

CAIXA GERAL DE DEPÓSITOS  
GROUP CONSOLIDATED  
OPERATIONS

31 MARCH 2014

Unaudited accounts



[www.cgd.pt](http://www.cgd.pt)



**Caixa Geral  
de Depósitos**



*HÁ UM BANCO QUE ESTÁ A AJUDAR O PAÍS  
A DAR VOLTA.  
A CAIXA. COM CERTEZA.*

*There is a Bank that is helping the country to turn around.  
Caixa. For sure.*

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# 1 – Highlights

CGD Group has returned to profit, and continues along the road to renewal, providing the best responses to the structural changes in the economy and Portuguese society, as reflected in the behaviour and needs of its customer base.

Caixa continues to afford high priority to funding the best companies and providing Portuguese households with instruments designed to encourage savings, as well as investment solutions based on criteria of rigour and prudence.

The improvement in net interest margin alongside the good performance of financial operations and the improved operational efficiency contributed decisively to the increase of operating income

Caixa's commitment to developing international operations and its good performance in highly dynamic jurisdictions has made a decisive contribution to the trajectory of its return to profitability levels commensurate with Caixa Group's position in the financial system.

## Results – March 2014 <sup>(1)</sup>

1. Consolidated net results of €22.4 million translated CGD Group's return to profit in first quarter 2014.
2. Net interest income was up 32.9% and notwithstanding the significant reduction of income from equity instruments, net interest income including equity instruments was up 28.2%, year-on-year 2013.
3. Financial operations continued to make a highly positive contribution to results, where up 21.7% year-on-year 2013, contributing €123.0 million to results.
4. Net operating income increased 13.7% year-on-year 2013, fostered by the improvement in net interest income and financial operations.
5. Gross operating income was up an expressive 108.0%, year-on-year 2013, (or up 57.8% when adjusted for the extraordinary effect of the restoring of the holiday subsidy in March 2013), benefiting from higher net operating income and improved operating efficiency.
6. CGD's furtherance of its rationalisation and improved operational efficiency policy was visible in the 11.2% reduction of operating costs, as a consequence of the 17.2% decline in employee costs. Even when adjustments to this aggregate, to provide for the extraordinary effect of the restoring of holiday subsidies, in first quarter 2013, have been made, employee costs were down 4.2%.

<sup>1</sup> It should be noted that as a result of the current process for the disposal of several of the Group's insurance sector's equity investments (85% of the share capital of Fidelidade, 80% of the share capital of Multicare and 80% of the share capital of Cares), the consolidated accounts under analysis, in addition to their respective comparisons, were restated for the purpose of presenting the referred to units' accounts as non-current assets held for sale, under IFRS 5 – "Non-current assets held for sale and discontinued operations".

Administrative expenses remained stable (up 1.5%) year-on-year 2013, albeit lower than the average annual amount for 2013. This confirms the downwards trajectory of CGD Group's overheads over the recent years.

The reduction of operating costs, in conjunction with the increase of €58.6 million (+13.7%) in net operating income, fuelled an improvement of the cost-to-income ratio to 61.6%, against 72.3% in March 2013, after adjusting for the extraordinary effect of having charged in March 2013 the above referred to restored holiday subsidy.

7. Loans and advances to customers, accompanying the as yet downwards trajectory in the sector, were down by 7.5% to €68,515 million.

Despite this decrease, Caixa posted a significant increase of more than 50% in new credit operations for companies in Portugal in the first 2 months of 2014 over the same period 2013. Also new mortgage loans increased 14.3% in first quarter 2014.

CGD's market share of the lending to corporate segment increased 3.3 percentage points over the last 5 years to 18.1% in February 2014.

Caixa ranks first in the following credit lines to SME: *PME Crescimento* 2013 with a market share of 19.0%, and *Geral* accessory line of credit with a market share of 20.2%. Caixa ranks second in the *Exportação* accessory line with a market share of 19.3%, as well as in the *PME Crescimento 2014* with a market share of 20.4%. The market share for the *Investe QREN* line is 48.9%.

8. Customer resources were a marginal 0.5% down over March 2013 to €66,499 million.

CGD remains the undisputed leader in terms of its market share of customer deposits, with a 32.6% share of the individual customers segment.

9. The international operations made a visible contribution of €22.7 million to consolidated net results, in addition to resource-taking with €13,484 million in customer deposits. Reference should be made to operations in Asia with €4,313 million, Africa with €3,559 million, France with €2,270 million and Spain with €2,501 million.

There was an improvement in activity in Spain, both by Banco Caixa Geral Espanha and the Branch, owing to the restructuring of the operation as a whole, underway since 2012. BCG Espanha returned to profit in first quarter 2014 (€7.1 million) and the Branch cut its losses (€13.8 million in March 2014, in comparison to €32.4 million in March 2013), owing to the restructuring process and improvement to the loans and advances portfolio.

10. Credit impairment was reinforced (14.4%) as a result of a prudent and conservative policy. However, this effect, in conjunction with the reductions of €15.7 million in provisions and €10.9 million in impairment on other assets, essentially owing to equity stake disinvestments, led to a 3.0% reduction of total provisions and impairment to €171.9 million in first quarter 2014. This was much lower than the average quarterly value for 2013 of €281.4 million.

The cost of credit risk was 0.90%, against 1.06% in December 2013.

11. The capital ratios improved in March 2014, on a consolidated basis: Core Tier 1 ratio (Bank of Portugal) was up to 11.9%, and the same ratio according to EBA requirements was up to 9.6%.

Common Equity Tier 1 (CET 1) ratios, computed according to CRD IV/CRR requirements were up 8.4% (“fully implemented”) and 10.9% (“phasing-in”).

12. After spearing Portugal’s return to the covered bonds market in January 2013, Caixa made a successful return to the market in January 2014 with its good acceptance and prestige as an issuer having been confirmed by the international capital market.

The new €750 million covered bonds issue with a maturity of 5 years, coupon rate of 3% and spread of 188 bp on the mid-swaps rate translated a reduction in the cost of credit of around 100 bp over a period of one year in line with the continued narrowing of spreads in the secondary market.

13. CGD continues to have a highly robust funding structure (unique in the national financial system) in which retail resources account for around 77% of the total, 86% of which comprising customer deposits (71.5% term and savings deposits).

14. The trajectory of borrowings from the ECB remained sharply down with a fresh reduction of €70 million in the first quarter on the Group level to €6,265 million.

CGD Group had an eligible assets pool of €15,030 million at the end of March, with a total available balance of €8,702 million.

## 2 – Main Indicators

(EUR million)

RESULTS	Mar/13 (*)	Dec/13	Mar/14	Change Mar/14 Mar/13	Change Mar/14 Dec/13
Net interest income	175.0		232.7	32.9%	-
Net interest income incl. income from equity investm.	185.7		238.1	28.2%	-
Commissions (net)	139.2		126.5	-9.1%	-
Non-interest Income	243.4		249.6	2.6%	-
Net operating income from banking	429.1		487.7	13.7%	-
Operating costs	339.5		301.4	-11.2%	-
Gross operating income	89.6		186.3	108.0%	-
Income before tax and non-controlling interests	-45.8		55.2	-	-
Net income	-36.4		22.4	-	-
<b>BALANCE SHEET</b>					
Net assets	117,282	112,963	112,388	-4.2%	-0.5%
Cash and loans and advances to credit institutions	4,860	4,357	3,910	-19.5%	-10.2%
Securities investments (including Assets with Repurchase Agreement)	18,691	19,502	18,862	0.9%	-3.3%
Loans and advances to customers (net)	74,033	70,074	68,515	-7.5%	-2.2%
Loans and advances to customers (gross)	78,330	74,587	73,141	-6.6%	-1.9%
Central banks' and credit institutions' resources	10,109	9,735	9,443	-6.6%	-3.0%
Customer resources	66,825	67,824	66,499	-0.5%	-2.0%
Debt securities	11,715	8,791	8,430	-28.0%	-4.1%
Shareholders' equity	7,363	6,821	7,681	4.3%	12.6%
<b>RESOURCES TAKEN FROM CUSTOMERS</b>	<b>90,420</b>	<b>90,966</b>	<b>90,549</b>	<b>0.1%</b>	<b>-0.5%</b>
<b>PROFIT AND EFFICIENCY RATIOS</b>					
Gross return on equity - ROE <sup>(1) (2)</sup>	-2.7%	-9.4%	3.1%	-	-
Net return on equity - ROE <sup>(1)</sup>	-1.7%	-7.1%	2.1%	-	-
Gross return on assets - ROA <sup>(1) (2)</sup>	-0.2%	-0.6%	0.2%	-	-
Net return on assets - ROA <sup>(1)</sup>	-0.1%	-0.4%	0.1%	-	-
Cost-to-income <sup>(2)</sup>	78.9%	81.5%	61.6%	-	-
Employee costs / Net operating income <sup>(2)</sup>	49.0%	46.4%	35.7%	-	-
Operating costs / Average net assets	1.2%	1.2%	1.1%	-	-
Net operating income / Average net assets <sup>(2)</sup>	1.5%	1.5%	1.7%	-	-

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

(2) Ratios defined by the Bank of Portugal (Instruction no. 23/2012).

(\*) Pro forma accounts, considering Caixa Seguros e Saúde, SGP's subsidiaries as non-current assets held for sale.

