80 | - |
| João Nuno Palma | Yes | A | 13,481.60 | - |
| José Cabral dos Santos | Yes | A | 11,424.33 | - |
| Ana Cristina Leal | Yes | A | 12,703.17 | - |
| Maria João Carioca | Yes | A | 12,039.21 | - |
| Jorge Cardoso | Yes | A | 13,887.00 | - |
| Eduardo Paz Ferreira | No | A | 1,826.70 | - |
| Daniel Traça | No | A | 1,826.70 | - |
| Pedro Fontes Falcão | No | A | 1,826.70 | - |
| Pedro Bela Pimentel | No | A | 1,826.70 | - |
| José Luís Crespo de Carvalho | No | A | 1,826.70 | - |
| José Hernst Vieira Branco | No | A | 1,826.70 | - |

Note: PMS - Public manager statute

| Board member (name) | Annual remuneration (€) | | | | |
|---|---|---|---|---|---|
| | Variable | Fixed ** | Gross (1) | Reductions in remuneration (2) | Amount after reductions (3) = (1)-(2) |
| Álvaro Nascimento | - | 92,450.40 | 92,450.40 | See note (2) | |
| José Matos | - | 198,939.36 | 198,939.36 | See note (2) | |
| Nuno Fernandes Thomaz | - | 103,773.60 | 103,773.60 | See note (2) | |
| João Nuno Palma | - | 161,779.20 | 161,779.20 | See note (2) | |
| José Cabral dos Santos | - | 137,091.96 | 137,091.96 | See note (2) | |
| Ana Cristina Leal | - | 152,438.04 | 152,438.04 | See note (2) | |
| Maria João Carioca | - | 144,470.52 | 144,470.52 | See note (2) | |
| Jorge Cardoso | - | 118,502.40 | 118,502.40 | See note (2) | |
| Eduardo Paz Ferreira | - | 21,920.40 | 21,920.40 | See note (2) | |
| Daniel Traça | - | 21,920.40 | 21,920.40 | See note (2) | |
| Pedro Fontes Falcão | - | 21,920.40 | 21,920.40 | See note (2) | |
| Pedro Bela Pimentel | - | 23,290.44,(1) | 23,290.44,(1) | See note (2) | |
| José Luís Crespo de Carvalho | - | 23,290.44,(1) | 23,290.44,(1) | See note (2) | |
| José Hernst Vieira Branco | - | 23,290.44,(1) | 23,290.44,(1) | See note (2) | |

(1) - Includes adjustments for 2013

(2) The state shareholder defined the remunerations of members of the board of directors for the current term of office (2013-2015) in the form of a resolution of the shareholders' general meeting of 22 May 2014. The shareholder approved the remunerations resulting from the options for the remuneration paid in the place of the former employment under the terms and in compliance w ith the ruling of the secretary of state for finance no. 6555-B/2014, of 19 May 2014, published in *Diário da República* 2nd series, no. 95, of the same date.

Reduction of past years: refers to remunerations paid for the year in question in respect of preceding years

