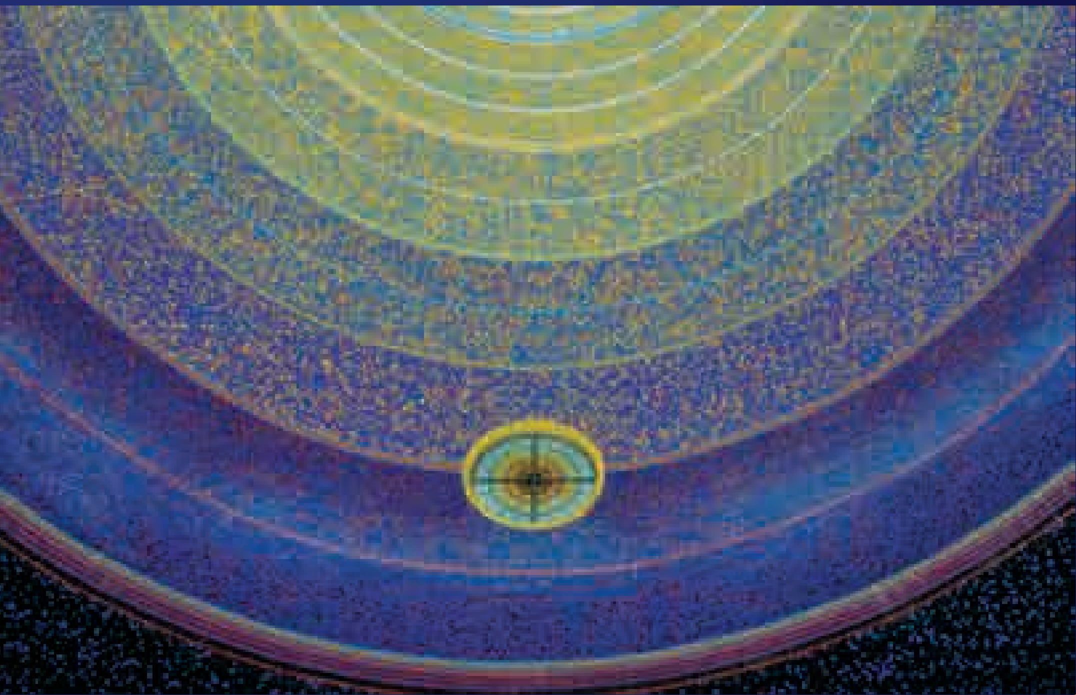
Annual Report | 2006



2006

Caixa Geral
de Depositos

MACROECONOMIC BACKGROUND

Eduardo Nery

Six collections, 89 cloths
1988

"Trapologia"
Various sizes

(Detail)

Caixa Geral de Depositos

Macroeconomic Background

World Economy

Overview

World economic growth, in 2006, remained robust with a 5.1% increase in GDP, in comparison to the year 2005 rate of 4.9%, albeit lower than the year 2004 rate of 5.3%. Overall performance was particularly positive, taking into account the existence of several constraints during the three year period of which special mention should be made of hikes in oil prices which more than doubled during the period, increasing by an average 17% in 2006, as well as the FED's and ECB's increases in market reference rates.

One of the principal contributory factors behind this good performance was more dynamic world trade. This was particularly so, in Asia which, excluding Japan, continued to be the most dynamic region with a more than 8% increase in GDP.

China, India and Russia maintained the highly dynamic levels of last year. China's expansion of 10.6%, in 2006, was both export and investment driven. The Chinese authorities introduced more restrictive monetary policy and investment measures in several sectors, in April, with the aim of cooling off a superheated economy. GDP in Russia, benefiting from increased energy prices and higher domestic demand, grew 6.8%

There was a slowdown in economic activity in the US, during the course of 2006, after expressive growths over the last few years. This reflected a significant cooling off of the real--estate market, with lower investment in housing, although 4th quarter re-acceleration increased GDP to 3.3%, in line with the 2005 figure. The reference rates increase cycle was interrupted in June 2006, at a Fed Funds rate of 5.25%, comprising a 100 b.p. increase in 2005 and a 425 b.p. increase since mid 2004.