CREDIT QUALITY AND COVER LEVELS	Mar/13 (*)	Dec/13	Mar/14	Change Mar/14 Mar/13	Change Mar/14 Dec/13
Overdue credit / Total credit	6.2%	6.6%	7.1%	-	-
Credit more than 90 days overdue / Total credit	5.6%	6.1%	6.7%	-	-
Non-performing credit / Total credit <sup>(2)</sup>	6.8%	7.5%	8.1%	-	-
Non-performing credit (net) / Total credit (net) <sup>(2)</sup>	1.4%	1.6%	1.8%	-	-
Credit at risk / Total credit <sup>(2)</sup>	9.5%	11.3%	11.5%	-	-
Credit at risk (net) / Total credit (net) <sup>(2)</sup>	4.3%	5.6%	5.5%	-	-
Restructured Credit / Total Credit <sup>(3)</sup>	-	8.0%	9.6%		
Restruc. Cred. not included in Cred. at Risk / Total Cred. <sup>(3)</sup>	-	4.8%	5.3%		
Overdue credit coverage	88.5%	91.0%	89.3%	-	-
Credit more than 90 days overdue coverage	98.7%	99.9%	95.0%	-	-
Credit impairment (P&L) / Loans and adv. to customers (av. balance)	0.74%	1.06%	0.90%	-	-

### STRUCTURE RATIOS

Loans and advances to customers (net) / Net assets	63.1%	64.0%	61.0%	-	-
Loans and advances to customers (net) / Customer resources	110.8%	104.7%	103.0%		
Loans and advances to customers (net) / Customer deposits <sup>(2)</sup>	111.1%	103.6%	103.6%	-	-

### SOLVENCY RATIOS

Solvency <sup>(2)</sup>	13.7%	13.3%	13.5%	-	-
Tier 1 <sup>(2)</sup>	11.1%	11.3%	11.5%	-	-
Core Tier 1 <sup>(2)</sup>	11.5%	11.7%	11.9%	-	-
Core Tier 1 (EBA)	9.4%	9.4%	9,6%	-	-
<i>Common Equity Tier 1 (CRD IV/CRR phase-in)</i>	-	10.7%	10.9%		
<i>Common Equity Tier 1 (CRD IV/CRR fully implemented)</i>	-	7.6%	8,4%		

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

(2) Ratios defined by the Bank of Portugal (Instruction no. 23/2012).

(3) Ratios defined by the Bank of Portugal (Instruction no. 32/2013).

(\*) Pro forma accounts, considering Caixa Seguros e Saúde, SGP's subsidiaries as non-current assets held for sale.

## 3 – Economic-Financial Background

### World

The upturn in the international economy, spearheaded by the developed economies, continued through the first quarter of 2014, notwithstanding several events which contributed to curbing the optimism felt at the start of the year. Special reference should be made to the concerns over some slowdown from the strong growth in the emerging bloc, the less favourable tone of the U.S. economic indicators - albeit weather related - and heightened geopolitical tensions in the Crimean Peninsula, between Ukraine and Russia.

Investor sentiment was once again conditioned by the Fed's management of the U.S. monetary policy. On the one hand, in announcing on two occasions (January and March) cuts of US 10 billion in its monthly asset purchases, firstly to USD 65 billion and then to USD 55 billion and, on the other, owing to the decision, in March, to remove the quantitative thresholds (employment rate of 6.5% and projected inflation - between one and two years - of up to 0.5 percentage points (pp) above 2.0%) considered as triggers for the first increase in reference rates. This may possibly occur in the 1st half of 2015.

In spite of the signs of moderation in economic activity in many regions of the emerging bloc, there were increases in the respective reference interest rates in countries such as Turkey, Russia, Brazil, South Africa and India. The activity of such countries' central banks continued to focus on endeavours to attenuate the negative effects related with the marked level of depreciation of their currencies, owing to the huge imbalances in the external balance and/or higher than intended inflation levels.

Investor sentiment remained positive notwithstanding the uncertainties appearing in several emerging economies, several of which political, translating into the appreciation of most financial assets.

Notwithstanding greater uncertainty, equities posted gains in the first quarter of the year and, in the case of the U.S., reached successive historical maximums. In turn, U.S. market gains of 1.3% were similar to Europe's, whereas the emerging market saw a drop of 0.8%, following two consecutive quarters of appreciation.

The first quarter of the year continued to be characterised by very low levels of inflation in the developed economies, as well as a trend towards moderation in several emerging regions.

### Europe

First quarter activity levels showed the Euro Area entering a new expansionary period, once again driven by Germany, with continuing signs of improvement across practically all Member States.

In Europe, the European Central Bank (ECB) refrained from making changes to monetary policy. Notwithstanding the very low levels of inflation, the Euro Area monetary authority has forecast a progressive acceleration of the region's economic growth over the next few years as well a growth in prices. According to ECB President Mario Draghi, the ECB's Council of Governors, remains, however, willing to implement new measures in the future, aimed at ensuring high levels of liquidity and stimulating credit, in a context it still considers to be enshrouded by diverse negative risks on growth. These are particularly associated

World economy has bottomed out

Fed tapering

Increase in reference rates in the emerging bloc

Investor sentiment remained positive

Euro Area witnesses new expansionary period

Unemployment still at high levels

with the high level of unemployment and credit contraction in the Euro Area, given the fragmentation of the credit markets in the region.

Deleveraging still underway

The first quarter 2014 witnessed the narrowing trend of interest rate spreads against Germany, both in the case of the Central European countries as on the periphery, even in an environment of higher yields on German and U.S. sovereign debt. Ten year rates in Portugal, Spain and Italy closed at their lowest levels since March 2010, in the first case, and since October 2005, in the case of the remainder. Euribor rates were up over all maturities, with the 1-month and 3-month rates up for the 5th consecutive quarter. The 6-month and 12-month rates were up for the 3rd consecutive quarter.

Narrower spreads against Germany

In spite of the announcement of more positive economic indicators in the U.S. and the changes in U.S. monetary policy, endeavouring to make it less expansionary, the euro appreciated over a large part of 1st quarter 2014, to more than \$1.39 per euro, its highest level since November 2011. Also contributing to the euro's referred to gains was the ECB's decision to put its reference interest rates on hold in the first three months of the year.

Euro appreciation vs. the U.S. dollar

The quarter's highlight is however, the deceleration of consumer inflation, with year-on-year price growth remaining more than one percentage point lower than the ECB's 2.0% target.

## Portugal

Gradual improvement in the economy and in confidence levels

Having posted its third consecutive period of expansion in the fourth quarter of 2013, the Portuguese economy continues the path to growth. Reference should, herein, be made to the improvement of the economic climate for the fifth consecutive quarter. Household confidence levels also continued to recover, closing at their highest level since the end of 2009.

In Portugal, the PSI20 Index achieved its highest quarterly gains (16.0%) since Summer 2009, as opposed to the European market average of (1.8%).

Unemployment rate decreasing

The unemployment rate, in the 4th quarter of last year, improved for the third consecutive quarter, this time by 0.3 pp, from 15.6% to 15.3%. In March, it was 15.2% – the same as in January 2014 - but rose to 35.4% in the case of young people, up 0.4 pp over February, according to Eurostat.

Low inflation levels

Inflation remained low, with a year on-year drop to -0.4% in March the most negative value since the end of 2009.

The Economic and Financial Assistance Programme poised to a successful conclusion

In terms of the Economic and Financial Assistance Programme, the EU and IMF teams emphasised the successful outcome of the eleventh quarterly assessment, signifying that the programme is poised to a successful conclusion. The external accounts are expected to continue to recover, with a current account surplus of 1% in 2015. A deficit target of 4% for 2014 has been confirmed, together with a commitment to achieve 2.5% in 2015.

## 4 – Strategy and Structure of CGD Group: Evolution in 1st Quarter 2014

The Caixa Geral de Depósitos Group returns to profit and continues to face the challenges for which it has endeavoured to find the best responses, in its prompt and flexible adaptation to a new social and economic-financial paradigm shift in the Country, whose signs of transformation are ever clearer.

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Caixa helps the country to turn around

It is in this context of economic and social revival that Caixa continues to transform, recreate and position itself as the Bank which is helping the economy and the Portuguese to steer a new course.

Several important stages of the Group's trajectory of concentrating on its banking activity are likely to be completed in 2014. They include the completion of the disposal of the Group's insurance companies in the sale of 80% of Fidelidade's share capital (which could rise to 85% when considering the full amount of the public offer for sale to workers), 80% of the share capital of Multicare and 80% of the share capital of Cares, to the Fosun International Limited Group, which was selected by the Council of Ministers last January. The sales agreements were signed on 7 February 2014 and on 17 April, the Portuguese Insurance Institute (*Instituto de Seguros de Portugal*) decided not to oppose the operation. In this context, Fosun assumed control of the referred to companies on 15 May. The first quarter results do not include the impact of the sale, whose effects will be posted in the first half consolidated operations results.

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Focus tightening on banking activity

Guided by the same strategic thrusts, CGD Group has been playing an increasingly relevant role as an entity financing productive activity in Portugal, based on an active policy of promotion and support for companies, particularly the best companies, producing tradable goods and creating jobs and also helping to fuel the economic revival of Portuguese society.

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Active support to companies

No less important is its continued support for Portuguese households which recognise Caixa as a benchmark entity, in their investment and savings decisions.