* Indicate reasons for this procedure

** Include remuneration and expense account items (w ithout reductions)

| Board member (name) | Social benefits (€) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Meal allowance | | Social security regime | | Healthcare insurance | Life insurance | Other | |
| | Amount / day | Annual amount paid | Identify | Amount | | | Identify | Amount |
| Álvaro Nascimento | 11.10 | 2,519.70 | Social security | 31,878.46 | N/A | N/A | | - |
| José Matos | 11.10 | 2,564.10 | BdP pension fund + social security (banking regime former Cafeb) | 95,842.09 | N/A | N/A | | - |
| Nuno Fernandes Thomaz | 11.10 | 2,297.70 | Social security | 35,705.26 | N/A | N/A | Study grant | 899.60 |
| João Nuno Palma | 11.10 | 2,242.20 | CGA / Pension fund | 39,693.68 | N/A | N/A | Study grant | 618.30 |
| José Cabral dos Santos | 11.10 | 2,652.90 | CGA / Pension fund | 39,871.81 | N/A | N/A | | - |
| Ana Cristina Leal | 11.10 | 2,530.80 | BdP pension fund + social security (banking regime former Cafeb) | 77,655.23 | N/A | N/A | | - |
| Maria João Carioca | 11.10 | 2,497.50 | Social security | 49,605.42 | N/A | N/A | Study grant | 407.8 (1) |
| Jorge Cardoso | 11.10 | 1,920.30 | Social security | 40,517.77 | N/A | N/A | Study grant | 274.20 |
| Eduardo Paz Ferreira | - | - | Social security | 1,831.19 | N/A | N/A | Study grant | 246.40 |
| Daniel Traça | - | - | Social security | 7,471.07 | N/A | N/A | Study grant | 144.00 |
| Pedro Fontes Falcão | - | - | Social security | 7,471.07 | N/A | N/A | Study grant | 209.70 |
| Pedro Bela Pimentel | - | - | Social security | 8,068.39 | N/A | N/A | | - |
| José Luís Crespo de Carvalho | - | - | Social security | 8,068.39 | N/A | N/A | Study grant | 551.40 |
| José Hernst Vieira Branco | - | - | Social security | -207.07 | N/A | N/A | Study grant | 780.40 |

(1) - Includes adjustment for 2013

| Board member (name) | Mobile communications expenses (€) | | |
|---|---|---|---|
| | Defined monthly limit | Annual amount | Remarks |
| Álvaro Nascimento | N/A | 5,186.54 | |
| José Matos | N/A | 2,720.84 | |
| Nuno Fernandes Thomaz | N/A | 6,462.16 | |
| João Nuno Palma | N/A | 26,406.18 | |
| José Cabral dos Santos | N/A | 1,065.60 | |
| Ana Cristina Leal | N/A | 1,428.07 | |
| Maria João Carioca | N/A | 1,127.90 | |
| Jorge Cardoso | N/A | 2,462.24 | |
| Eduardo Paz Ferreira | N/A | 1,047.31 | |
| Daniel Traça | N/A | - | |
| Pedro Fontes Falcão | N/A | - | |
| Pedro Bela Pimentel | N/A | - | |
| José Luís Crespo de Carvalho | N/A | - | |
| José Hernst Vieira Branco | N/A | - | |

| Board member (name) | Vehicles costs/charges | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Vehicle [Y/N] | Agreement entered into [Y/N] | Reference price of vehicle [€] | Type of payment (1) [identify] | Start year | End year | Monthly instalments [€] | Annual instalments [€] | Remaining payments [€] |
| Álvaro Nascimento | Y | N | 69,796.31 | Renting | 2013 | 2016 | 1,283.66 | 14,969.28 | 23 |
| José Matos | Y | N | 88,900.00 | Renting | 2014 | 2017 | 1,180.52 | 13,770.16 | 36 |
| Nuno Fernandes Thomaz | Y | N | 92,000.00 | Renting | 2014 | 2017 | 1,180.63 | 14,935.59 | 36 |
| João Nuno Palma | Y | N | 87,200.00 | Renting | 2014 | 2017 | 1,142.66 | 10,885.57 | 36 |
| José Cabral dos Santos | Y | N | 82,213.18 | Renting | 2014 | 2017 | 1,211.05 | 15,838.30 | 31 |
| Ana Cristina Leal | Y | N | 73,392.00 | Renting | 2013 | 2016 | 1,087.53 | 12,608.08 | 23 |
| Maria João Carioca | Y | N | 80,681.03 | Renting | 2013 | 2016 | 1,076.16 | 12,486.98 | 21 |
| Jorge Cardoso | Y | N | 74,842.61 | Renting | 2013 | 2017 | 1,067.65 | 9,079.79 | - |