The principal stock market indices, in 2006, continued to rise for the third year in a row, in several cases, to all-time highs. European indices also made significant gains, particularly the IBEX (34%), PSI-20 (30%), DAX (23%), CAC (19%) and Eurostoxx (22%). US markets also achieved new, all-time highs with the Dow Jones appreciating by 16%, S&P-500 by 14% and Nasdaq by 10%. Gains on the Japanese stock exchange were more modest with an increase of around 7% in the Nikkei.

Rates of Change (%)

	GDP		Inflation		Unemployment	
	2005	2006	2005	2006	2005	2006
European Union (25)	**1.7**	**2.9**	**2.2**	**2.2**	**8.8**	**7.9**
Eurozone	1.4	2.6	2.2	2.2	8.6	7.8
Germany	0.9	2.4	1.9	1.8	9.5	8.4
France	1.2	2.2	1.9	1.9	9.7	9.0
United Kingdom	1.9	2.7	2.1	2.3	4.7	5.3
Spain	3.5	3.8	3.4	3.6	9.2	8.6
Italy	0.0	1.7	2.2	2.2	7.7	7.1
US	**3.2**	**3.3**	**3.4**	**3.3**	**5.1**	**4.6**
Japan	**2.7**	**2.8**	**-0.6**	**0.3**	**4.4**	**4.2**
Russia	**6.4**	**6.8**	**10.9**	**9.0**		
China	**10.2**	**10.6**	**3.8**	**2.2**		
India	**8.5**	**8.0**	**4.1**	**5.0**		
Brazil	**2.3**	**3.1**	**5.7**	**3.0**		

Source: European Commission - Economic Outlook for Autumn 2006; Eurostat; OECD - Economic Outlook - November 2006.

European Union

The economic upturn in European Union countries and Eurozone was confirmed in 2006. The respective expansion rates of 2.9% and 2.6%, against 1.7% and 1.4%, in 2005, were the highest since 2001 and were basically fuelled by the huge growth in domestic demand, notably business investment, private consumption and export dynamism, sustained by the marked growth in external demand.

This positive performance was particularly felt in last quarter 2006, with a 3.4% increase in GDP in the EU and 3.3% increase in the Eurozone, in comparison to the same period 2005. Contributory factors were business investment with increases of 5.6% in the EU and 4.8% in the Eurozone, explained by corporate balance sheet restructuring operations, low interest rates and high levels of world demand for goods, in addition to household consumption with growths of 2.4% and 2.1% in the two areas, respectively. EU exports also increased by 8.6% and Eurozone exports by 9.8%, in the last three months of 2006, in comparison to the same period 2005.

German economic growth of 2.4% was the highest rate since 2000 and was essentially fuelled by domestic demand, particularly investment. The construction sector also evidenced recovery after a period of more than ten years of decline. This evolution, however, was in part due to the announced 16% to 19% increase in VAT, from 01 January 2007, which had the effect of bringing forward economic operators' expenditure and investment decisions.

The average annual rate of change of the Eurozone Harmonised Consumer Price Index, in 2006, was identical to preceding year's at 2.2%. With the exclusion of energy products and unprocessed foodstuffs, the rate remained unchanged over 2005, at 1.5%.

To ensure price stability, the European Central Bank (ECB) made five increases of 25 b.p. to its reference rate, in 2006, to an end of December figure of 3.5%.

Unemployment, although still high, registered significant improvement in comparison to 2005 figures from 8.8% to 7.9% in the European Union area and 7.8% in the Eurozone, benefiting from the more favourable evolution of economic activity and the labour market situation.