Caixa, in 2014, will therefore continue to rationalise its branch office network, optimising the quality and scope of its customer, household and corporate services, based on its traditional proximity approach.

Also based on a rationalisation and returns-based approach, work continued to be performed on structuring the branches in Spain through 2014. Fifteen branches were sold and thirty nine closed in the first quarter of the year, plus 5 closures last year.

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Restructuring of Spanish operations and service models underway

## 5 – Results, Balance Sheet, Liquidity and Solvency

Caixa continues along the road to renewal

CGD Group has returned to profit, and continues along the road to renewal, providing the best responses to the structural changes in the economy and Portuguese society, as reflected in the behaviour and needs of its customers as a whole.

Development of international operations

Caixa continues to afford high priority to funding the best companies and providing Portuguese households with instruments designed to encourage savings, as well as investment solutions based on criteria of rigour and prudence.

Sale of equity investments in the insurance sector

Caixa's commitment to developing international operations and its good performance in highly dynamic geographies has made a decisive contribution to the trajectory of its return to the thresholds of profitability commensurate with Caixa Group's position in the financial system.

As a result of the current disposal process on a series of equity investments in the Group's insurance sector (85% of Fidelidade, 80% of Multicare and 80% of Cares), the consolidated accounts under analysis, in addition to their respective comparisons, have been re-expressed in order to present the accounts of the referred to businesses in the form of non-current assets held for sale under "IFRS 5 – Non-current assets held for sale and discontinued operations".

### Results

Positive consolidated net results of €22.4 M

Consolidated net results of €22.4 million for first quarter 2014, have returned CGD Group to profit.

This evolution benefited from the 32.9% recovery of net interest income year-on-year 2013 and the highly positive performance of financial operations with a 21.7% contribution of €123.0 million to results, in addition to the visible 11.2% decrease in operating costs, translating the decrease in employee costs.

Operating income was therefore up by an expressive 108.0% (57.8% when adjusted for the extraordinary effect of the restoring of the holiday subsidy in March 2013), to €186.3 million.

#### GROSS OPERATING INCOME OF CGD'S MAIN BUSINESS AREAS

	(EUR million)	
	Mar-13	Mar-14
Domestic commercial banking <sup>(*)</sup>	40.2	74.1
International activity	59.2	77.0
Investment banking	15.4	35.9
Other	3.2	-0.7
<b>Gross operating income <sup>(*)</sup></b>	<b>118.1</b>	<b>186.3</b>

(\*) Amount in March 2013 adjusted for the extraordinary effect of the restoring of the holiday subsidy).

An expressive 57.8% improvement in gross operating income owing to the increase in net operating income and improved operating efficiency

The pricing policy adopted by the Bank, both as regards its lending and borrowing operations, endeavoured to adjust to the current economic-financial context and individual customer risk for the purpose of protecting the profitability of operations and control of credit risk, fuelling an improvement in net interest income in first quarter 2014, in which the reduction of interest paid far exceeded the drop in interest received.

Higher net interest income

Net commissions were down 9.1% year-on-year 2013, to €126.5 million.

There was a highly favourable 21.7% increase in results from financial operations to €123.0 million, in first quarter 2014, essentially on account of a capital gains strategy exploiting the appreciation of portfolio assets, particularly Portuguese public debt.

Favourable evolution of results from financial operations to €123 M

Other operating results for first quarter 2014 included €2.5 million in respect of the contribution to the Resolution Fund created to provide financial support to the application of the resolution measures adopted for the banking sector by the Bank of Portugal.

Net operating income, translating the increase in net interest income and the positive performance of results from financial operations, evolved favourably year-on-year 2013 (up 13.7%).

Net operating income was up 13.7%

As a reflection of its rationalisation and improved operational efficiency policy, the trajectory on CGD Group's operating costs and depreciation has continued to move downwards over the last few years, with a reduction of €38.1 million over first quarter 2013. This reduction particularly derived from the 17.2% reduction of €36.2 million in employee costs. Even when adjustments to this aggregate, to provide for the extraordinary effect of the restoring of holiday subsidies, in first quarter 2013, have been made, employee costs are down 4.2%.

Downwards trajectory of CGD Group's operating costs and depreciation

Administrative expenses remained stable (up 1.5%) year-on-year 2013, albeit lower than the average annual amount for 2013. This confirms the downwards trajectory of CGD Group's operating costs and depreciation over the last few years.

## OPERATING COSTS AND DEPRECIATION

(EUR million)

	Mar/13	Mar/14	Change	
			Total	(%)
Employee costs	210.9	174.7	-36.2	-17.2%
Other administrative expenses	99.0	100.5	1.5	1.5%
Depreciation and amortisation	29.7	26.2	-3.5	-11.7%
<b>Total</b>	<b>339.5</b>	<b>301.4</b>	<b>-38.1</b>	<b>-11.2%</b>

The reduction of operating costs and depreciation in conjunction with the 13.7% increase of €58.6 million in net operating income, fuelled an improvement of the cost-to-income ratio to 61.6%, against 72.3% in March 2013, following the adjustment for the extraordinary effect (restoring of the above referred to holiday subsidy).

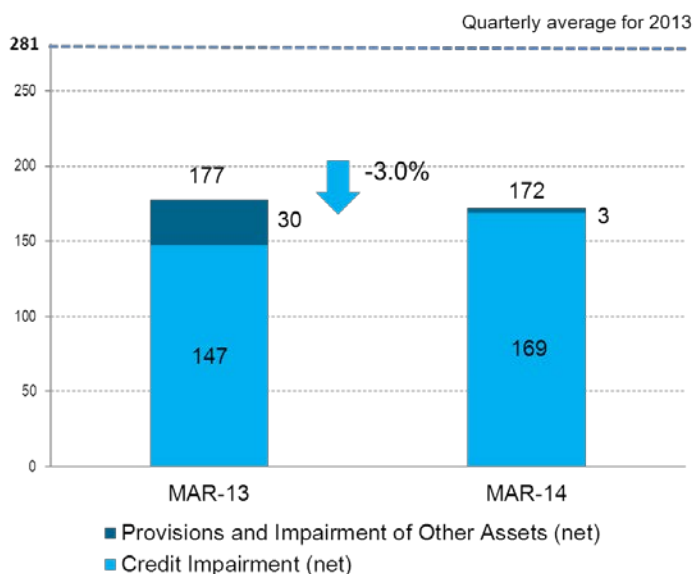
Lower cost-to-income

Impairment on credit was up 14.4% owing to Caixa's continued prudent, conservative policy approach. However, this effect, in conjunction with the €15.7 million reduction of provisions and €10.9 million reduction of impairment on other assets, essentially owing to financial disinvestments, led to a 3.0% decrease in total provisions and impairment to €171.9 million in first quarter 2014. This was much lower than the average quarterly amount of €281.4 million in 2013.

Downwards trend on provisions and impairment, notwithstanding increased impairment on credit owing to a prudent, conservative policy

## PROVISIONS AND IMPAIRMENT (IN THE PERIOD)

(EUR million)



The cost of credit risk (credit impairment for the period/average gross credit ratio) was 0.90% in first quarter 2014, as opposed to 0.74% for the same period of the preceding year, but lower than 1.06% at the end of 2013.

Cost of credit risk lower than at the end of 2013

Income tax totalled €18.1 million. €7.3 million of this amount was relative to the extraordinary banking sector contribution.

## Balance Sheet

Consolidated net assets, at the end of March 2014, were €112,388 million, close (-0.5%) to the December 2013 figure but down 4.2% over end of March of the preceding year.

Loans and advances to customers (gross) were down 1.9% over December 2013 to €73,141 million at the end of March, with repayments continuing to be higher than new operations.

Net assets of €112,388 M

Securities investments, including assets with repurchase agreements, at €18,862 million, were relatively stable in comparison to March 2013, albeit down 3.3% by €639 million in comparison to the end of 2013.

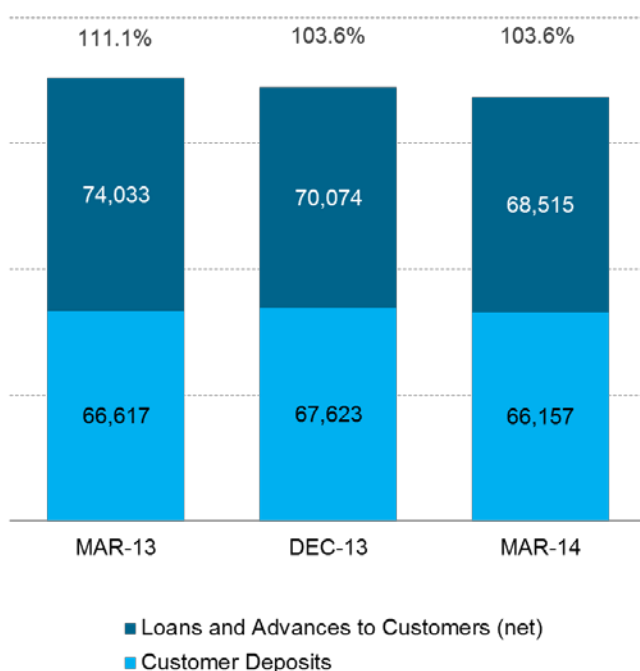
Liabilities were down €1,434 million since the start of 2014, reflecting the €1,325 million decrease in customer resources, €70 million reduction of borrowings from the ECB and decrease of €361 million in debt securities.