Legend: (1) purchase; leasing (long term or other)

| Board member (name) | Monthly fuel limit | Annual vehicle costs (€) | | | | |
|---|---|---|---|---|---|---|
| | | Fuel | Tolls | Other repairs | Insurance | Remarks |
| Álvaro Nascimento | N/A | 4,211.49 | 1,878.75 | 536.70 | 365.20 | |
| José Matos | N/A | 1,912.52 | 467.45 | 2,818.80 | 365.20 | |
| Nuno Fernandes Thomaz | N/A | 3,967.20 | 704.35 | 2,205.65 | 365.20 | |
| João Nuno Palma | N/A | 3,339.49 | 1,083.65 | 1,490.36 | 365.20 | |
| José Cabral dos Santos | N/A | 4,389.53 | 2,258.40 | 553.29 | 136.95 | |
| Ana Cristina Leal | N/A | 1,702.61 | 530.70 | - | 365.20 | |
| Maria João Carioca | N/A | 2,913.41 | 572.55 | 3,202.65 | 365.20 | |
| Jorge Cardoso | N/A | 2,215.03 | 595.30 | 740.85 | - | |

NOTE: The insurance for vehicles insured by Locarent, are included in the amount of the instalments

| Board member (name) | Gross annual travel expenses (€) | | | | | |
|---|---|---|---|---|---|---|
| | Official travel | Accommodation costs | Allowances | Other | | Total travel expenses (Σ) |
| | | | | Identify (a) | Amount | |
| Álvaro Nascimento | 46,039.77 | 12,450.77 | 2,095.10 | | 6,629.72 | 67,215.36 |
| José Matos | 19,667.46 | 3,818.15 | 1,782.43 | | 533.81 | 25,801.85 |
| Nuno Fernandes Thomaz | 90,641.08 | 5,487.13 | 4,391.21 | | 7,635.87 | 108,155.29 |
| João Nuno Palma | 70,675.35 | 7,385.94 | 5,825.24 | | 4,543.46 | 88,429.99 |
| José Cabral dos Santos | 5,624.09 | 10,877.84 | 853.25 | | 755.50 | 18,110.68 |
| Ana Cristina Leal | 10,664.65 | 5,160.10 | 2,345.35 | | 1,046.81 | 19,216.91 |
| Maria João Carioca | 10,967.95 | 4,258.74 | 1,746.66 | | 619.28 | 17,592.63 |
| Jorge Cardoso | 9,228.10 | 416.64 | 553.93 | | 1,108.70 | 11,307.37 |
| Eduardo Paz Ferreira | | 416.64 | | | 36.00 | 452.64 |
| Daniel Traça | 201.28 | 416.64 | | | 250.00 | 867.92 |
| Pedro Fontes Falcão | | 416.64 | | | | 416.64 |
| Pedro Bela Pimentel | | 416.64 | | | 213.84 | 630.48 |
| José Luís Crespo de Carvalho | | 416.64 | | | 719.60 | 1,136.24 |
| José Hernst Vieira Branco | | 416.64 | | | 697.60 | 1,114.24 |

a) Includes: visas, vaccinations, taxis, expense account items

## AUDIT BODY

The amounts in respect of the audit body (audit committee) are set out in the board of directors' tables.

As the provision of services by statutory and external auditors is not affected by the reduction of remuneration (state budget law), the respective tables were not included in this document.