Progress was also made in terms of public finance, with an average budget deficit of 2% of GDP, in 2006, in the European Union and the Eurozone, in comparison to 2.3% and 2.4%, respectively, in 2005, principally deriving from higher fiscal revenues. Notwithstanding this overall improvement, five

European Union and Eurozone Economic Indicators

(%)

	European Union		Eurozone	
	2005	2006	2005	2006
Rates of change (%)				
Gross Domestic Product (GDP)	**1.7**	**2.9**	**1.4**	**2.6**
Private consumption	1.5	2.2	1.4	2.0
Public consumption	1.6	2.0	1.4	2.0
GFCF (investment)	3.0	4.9	2.5	4.3
Domestic demand	1.8	2.5	1.6	2.8
Exports	5.2	9.7	4.3	7.9
Imports	5.7	9.3	5.3	7.5
Inflation Rate (HCPI)	**2.2**	**2.2**	**2.2**	**2.2**
Ratios				
Unemployment rate	8.8	7.9	8.6	7.8
General government deficit as a % of GDP	-2.3	-2.0	-2.4	-2.0

Source: European Commission-Economic Outlook for Autumn 2006; Eurostat.

member states, including the two Eurozone members Italy and Portugal, continued to post a budget deficit of more than 3% of GDP in 2006.

Domestic Economy

Overview

In real terms GDP growth, in 2006, was 0.4% up over the preceding year to 1.2% and is expected to rise to around 1.8% in 2007. Notwithstanding such growth, recovery is still modest in comparison with other European economies and performance over the last few years has been constrained by external factors such as high dependence on oil in a context of rising prices and the growing integration of emerging economies in world trade, competing with lower production costs on export goods which are similar to Portugal's. Reference should also be made to the Portuguese economy's structural constraints which include the need to correct the imbalance on the public accounts in the context of the Stability and Growth Pact Programme and containment of consumption and housing investment, owing to the high levels of debt taken on by families allied with interest rate increases.

Recovery was sustained by a 9.3% rate of increase in exports. Imports, in turn, increased by around 4.3%, in annual terms, benefiting from the greater Eurozone buoyancy as well as in other non-European economies and those of Portugal's other trading partners.

Domestic demand stagnated, at 0.1%, owing to the downturn in private consumption (from 1.7% to 1.2%) and lower public consumption (-0.2%, against 1.9% in 2005) and investment (-3.1% against -2.6% in 2005). Notwithstanding the negative effect on growth, these developments were contributory factors to reducing imbalances in the economy.

Inflation grew at an average annual rate of 3.0%, in comparison to the preceding year's 2.1%. Higher inflation translates the effects of the price increases of several imports and foodstuffs and industrial goods, particularly in first half, in addition to the staged effect of the increase in VAT in mid 2005 and higher tax on tobacco.

The labour market witnessed a slight 0.7% increase in employment, moderately in line with economic recovery. Accordingly, unemployment, although high, has remained relatively stable at an average annual rate of 7.7%, similar to the 2005 figure.

Domestic Economy Indicators

(%)

	2004	2005	2006
GDP (Real rates of change)	**1.3**	**0.4**	**1.2**
Private consumption	2.3	1.7	1.2
Public consumption	2.6	1.9	-0.2
GFCF (investment)	0.2	-2.6	-3.1
Domestic demand	2.1	0.6	0.1
Exports	5.4	1.0	9.3
Imports	6.8	1.6	4.3
Inflation Rate	**2.5**	**2.1**	**3.0**
Ratios			
Unemployment (1)	6.7	7.6	7.7
Current and capital balance as a % of GDP	-5.9	-8.1	-7.6
General government deficit as a % of GDP	-2.9	-6.0	(2) - 3.9
Public debt as a % of GDP	61.6	64.0	67.4

Source: Bank of Portugal - Economic Bulletin - Winter 2006.
(1) Average annual rate.
(2) Announced by the Ministry of Finance on 19 March.