The reduction of customer resources particularly derived from deposits, in line with the banking sector evolution and reflecting the lower savings propensity in this period of beginning of economic recovery. Reference should also be made to the Bank's downwards repricing policy on new and matured deposits, preference for off-balance sheet products (€777 million increase over the end of 2013) - investment funds and financial insurance - and the market launch in the last quarter of 2013 of savings products with more attractive interest rates.

The loans-to-deposits ratio of 103.6%, at the end of March 2014, was identical to the end of 2013 ratio, albeit significantly lower than the preceding year's 111.1%, especially translating the decrease of net credit.

## LOANS-TO-DEPOSITS RATIO

(EUR million)



The credit overdue more than 90 days ratio of 6.7% was up 0.6 pp over December 2013. The credit at risk ratio, calculated in accordance with the Bank of Portugal's criteria, was 11.5%. The total overdue credit ratio, at the end of March was 7.1%, against 6.6% in December 2013, in spite of the signs of economic recovery.

## Liquidity

The growing normalisation of yields required to the Portuguese issuers led CGD to launch a €750 million covered bonds issue with a 5 year maturity in January at a coupon rate of 3%, and mid swaps reoffer yield + 188 bp, which was warmly welcomed by the market and more than 90% of whose total issue was sold outside Portugal. The improvement of funding terms is visible in a comparison with the preceding year's issue with a yield of 3.75% (mid swaps reoffer yield + 285 bp). In line with the evolution of the secondary market, the spread on the mid-caps reference rate was down 100 bp over the period of a year (January 2013 - January 2014).

Investor interest in CGD debt was evident in the quality and volume of the order books which closed in less than two hours, with the offer being 5 times oversubscribed and a geographical diversification encompassing more than 20 countries, including a greater intensity of investors from more traditional markets such as Germany and Austria.

In terms of profitability, CGD also made an early redemption of €800 million of its state-backed debt issue, held in its portfolio.

There was a relevant decrease in the own debt issues balance over the course of the quarter, particularly owing to the maturity of a €1,250 million issue. Notwithstanding, CGD Group reduced its liabilities to the ECB by €70 million, over December 2013, to €6,265 million at the end of March.

New successful €750 million covered bonds issue

Spreads narrow by 100 bp in the period of 1 year

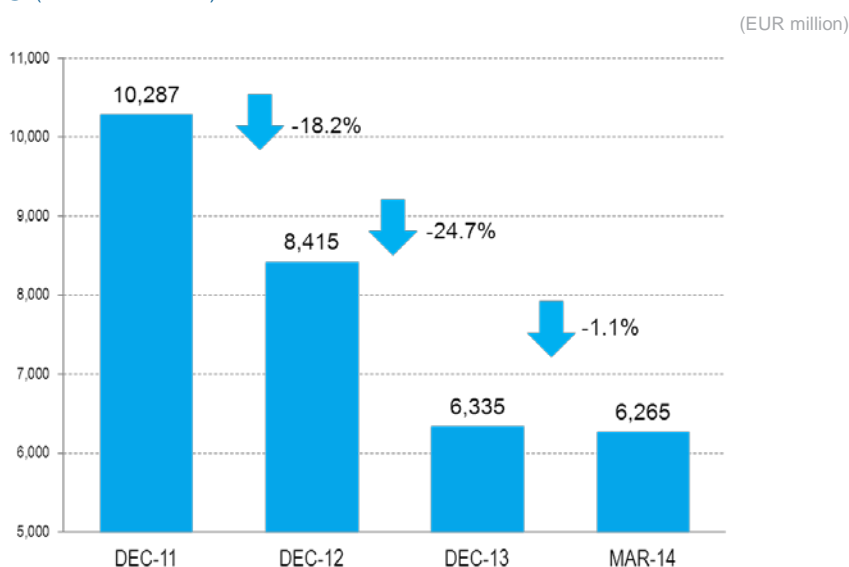
2013 and 2014 issues taken up in less than 2 hours

Own debt repurchase

Based on a scenario of reopening markets and greater financial availability, CGD Group also decided to reduce the amount of eligible assets in the ECB pool by around €2,000 million to €15,030 million at the end of the quarter. The value of available pool assets at €8,702 million at the end of March, against €10,700 million in December 2013 (not including bank loans), kept pace with this decrease.

#### Continued reduction in ECB funding

#### ECB FUNDING (CONSOLIDATED)



## Solvency

The Group's shareholders' equity of €7,681 at the end of first quarter 2014, was up 4.3% by €318 million over the end of March 2013 and up €860 million in comparison to the end of 2013, benefiting from the improvement in fair value reserves and net results in addition to the increase in non-controlling interests referred to Fundimo, Fundiestamo and Ibéria real estate funds which became fully consolidated.

#### Reinforcement of shareholders' equity

#### SHAREHOLDERS' EQUITY

(EUR million)

	Mar/13	Dec/13	Mar/14
Share capital	5,900.0	5,900.0	5,900.0
Fair value reserves	-99.3	63.1	526.8
Other reserves and retained earnings	596.0	409.7	-185.6
Non-controlling interests	1,002.8	1,024.1	1,417.0
Net income	-36.4	-575.8	22.4
<b>Total</b>	<b>7,363.0</b>	<b>6,821.1</b>	<b>7,680.7</b>

There was an improvement in the capital ratios on a consolidated basis. The core tier 1 ratio was 11.9%, against 11.7% at the end of 2013, higher than the 10% core capital ratio required by the Bank of Portugal. The core tier 1 ratio under EBA terms was 9.6% (9.4% in December 2013).

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Core Tier 1 (BdP):  
11,9%

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The Common Equity Tier 1 (CET 1) ratio, calculated under CRD IV/CRR “fully implemented” rules was 8.4%, against 7.6% at 31 December 2013 (minimum of 7%, comprising a CET 1 of 4.5% and a buffer of 2.5%).

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Core Tier 1 (EBA):  
9.6%

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The Common Equity Tier 1 (CET 1) ratio, calculated under CRD IV / CRR “phasing-in”, rules was 10.9%, against 10.7% at 31 December 2013, above the 8% base scenario marker for the ECB's assets assessment.

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CET 1 fully  
implemented: 8.4%

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CET 1 phasing-in:  
10.9%

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## 6 – Operating Segments

CGD Group continued to further its strategic across-the-board objectives with diverse Group businesses, in first quarter 2014.

Furtherance of strategic route taken in past years

### Commercial Banking

Work continued to be performed on the commercial transformation project, in first quarter 2014, especially in terms of the consolidation of service models, improved value proposals, commercial guidelines, quality of service and customer ties, loyalty and satisfaction levels.

Continuation of policy of improving operating efficiency and cost rationalisation

Following the significant readjustments made to CGD's retail branch office network in Portugal in 2013 (with a reduction of 36 branches on the domestic branch office network) under the operational optimisation and cost rationalisation project recommended in the Restructuring Plan approved for the period 2013-2017, adjustments continued to be made to the branch office network in Portugal, which ended first quarter 2014 with 804 business units comprising 736 branches with face to face customer services (down 1 branch over the end of 2013), 39 self-service branches (up 1 branch) and 29 Caixa Empresas offices.

Readjustment of network and improvements to the scope of distance channels

A physical presence in all national central municipalities (*concelhos*), based on a nationwide proximity approach, complemented by the availability of a wide range of electronic channels enables CGD to achieve high levels of customer satisfaction over its quality of service and initiatives geared to promoting savings and customer loyalty.

Also in the CRM sphere, more than 952 thousand individual and corporate customers had dedicated account managers providing personalised services and an improved quality of service at the end of March 2014.

### Resources

Good resource-taking performance by branch office network

In the individual customers segment CGD continued to tighten its focus, in first quarter 2014, on high levels of customer satisfaction, quality of service and initiatives geared to encouraging savings and customer loyalty.

Resources taken from individual customers on the branch office network, in Portugal, were down 1.6% year-on-year 2013 to €53,914 million. This was essentially on account of the 41.7% reduction of bonds, most of which upon maturity, with a slight reduction of 0.2% in deposits) as opposed to investment funds and financial insurance which were up 8% and 1.9%, respectively.

CGD undisputed leader in the individual customers' segment

Focus on corporate business led to an increase in the number of customers in this segment and growth in its respective turnover. Total resource-taking in the corporate segment in the branch office network in Portugal was, accordingly, up 10.2% over March 2013, particularly including the 12.7% growth of deposits and 35.5% growth in investment funds.

Notwithstanding the downwards adjustment policy on interest on deposits, in line with most of the banking sector and the presence of savings products offering attractive returns in the market, CGD continued to merit its customers' preference and confidence, with a 5% increase of €294 million in total deposits in the branch office network, in Portugal, to €54,886 million.

Increase in corporate deposits

A contributory factor to the 12.7% increase in corporate deposits, in addition to the closer monitoring of a larger number of companies was the growing use of treasury management products.

General government and institutionals' deposits were down 4.6%.

Notwithstanding the slight 0.2% reduction of individual customers' deposits, CGD remained the undisputed leader of this segment with a market share of 32.6% in February 2014. This position reflects its successful implementation of a strategy based on the issue of a collection of savings solutions targeted at customers in all segments, ensuring the high levels of security provided by its financial strength and helping to strengthen its liquidity.