# APPENDIX 2

| | Compliance Y | N | NA | Quantification / Identification | Justification / reference in report |
|---|---|---|---|---|---|
| **Management objectives** | | | x | | |
| Evolution of average payment time to suppliers | x | | | -22,2% | |
| Disclosure of information on arrears | x | | | 28,3% | |
| **Shareholder's recommendations at the time of the last approval of the accounts:** | | | | | |
| Recommendation | | | x | Not applicable | |
| **Remunerations** | | | | | |
| Non attribution of management bonuses, under article 37 of law 66-B/2012 | x | | | See information in chapter: "Compliance with legal guidelines on the level of remunerations" and appendix I of Corporate Governance Report | |
| Statutory bodies - pay cuts under article 27 of law 66-B / 2012 | | | | | |
| Statutory bodies - pay cut of 5% based on the application of article 12 of law 12-A/2010 | | | | | |
| External auditor - pay cut under article 75 of law 66-B / 2012 | | | x | | |
| Other workers - pay cut under article 27 of law 66-B / 2012 | x | | | | In 2014 and as has been the case since 2011, the remuneration policy for CGD workers continued to be highly constrained by the state budget law for 2014 law 83-C/2013 (state budget law for 2014), and law 75/2014 of 12 September which maintained the imperative rules and restrictions taking precedence over the applicable labour regulation instruments |
| Other workers - prohibition of increases in remuneration under article 35 of law 66 | | | | | |
| **Article 32 of public manager statute** | | | | | |
| Use of credit cards | x | | | | In compliance with no. 1 of article 32 of the public manager statute, members of CGD's board of directors do not use credit cards |
| Reimbursement of personal expense account items | x | | | | In full compliance with no. 2 of article 32, there are no personal expense account items in CGD |
| **Public contracts** | | | | | |
| Company's application of rules on public contracts | | | x | | CGD is governed by private law and is not subject to the public contracts code (PCC), approved by decree law 18/2008 of 29 January which regulates the workings of public contracts and the substantive regime of public contracts of an administrative type |
| Company's application of rules on public contracts | | | x | | |
| Contracts submitted for the approval of the court of auditors | x | | | 1 | Services contract entered into between CGD and Siemens on 10/04/2014 |
| **Audits - court of auditors** | | | x | | |
| **Vehicle fleet** | x | | | -29 | CGD had a fleet of 1 170 vehicles in 2013 which was reduced to 1 150 vehicles in 2014. The 2.5% year-on-year reduction in the number of vehicles in 2014 essentially derived from the closure of several structural bodies on the branch office network at the end of 2013 and 2014 as well as the return of several vehicles by *PGS Reserva - Parque Geral de Suporte* which were being used by retired staff |
| **Operating expenses of state-owned companies (article 64 of law 66-B/2012)** | | x | | -3,3% | |
| **Reduction of number of workers (article 63 of law 66-B/ 2012)** | | | | | |
| No. workers | x | | | -2,5% | |
| No. management positions | x | | | -2,1% | (Including statutory bodies) |

# Excerpt from the Minutes of the Annual Shareholders' Meeting of Caixa Geral de Depósitos, SA

The following text is an excerpt of issue no. 2/15 of the minutes of CGD's general meeting of 21 May 2015, containing a resolution on CGD, S.A.'s 2014 annual report and the proposal for the appropriation of net income, as transcribed below:

"… There being no other interventions regarding this item the chairman of the shareholder's meeting invited the state representative to address the meeting and who greeted all those present and voted in favour of the approval of the board of directors' report and the separate and consolidated accounts for 2014, in accordance with the applicable legal provisions, in due consideration of the Information no. 416/2015, of 19.05.2015, from Direção Geral do Tesouro e Finanças (DGTF), and favourable opinions expressed in the Audit report and the Statutory Audit certificate on the separate and consolidated accounts and the report and opinion of the Audit Committee relative to the board of directors' report and the separate and consolidated accounts.

The meeting then went on to discuss item two on the agenda, concerning the proposal for the appropriation of net income, in which the state representative, in due consideration of DGTF's Information no. 416/2015, of 19.05.2015, voted in favour of the proposal for the appropriation of net income submitted by the board of directors that, under the terms of article 66, no. 5, f) and article 376 of the Commercial Companies Code, and article 26 of Caixa Geral de Depósitos's Articles of Association, the loss for the year relative to the separate accounts of CGD for the amount of EUR 1,139,320,250, should be included in the "Other reserves and retained earnings" balance sheet heading.

Regarding the third item on the agenda, the state representative, in due consideration of DGTF's Information no. 416/2015, of 19.05.2015, proposed and expressed a vote of confidence in the board of directors and audit board..."

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