The favourable evolution of external demand reduced Portugal's domestic economy's financing requirements, as measured by the proportion of the current and capital account balances to GDP which fell from -8.1% to -7.6% in 2006 and whose value was heavily influenced by high oil prices and higher interest rates in 2006.

This context of economic recovery and government policy geared to reducing expenditure enabled the public sector to GDP deficit to be reduced from 6.0% to 3.9%, ensuring the fulfilment of the measures established in the Stability and Growth Programme and gradual consolidation of the public accounts.

Deposits and Credit Aggregates

The year 2006 witnessed a reduction in the domestic contribution to the M3 liquidity aggregate, excluding currency in circulation (mainly comprising liabilities repayable on demand with a maturity of up to 2 years), to 3.7%, particularly reflecting the evolution of total deposits, which growth rate was 4.5% as against 6.4% in 2005.

Monetary Aggregates in Portugal
Annual Rates of Change(a)

(%)

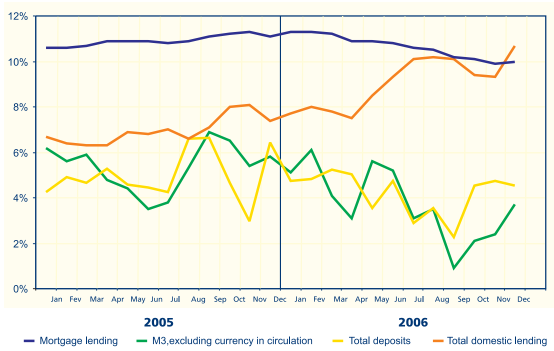
	2005	2006
M3, excluding currency in circulation	5.8	3.7
Total deposits	6.4	4.5
Corporate deposits	21.9	6.5
Individual customers' and emigrants' deposits	1.8	3.3
Total domestic lending	7.4	10.7
Loans to central and local government (b)	1.1	5.7
Corporate loans	5.5	10.7
Mortgage lending	11.1	10.0
Consumer and other credit	4.5	10.1

Source: Bank of Portugal - Statistics Bulletin for February 2007.
(a) Rates of change based on end of month balances. Deposit aggregates do not include NMFI (non-monetary financial institutions) deposits. Credit aggregates include securitised loans.
(b) Net of liabilities to central government.

There was a 10.7% increase in total domestic lending to diverse segments, except for mortgages, against the preceding year's 7.4%. Special reference should be made to the marked growth in consumer credit (from 4.5% in 2005 to 10.1% in 2006), corporate loans (from 5.5% to 10.7%) and central and local government (from 1.1% to 5.7%).

The slight reduction in the growth of mortgage lending (from 11.1% to 10%) was related with the sluggishness of the housing market.

Monetary and Lending Aggregates
(year-on-year)



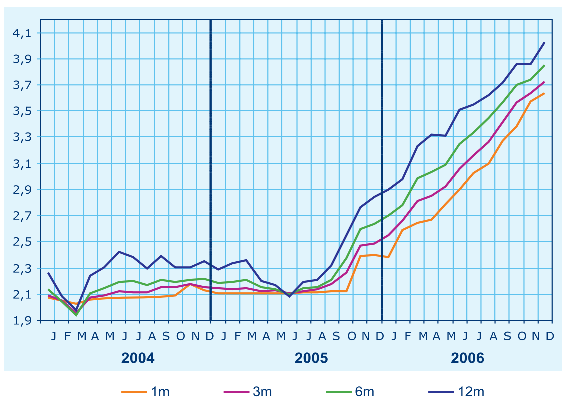
Source: Bank of Portugal - Statistics Bulletin for February 2007.

The credit aggregates analysis includes securitised loans to an end of year balance of EUR 14.1 billion (17.6% down over the preceding year) or around 5.8% of domestic lending.

Interest Rates

Five alterations of 25 b.p. each were made to the Central Bank's reference rate, during the course of 2006, in line with the rise in official ECB interest rates, starting December 2005, with Euro Money Market interest rates having risen by around 120 b.p. Euribor rates, for maturities of one, three, six and twelve months, were 3.63%, 3.73%, 3.85% and 4.03%, at year end, respectively. ECB policy reflected the existence of medium term price stability risks.