Market share of individual customers deposits remains unchanged at 32.6%

In the case of the individual customers segment reference should be made to the Caixazul service model, geared to the personalised management of Premium customers, consisting of financial advisory, decision-making support and opportunity management services. At the end of March 2014, this service had 289,629 customers and accounted for around 36.1% of the individual customers segment's turnover. The branch office network had 572 branches with such exclusive spaces.

In turn, work continued on promoting the Caixa Mais service, intrinsically associated with a new, highly personalised proactive customer-centric CRM approach. Turnover was up to €21,525 million with 620,730 customers being assisted by 1,336 commercial operatives at 699 branches.

Differentiated, customised service models

The Caixazul and Caixa Mais service models accounted for 61.7% of the individual customers segment's turnover at the end of March 2014.

On a CGD Group level, the total resources-taken balance (excluding the interbank money market) was down 2.5% over March 2013 and 0.7% over December 2013, to €99,845 million, due to the reduction of the savings rate and in line with the banking system behaviour.

The customer deposits balance was slightly down by 0.7% over March 2013, to €66,157 million. 71.5% of such resources comprised term and savings deposits.

## RESOURCE-TAKING BY THE GROUP - BALANCES

(EUR million)

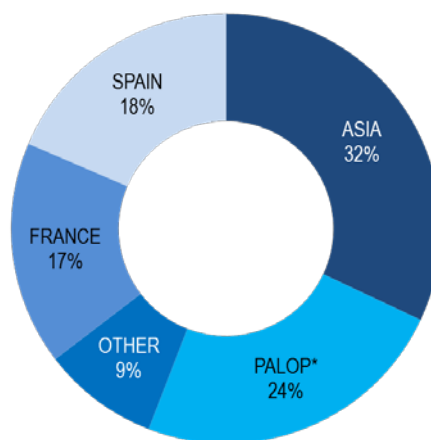
	Mar/13	Dec/13	Mar/14	Change Mar/14 vs. Mar/13		Change Mar/14 vs. Dec/13	
				Total	(%)	Total	(%)
<b>Balance sheet</b>	<b>89,968</b>	<b>87,777</b>	<b>86,246</b>	<b>-3,722</b>	<b>-4.1%</b>	<b>-1,531</b>	<b>-1.7%</b>
<b>Retail</b>	77,982	78,144	76,950	-1 032	-1.3%	-1 193	-1.5%
Customer deposits	66,617	67,623	66,157	-459	-0.7%	-1,465	-2.2%
Other customer resources	11,365	10,521	10,793	-572	-5.0%	272	2.6%
<b>Institutional investors</b>	11,086	8,733	8,395	-2,690	-24.3%	-337	-3.9%
EMTN	5,923	4,064	2,948	-2,975	-50.2%	-1,117	-27.5%
Covered bonds	3,768	3,810	4,520	752	19.9%	709	18.6%
Other	1,395	858	928	-467	-33.5%	70	8.1%
Portuguese State - Contingent convertible (CoCo) bonds	900	900	900	0	-	0	-
<b>Off-balance sheet</b>	<b>12,438</b>	<b>12,822</b>	<b>13,599</b>	<b>1,161</b>	<b>9.3%</b>	<b>777</b>	<b>6.1%</b>
<b>Total</b>	<b>102,405</b>	<b>100,599</b>	<b>99,845</b>	<b>-2,561</b>	<b>-2.5%</b>	<b>-754</b>	<b>-0.7%</b>
<b>Total (excl. instit. inv. and Portuguese state)</b>	<b>90,420</b>	<b>90,966</b>	<b>90,549</b>	<b>129</b>	<b>0.1%</b>	<b>-416</b>	<b>-0.5%</b>

The international network continues to make a highly expressive contribution to the Group's deposit-taking total with €13,484 million. By geography, reference should be made to Asia with €4,313 million, Africa with €3,559 million, France with €2,270 million and Spain with €2,501 million.

Highly expressive contribution to the Group's deposit-taking from Asia, Africa, France and Spain

#### CUSTOMER DEPOSITS - INTERNATIONAL ACTIVITY

(%)



(\*)Lusophone Africa

Off-balance sheet resources, up 6.1% over the end of 2013 to €13,599 million at the end of March, translated the good performance of wealth management activities (up 10.0%) as well as a 4.6% increase in investment units in unit trust investment funds.

#### Credit

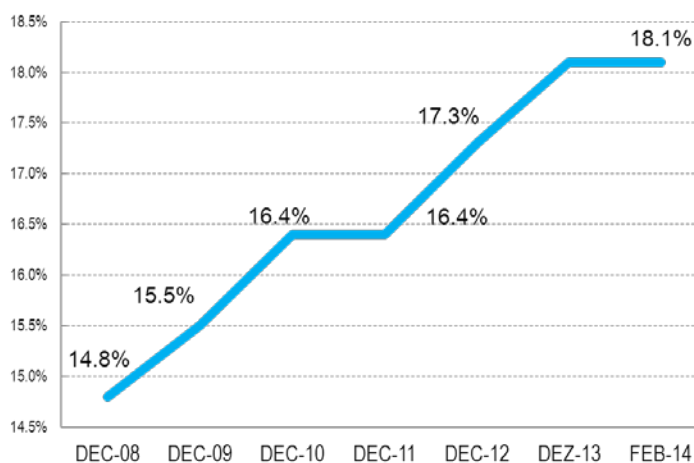
In line with preceding years, CGD geared its focus to corporate lending in first quarter 2014, notably the best SMEs for which CGD aims to be their bank of first choice, leveraging their production and export capacities, funding their capitalisation, promoting innovation and entrepreneurship.

Focus on corporate lending, notably SMEs

Notwithstanding the strong, aggressive competition felt in corporate lending, particularly microenterprises and SMEs, the trend on CGD's market share of this segment has been one of growth, to 18.1% in February 2014, a change of 3.3 pp over the last 5 years.

#### MARKET SHARE - CORPORATE LOANS

(%)



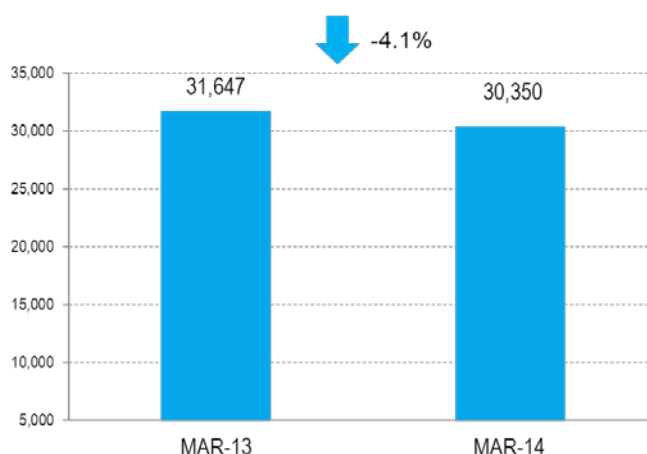
Growing trend on corporate lending market share

Growth of 14.3% in new mortgage loan contracts

The mortgage loans portfolio was down 4.1% at the end of March 2014, notwithstanding the 14.3% increase in new loans, which was not sufficient to offset the reduction of the mortgage loan stock owing to repayments, in light of the current economic-social context and maturity of the market.

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

(EUR million)



Across borders BCI Moçambique's volume of lending, at the end of the first quarter, was up 14.2% by €141.9 million over March 2013. BNU Macau and BCG Brasil also recorded positive evolutions, up €102.4 million and €20.3 million, respectively.

Growing trend of lending, namely in Asia and Africa

Moving in the opposite direction and reflecting poor economic environment and the deleveraging process, the balance on the credit portfolios of CGD's France branch, CLF-Leasing e Factoring and CaixaBI was down 14.4% by €1,057.9 million, plus an 8.2% decrease of €417.0 million in the Group's portfolios in Spain, which operation is being restructured.

In consolidated terms, loans and advances to customers (gross) at the end of March 2014 totalled €73,141 million. Around 22% of this amount comprised lending from other Group businesses, down 6.5% by €5,055 million over March 2013 and 1.9% by €1,446 million over the end of 2013. This decrease is more evident in the individual customers segment, notably mortgage loans.

LOANS AND ADVANCES TO CUSTOMERS <sup>(a)</sup> (CONSOLIDATED)

(EUR million)

	Mar/12	Dec/12	Mar/13	Change Mar/13 vs. Mar/12		Change Mar/13 vs. Dec/12	
				Total	(%)	Total	(%)
<b>CGD's operations in Portugal</b>	<b>60,688</b>	<b>58,379</b>	<b>57,155</b>	<b>-3,532</b>	<b>-5.8%</b>	<b>-1,224</b>	<b>-2.1%</b>
Corporate	22,694	21,980	21,736	-958	-4.2%	-244	-1.1%
General government	3,440	3,056	3,014	-425	-12.4%	-42	-1.4%
Institutionals and other	1,669	1,524	936	-732	-43.9%	-587	-38.5%
Individual customers	32,885	31,820	31,468	-1,417	-4.3%	-352	-1.1%
<i>Mortgage loans</i>	31,647	30,674	30,350	-1,297	-4.1%	-324	-1.1%
<i>Other</i>	1,239	1,146	1,118	-120	-9.7%	-28	-2.4%
<b>Other CGD Group companies</b>	<b>17,508</b>	<b>16,208</b>	<b>15,985</b>	<b>-1,523</b>	<b>-8.7%</b>	<b>-222</b>	<b>-1.4%</b>
<b>Total</b>	<b>78,196</b>	<b>74,587</b>	<b>73,141</b>	<b>-5,055</b>	<b>-6.5%</b>	<b>-1,446</b>	<b>-1.9%</b>

(a) Before impairment and excluding repos operations.

There was a year-on-year 12.4% drop in lending to General Government, owing to the settlement of operations for significant amounts, as a result of such entities' changes in financial management and treasury policy.

CGD's level of involvement in backing the investment projects of Portuguese companies, in first quarter 2014, was very high and ranged from micro-enterprises and SMEs to major enterprises, translating into €307.9 million in funding for medium and long term operations.

The current economic situation in Portugal and in its main commercial partners in the Euro Zone has conditioned internal and external demand and has been reflected in corporate credit demand, both by amount or type. In these circumstances the volume of new lending to companies, albeit growing, has not permitted the replacement of natural portfolio repayments, leading to a negative rate of year-on-year change of 1.1% for operations in Portugal.

Personalised management and a corporate customer proximity approach

The fact that Caixa's guideline strategy on corporate funding is, nevertheless, being achieved, is shown by the growth of its market share. This situation derives from the consolidation of the special modules for diverse corporate segments, notably the *Caixa Empresas* service models on the branch network underpinned by a personalised management service for self-employed customers and CGD's small and micro-sized enterprises customers, whose credit manager represents the relational aspect on the basis of an integrated approach to corporate customers' business and individual needs. At the end of March 2014, this service model included 25,996 customers, with a turnover of €3,776 million, up 4.2% over March 2013.

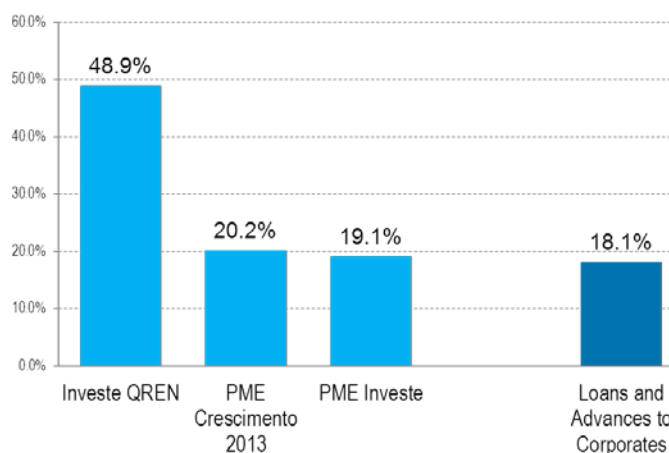
New loans of around €54 million, to €1,524 million in the portfolio at the end of March 2014, were made in the sphere of the *Crédito PME Investe* (SME Invest) line of credit, in 2014.

Leadership in the credit lines *PME Crescimento 2013*, *PME Investe* and *Investe QREN*

Securing new corporate customers with the aim of being their bank of first choice contributed for CGD's leadership on *PME Crescimento 2013*<sup>2</sup> (SME Growth) lines of credit with a market share of 19.0%, in addition to the secondary line with a market share of 20.2%, retaining 2<sup>nd</sup> place in the secondary export line with a market share of 19.3%.

#### MARKET SHARE - LINES OF CREDIT TO CORPORATES (LED BY CGD)

(%)



<sup>2</sup> Credit lines for new investment in fixed assets, increasing working or permanent capital, and (up to 30% of the loan) to liquidate debts contracted either with the financial system, in the 3 months preceding the operation, or for the payment of debts in arrears to the Tax Authorities or Social Security Services

In the *PME Crescimento 2014* line, CGD has retained 2<sup>nd</sup> position with a market share of 20.4%.

CGD leads the current *PME Investe/PME Crescimento* lines, with a market share of 19.1%.

Caixa has a market share of 48.9% in the *Investe QREN* line (Strategic Reference Framework Line).

## International Activity

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The current trajectory adopted for the Group's transformation is particularly evident in the international operations segment whose position vis-à-vis CGD's strategy has been strengthened over the last few years.

Notwithstanding the fundamental role always played by the Group, for which internationalisation has, for many decades, been an objective, the international business is currently a priority for CGD, in alignment with the Portuguese economy's actual strategic directives whose revitalisation is particularly reliant on the success of the tradable goods and services sectors.

The Group's return to positive profitability levels, consistent with its respective leading position in the Portuguese financial system is underpinned by the growing contribution made by international business which benefits from the extent and geographical diversity of the international platform and, no less importantly, strong links between the different foreign presences and between them and the national network.

The Group's strategic renewal process involves the need to strengthen the commercial bridges established between the various business units and inclusion of all such business units in a totally integrated network, whose customers receive an equally high level of quality service whatever the market in which they are based or to which their respective business is geared.

This policy has required the need to progressively strengthen expertise in the specifics of each geography by managers and international market pivots, who closely and continuously monitor customers with cross-border activities. In general terms, CGD Group's international offer is based on 4 main thrusts: (i) means of payment and treasury support (ii) trade finance products (iii) export support lines and (iv) investment products and services.

The individual customers resident abroad business in the period under analysis posted resource-taking growth. This business area is going through a particularly challenging time, considering the new wave of Portuguese emigration of a volume similar to the 1960s/70s, albeit characterised by highly qualified young people. CGD launched its *Caixa Sem Fronteiras* (Caixa without Borders) an initiative in first quarter 2014 to enhance its proximity with this customer segment and information on its residents abroad offer.

Major attention has also been paid to companies embarking or intending to embark on their respective internationalisation processes. In addition to traditional foreign exchange products and investment solutions they have also been provided with consultancy and advisory services, naturally tailored to their target markets and/or specific transactional products. In the corporate segment, CGD has been stimulating and leveraging corporate capacities, in Portugal, Mozambique and Macao, geared to backing customers' success in foreign markets. Reference should also be made to the support for Portuguese companies' internationalisation processes, notably in the form of concessionary export lines such as social housing projects for Cape Verde.

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Growing contribution made by international business

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Commercial bridges between geographies continue to be strengthened

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Support for companies in an internationalisation process

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CGD participated in Global Trade Partners Meeting

CGD participated in the 6th annual Global Trade Partners Meeting conference event which brings together companies and specialists in the financial sector worldwide, organised by the World Bank's International Finance Corporation (IFC) which this year was held in Portugal. The conference helped to strengthen the relationship with banks and financial institutions in various geographies and multinational funding bodies, helping to identify business opportunities, notably in the sphere of promoting the foreign trade offer.

As in past years, the businesses located in Africa and Asia have produced the best performances, with BNU Macau posting positive results of €9.3 million in the first quarter (€8.7 million quarter on quarter) and BCI Moçambique and Banco Caixa Totta Angola contributing €2.8 million and €3.5 million respectively.

In the "mature" markets sphere, special attention should be paid to the performance of the France branch which, notwithstanding the environment of low levels of economic growth and in line with the trajectory of past years, continues to post highly favourable results, ending the first quarter with results of €7.4 million against €5.7 million in March 2013.

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Furtherance of restructuring of operation in Spain with improved global results

The restructuring process on CGD's operation in Spain will continue through 2014 and has already been reflected in a renewed business model and improved global income levels, both for BCG Espanha and the Branch. With the transfer of non-core assets to the Spain Branch, BCG has concentrated on retail operations and prioritising Iberian business as the Group's natural priority. Caixa considers the Portugal-Spain space to be its domestic market given the strong commercial links between the two countries and the major confluence in Caixa's corporate customers' interests in both markets. Commercial activity has therefore been concentrated in backing the internationalisation processes and day-to-day affairs of companies in both countries, which benefited from an improved economic situation in the period under analysis.

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BCG Espanha returns to profit

The referred to restructuring process increased the contribution made by the Spain operation to results by 81% year-on-year 2013. BCG returned to profit of €7.1 million in first quarter 2014 and the Branch reduced its losses from €13.8 million in March 2014 against €32.4 million in March 2013, owing to the restructuring process and improvement in the quality of the loans and advances portfolio, with non-core assets having been transferred to the Branch. Reference should once again be made to the reduction of operating costs with a cost-to-income ratio of 60.8% for BCG Espanha (in line with the 61.6% in consolidated terms).

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Spain branch reduces losses

Endeavouring to exploit the advantages of the Group's platform in Africa, BCG is also attempting to offer the services of the Group's banks in Africa, notably Mozambique and Angola, to Spanish companies which are increasingly geared to the said geographies whose highly significant dynamic and growth potential, as already stated, provide business opportunities.

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BCG offers services in Africa

CGD Group has always attached special relevance to its relationship with Portuguese citizens resident abroad to whom it endeavours to provide a high quality service and customised products.

The loyalty of its non-resident customer base and progression of its business flows, particularly as regards savings, has confirmed the Group's commitment to providing a high quality range of customised services and products for such an important CGD customer stratum.

## CONTRIBUTION FROM INTERNATIONAL ACTIVITY TO THE CONSOLIDATED INCOME

	(EUR million)		
	Mar/13	Mar/14	Change
<b>Total International</b>	<b>-10.9</b>	<b>22.7</b>	<b>33.6</b>
<b>Total International, excluding Spain</b>	<b>25.0</b>	<b>29.6</b>	<b>4.5</b>
<b>Spain</b>	<b>-35.9</b>	<b>-6.9</b>	<b>29.0</b>
<i>Of wich:</i>			
Banco Caixa Geral Espanha	-0.7	7.1	7.8
Spain Branch	-32.4	-13.8	18.6

The international area was responsible for contributing €22.7 million to CGD Group's consolidated net results – against losses of €10.9 million year-on-year 2013, mitigating the, as yet, negative effects deriving from domestic activity penalised by the economic environment in Portugal.

Reference should also be made to the most important markets in terms of their contribution to CGD Group's consolidated net results, in first quarter 2014: Asia (€11.1 million), Lusophone Africa (PALOP) and South Africa (€9.0 million) and France (€7.6 million).

The international area's contribution to consolidated gross operating income was €77 million, comprising year-on-year growth of 30%. The 2.9% reduction of operating costs also fuelled an improvement in the international area's cost-to-income ratio to 55.3% against 62.4% year-on-year 2013.

International area contributed with €22.7 M to net results

Major contributions from Asia, PALOP, South Africa and France

## Investment Banking

CaixaBI had a positive start to 2014, with first quarter net results of €12.2 million. This result benefited from the evolution of net commissions to €11.1 million for the period and the positive performance in achieving €6 million in income from financial assets.

CaixaBI's net operating income was up 19% to €25.1 million over the first quarter of 2013.

Provisions and impairment for the quarter of €1.5 million translated the current macroeconomic environment.

Cost-to-income ratio at 23.2% remained clearly lower than that of its peers.

CaixaBI's: net earnings of €12.2 M

## Corporate Finance – Debt

CaixaBI came 1st in the Bloomberg ranking for bookrunners for bonds issued by national entities at the end of first quarter 2014. Reference should be made to the following bond market operations in which the Bank was involved:

- CGD: joint bookrunner and joint lead manager for the €750 million covered bonds issue maturing in 2019.
- Republic of Portugal: joint bookrunner and joint lead manager for the Treasury Bond tap issue 2019 (current 5 year benchmark), in an operation for €3,250 million representing the Republic's first access to the markets in 2014.
- Brisa: joint bookrunner and joint lead manager for the issue of Notes maturing in 2021. This €300 million operation was the only Euromarket issue by a Portuguese corporate in the first quarter of the year.

CaixaBI's: lead in Bloomberg ranking

- Republic of Portugal: sole bookrunner and lead manager for a €1,267 million Notes issue maturing in 2022, in the form of a private placement.
- Republic of Portugal: co-lead manager in the €3 billion Treasury Bonds 2024 tap issue.
- BPCE SFH: co-lead manager for the €500 million covered bonds tap issue maturing in 2024.

CaixaBI also organised and led three new Commercial Paper Programmes and completed fifteen extensions and/or revisions of the conditions of prior years' Programmes.

## Equity Capital Market

CaixaBI successfully completed the following capital market operations during the course of first quarter 2014:

- Espírito Santo Saúde: co-lead for the IPO of approximately €149.8 million, comprising the sale of a 44.9% equity investment of a series of leading shareholders in the form of a public offering and an institutional offer, accompanied by the company's share capital increase based on a public subscription. CaixaBI produced an equity research report on the issuer and was involved in the "investor education" process and roadshow and the placement for institutional investors.
- Mota-Engil: bookrunner for the sale of an equity investment in Mota-Engil and the company's treasury shares based on an accelerated bookbuilding process, comprising the placement of a block of 16.8% of the issuer's share capital.

## Corporate Finance – Advisory

Reference should be made, in terms of corporate finance advisory activities, to the financial advisory services for the disposal of CGD Group's insurance business to the Fosun Group.

## Syndication and Sales

CaixaBI was involved in the following primary market issues, in first quarter 2014:

- CGD 3.00% 2019, Mortgage Bonds: joint lead manager for the final placement of €750 million.
- PGB 4.75% 2019 tap issue: joint lead manager for the final placement of €3,250 million.
- Brisa 3.875% Notes 2022: joint lead manager for the final placement of €300 million.
- PGB 5.65% 2024 tap issue: co-lead manager for the final placement of €3,000 million.
- BPCE 2.375% 2019 tap issue: co-lead manager for the final placement of €500 million.

There were 33 Commercial Paper issues in the first quarter totalling €342.8 million.

## Brokerage

According to data published by the CMVM, CaixaBI came 4th in the respective ranking, in February, with a market share of 8.5% and a 5% growth in trading volumes over the same period 2013. A contributory factor was CaixaBI's participation as a bookrunner in the accelerated bookbuilding process on 16.8% of the share capital of Mota-Engil and as co-lead manager for the Espírito Santo Saúde IPO.

Active role in the capital markets

Financial advisory for sale of insurance businesses

## Trading – Public Debt and Liquidity Providing

CaixaBI, as a liquidity provider continued to operate on a collection of NYSE Euronext Lisbon listed securities. Reference should also be made to the Bank's pioneering activity in the new segment created by NYSE Euronext to fuel the liquidity of retail investors - the Retail Matching Facility.

## Corporate Advisory and Risk Management Services

Reference should be made in the corporate advisory and risk management area to the credit operation hedge on the Luanda Shopping project, strengthening CaixaBI's position as the Group's competence centre for derivatives.

Owing to weak demand for interest rate hedges, CaixaBI has maintained its hedge risk structuring activity operations with tailor-made options and its development of foreign exchange and commodities hedges.

## Project Finance

In the case of project finance operations, reference should be made to the successful completion of the loan renegotiations for Spain's Castellón airport, culminating with the early reimbursement of the respective loan.

## Structured Finance

Operations structured on a corporate basis particularly included the completion of advisory services for the financial reorganisation of Efacec Group, for around €368 million.

## Venture Capital

Further work on the activity of securing and analysing suitable investment opportunities for inclusion in the four venture capital funds under Caixa Capital management was carried out in the first quarter. There was a total number of 73 projects under consideration of which 20 were archived or rejected, 47 remained under analysis and 6 were approved. Approvals comprised potential investment of around €61 million.

# Insurance Activity

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## Relevant aspects in 1st quarter 2014

The disposal process on Caixa Seguros e Saúde's equity investments in insurance activity proceeded in the sphere of the implementation of the measures established by the Economic and Financial Assistance Programme for the Portuguese state.

Reference should be made to the approval of the disposal of a majority stake of 80% in the Group's insurance area, scheduled for completion in second quarter 2014, at the Council of Ministers' Meeting of 9 January last.

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[Sale of a majority investment in insurance sector businesses](#)

## Increase in net results

In statutory terms, Caixa Seguros e Saúde, earned consolidated net income of €55 million in the first quarter of 2014. This was up €11 million over the preceding year, owing to a substantial improvement of results from the insurance area, particularly deriving from capital gains on the disposal of investments enabling it to compensate for the non-recurrence of the capital gains of €35 million made on the sale of HPP, SGPS in 2013.

According to the accounting standards applicable to CGD, net income was €45 million.

## Leadership in terms of insurance activity

Caixa Seguros e Saúde's insurance companies are the undisputed leaders of the national insurance sector with a global market share of 25.3% (25.0% for Life Insurance and 26.1% for Non-Life Insurance), totalling premium income of €941 million (€659 million for Life and €282 million for Non-Life insurance) from their insurance operations in Portugal.

## Insurance Activity Results

The technical margin on operations, including reinsurance and financial results was up €19 million over last year's amount to €155 million, owing to capital gains on the disposal of investments and the reduction of the Non-Life insurance claims rate which, in the preceding year was affected by the occurrence of particularly bad weather.

The high level compatibility between sales and returns translated the result of Caixa Seguros e Saúde's insurance companies' strategies, based on the development of insurance sales outlets, product policies and, particularly, an unrelenting quest to achieve qualitative differentiation in terms of the service provided to customers and business partners.

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Caixa Seguros with  
net earnings of  
€55 M

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Caixa Seguros leads  
the insurance sector

## 7 – Rating

In January 2014, S&P affirmed CGD's ratings, removing them from creditwatch with negative implications following an identical action on the long term rating of the Portuguese Republic.

	CGD			Portugal		
	Short Term	Long Term	Date	Short Term	Long Term	Date
Standard & Poor's	B	BB-	Jan-14	B	BB	May-14
FitchRatings	B	BB+	Jul-13	B	BB+	Apr-14
Moody's	N/P	Ba3	Dec-13	N/P	Ba2	May-14
DBRS	R-2 (mid)	BBB (low)	Jun-13	R-2 (mid)	BBB (low)	Dec-13

April and May saw an improvement of the "outlook" on the long term rating of the Portuguese Republic from "negative" to "positive" in the case of FitchRatings and from "negative" to "stable" in the case of S&P.

In May Moody's upgraded its long term rating on the Portuguese Republic to Ba2.

## 8 – Investment in the Future

CGD is Portugal’s most valuable brand. Our brand is a financial asset and a Portuguese value, largely deriving from the civic commitment and social responsibility component in most of the Group’s commercial and management practices.

Our brand: a financial asset and a Portuguese value

CGD remains the undisputed leader in terms of brand recognition in the banking sector. This recognition was enhanced in first quarter 2014, notwithstanding the improved scores achieved by banking brands in this area, in accordance with the Brandscore brand barometer.

CGD also acts as a legitimate ambassador in the Portuguese financial sector in terms of its application of best international practice as, in addition to being the largest Portuguese financial group with a presence in all Lusophone markets in 24 countries and 4 continents, CGD is Portugal’s most valuable and prestigious banking brand.

CGD’s activity is based on strong corporate management, with sustained business ethics, as its main driver and inspiration. CGD’s corporate sustainability programme encompasses key operating areas within the following range of policies and initiatives.

Corporate sustainability management based on a comprehensive set of policies and initiatives



Corporate responsibility: one of CGD’s main pillars

Corporate responsibility – comprising social, environmental and economic undertakings - is one of the mainstays of the Caixa brand as the Portuguese banking brand most associated with environmental sustainability and social responsibility and contribution to the country’s sustainable economic growth.

Reference should be made to the following initiatives:

- Food Bank – Food collections;
- Junior Achievement Portugal;
- Young VolunTeam;
- Blood Donors;
- Corporate Volunteerism;
- Collection and Donation of Goods.

Corporate responsibility, however, begins with CGD itself. CGD considers its employees to be one of its main strategic assets, essential to the Group's success, promoting common values, commitments and objectives across the Caixa community as a whole.

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People first

HR management concentrates on the adequate management of talent and knowledge, safeguarding the balance between professional, personal and family lives.

The current Environmental Management System has enabled improvements to be made and provided benefits in terms of energy, CO2 emissions, wastes, use of resources, literacy and environmental responsibility.

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Improvements and benefits in environmental performance

CGD's lead of the sustainable development domain is an investment in the future and the future is built today.

Following the signing of the commitment with the United Nations Global Compact, the world's biggest corporate responsibility initiative, CGD was a signatory to the Ten Global Compact Principles in the human rights, labour, environment and anti-corruption areas. These principles are based on the following:

- Universal Declaration of Human rights
- Declaration of the International Labour Organisation (ILO)
- Rio Declaration on the Environment and Development
- United National Convention on Corruption.

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CGD subscribes for the UN's 10 Global Compact principles

## 9 – Prizes and Distinctions

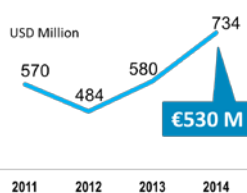
Caixa Geral de Depósitos remains the undisputed leader in terms of its brand recognition factor in the banking sector.

The different distinctions awarded to CGD demonstrate the recognition of the merit of CGD's sustainable development and its commitments to the future, on behalf of various generations, society, the national economy and environment.

The following are several of the prizes and distinctions awarded to CGD Group:

- **Prime Company** - Oekom Ranking
- **CGD the Most Valuable Banking Brand** - Brand Finance
- **Carbon Disclosure Project Leadership Index Disclosure (CDLI)** - CGD came in top position among Portuguese companies (99 points)
- **Carbon Disclosure Project Performance (CPLI)** – Best Iberian Bank (level A)
- **CGD Banking Brands with the Best Reputation** - Reputation Institute
- **Best Investment Bank in Portugal** - Global Finance; Global Banking & Finance Review and EMEA Finance - (Caixa BI)
- **No. 1 IPO & Seasoned Equity Offer House** - Euronext Lisbon Awards - (Caixa BI)

CGD: 27% increase in brand value over 2013



# 10 – Consolidated Balance Sheet

(31 March 2014)

(EUR million)

ASSETS	Mar/13 (*)	Dec/13	Mar/14	Change Mar/14 vs. Mar/13		Change Mar/14 vs. Dec/13	
				Total	(%)	Total	(%)
Cash and cash equivalents with central banks	1,576	1,545	1,235	-341	-21.6%	-311	-20.1%
Loans and advances to credit institutions	3,284	2,811	2,676	-608	-18.5%	-136	-4.8%
Loans and advances to customers	74,033	70,074	68,515	-5,518	-7.5%	-1,560	-2.2%
Securities investments	17,966	18,796	18,271	305	1.7%	-525	-2.8%
Assets with repurchase agreement	725	706	1,138	414	57.1%	433	61.3%
Non-current assets held for sale	13,649	13,456	13,839	190	1.4%	384	2.9%
Invest. in subsidiaries and associated companies	222	42	43	-179	-80.6%	1	1.7%
Intangible and tangible assets	890	815	799	-90	-10.2%	-16	-2.0%
Current tax assets	58	128	114	56	97.1%	-14	-11.1%
Deferred tax assets	1,302	1,378	1,336	33	2.6%	-42	-3.1%
Other assets	3,577	3,210	4,422	845	23.6%	1,212	37.7%
<b>Total Assets</b>	<b>117,282</b>	<b>112,963</b>	<b>112,388</b>	<b>-4,894</b>	<b>-4.2%</b>	<b>-575</b>	<b>-0.5%</b>
<b>LIABILITIES</b>							
Central banks' and credit institutions' resources	10,109	9,735	9,443	-666	-6.6%	-292	-3.0%
Customer resources	66,825	67,824	66,499	-326	-0.5%	-1,325	-2.0%
Financial liabilities	2,110	1,645	1,718	-393	-18.6%	73	4.4%
Debt securities	11,715	8,791	8,430	-3,284	-28.0%	-361	-4.1%
Non-current liabilities held for sale	11,689	11,591	11,842	153	1.3%	251	2.2%
Provisions	892	881	878	-14	-1.5%	-3	-0.3%
Subordinated liabilities	2,936	2,524	2,546	-390	-13.3%	23	0.9%
Other liabilities	3,643	3,151	3,351	-292	-8.0%	200	6.4%
<b>Total liabilities</b>	<b>109,919</b>	<b>106,142</b>	<b>104,708</b>	<b>-5,211</b>	<b>-4.7%</b>	<b>-1,434</b>	<b>-1.4%</b>
<b>Shareholders' Equity</b>	<b>7,363</b>	<b>6,821</b>	<b>7,681</b>	<b>318</b>	<b>4.3%</b>	<b>859</b>	<b>12.6%</b>
<b>Total</b>	<b>117,282</b>	<b>112,963</b>	<b>112,388</b>	<b>-4,894</b>	<b>-4.2%</b>	<b>-575</b>	<b>-0.5%</b>

(\*) Pro forma accounts, considering Caixa Seguros e Saúde, SGP's subsidiaries as non-current assets held for sale.

# 11 – Consolidated Income Statement

(31 March 2014)

(EUR thousand)

	Mar/13 (*)	Mar/14	Change	
			Total	(%)
Interest and similar income	905,622	876,010	-29,612	-3.3%
Interest and similar costs	730,602	643,324	-87,278	-11.9%
Net interest income	175,020	232,685	57,665	32.9%
Income from equity instruments	10,723	5,458	-5,265	-49.1%
<b>Net interest income including income from equity investments</b>	<b>185,743</b>	<b>238,144</b>	<b>52,401</b>	<b>28.2%</b>
Income from services and commissions	175,079	161,691	-13,388	-7.6%
Costs of services and commissions	35,911	35,187	-724	-2.0%
Commissions (net)	139,168	126,504	-12,664	-9.1%
Income from financial operations	101,081	123,046	21,965	21.7%
Other net operating income	3,115	26	-3,089	-99.2%
<b>Non-interest income</b>	<b>243,364</b>	<b>249,576</b>	<b>6,212</b>	<b>2.6%</b>
<b>Net operating income from banking operations</b>	<b>429,107</b>	<b>487,720</b>	<b>58,613</b>	<b>13.7%</b>
Employee costs	210,869	174,674	-36,194	-17.2%
Other administrative expenses	98,961	100,477	1,515	1.5%
Depreciation and amortisation	29,702	26,238	-3,464	-11.7%
Operating costs and depreciation	339,532	301,389	-38,143	-11.2%
<b>Gross operating income</b>	<b>89,575</b>	<b>186,331</b>	<b>96,756</b>	<b>108.0%</b>
Provisions and impairment of other assets (net)	29,945	3,348	-26,597	-88.8%
Credit impairment net of reversals	147,283	168,544	21,261	14.4%
<b>Provisions and impairment</b>	<b>177,228</b>	<b>171,892</b>	<b>-5,336</b>	<b>-3.0%</b>
<b>Income from subsidiaries held for sale</b>	<b>40,573</b>	<b>39,031</b>	<b>-1,542</b>	<b>-3.8%</b>
<b>Income from associated companies</b>	<b>1,272</b>	<b>1,718</b>	<b>446</b>	<b>35.1%</b>
<b>Income before tax and non-controlling interest</b>	<b>-45,808</b>	<b>55,188</b>	<b>100,996</b>	<b>-</b>
<b>Tax</b>	<b>-16,447</b>	<b>18,109</b>	<b>34,556</b>	<b>-</b>
Current and deferred	-22,730	10,816	33,546	-
Extraordinary contribution on the banking sector	6,284	7,293	1,010	16.1%
<b>Consolidated net income for period</b>	<b>-29,361</b>	<b>37,079</b>	<b>66,440</b>	<b>-</b>
of which:				
Non-controlling interest	7,071	14,646	7,575	107.1%
<b>Net Income attributable to CGD Shareholder</b>	<b>-36,432</b>	<b>22,432</b>	<b>58,865</b>	<b>-</b>

(\*) Pro forma accounts, considering Caixa Seguros e Saúde, SGP's subsidiaries as non-current assets held for sale.

Caixa Geral de Depósitos  
21 May 2014

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**Caixa Geral  
de Depósitos**

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