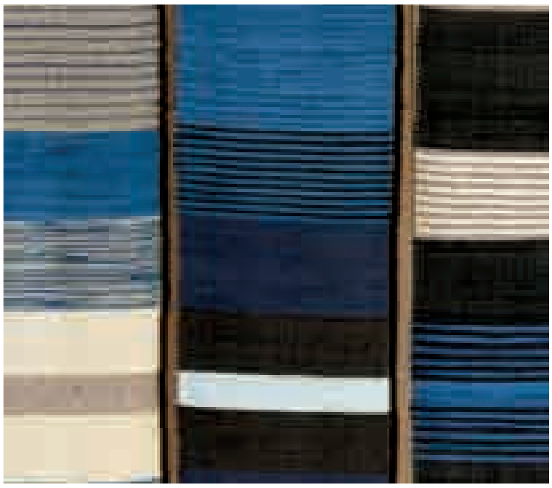
EURIBOR (*)



Source: Bank of Portugal - Statistics Bulletin.
(*) Values relative to last day of month.

In the banking sector and according to statistical information announced by the Bank of Portugal, average interest rates on lending and borrowing balances continued to increase in most segments, keeping pace with market reference rates. The rate on new loans to "non-financial companies" with a maturity of up to one year and for amounts of more than one million euros, was, accordingly, 5.03% at end 2006, against the preceding year's 3.93%. Mortgage lending rates increased from 3.50% to 4.40%, in 2006.

Interest on term deposits and savings accounts increased from 2.46% to 3.66% in the corporate sector and from 1.93% to 2.43%, for individual customers.



Interest Rates

(%)

	2005	2006			
	Dec.	**Mar.**	**Jun.**	**Sep.**	**Dec.**
Fed funds rate	**4.25**	**4.75**	**5.25**	**5.25**	**5.25**
ECB reference rate	**2.25**	**2.50**	**2.75**	**3.00**	**3.50**
Euribor (1)					
1 month	2.40	2.65	2.90	3.27	3.63
3 months	2.49	2.82	3.06	3.42	3.73
6 months	2.64	2.99	3.25	3.57	3.85
12 months	2.84	3.23	3.51	3.72	4.03
Interest rate on new credit operations (2)					
Non-financial companies (2)	3.93	3.88	4.20	4.53	5.03
Individual customers - mortgages	3.50	3.68	3.93	4.20	4.40
Interest rate on term deposits and savings accounts (3)					
Non-financial companies	2.46	2.55	2.79	3.06	3.66
Individual customers	1.93	1.99	2.05	2.20	2.43

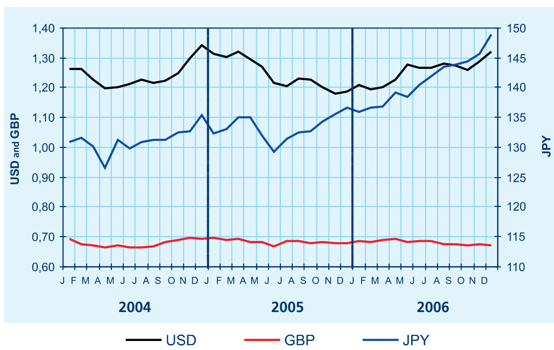
Source: Bank of Portugal - Statistics Bulletin for February 2007.
(1) Rates relative to last day of month.
(2) Operations of more than EUR 1 million.
(3) Maturity period of up to 2 years.

Exchange Rates

The preceding year's euro to US dollar exchange rate was inverted during the course of 2006, with the euro recording an average appreciation of 11.4% in December over the same period last year and increasing in value from USD 1.19 to USD 1.32.

The euro also appreciated 10.1% against the Japanese yen, a currency which accompanied the US dollars' trend but lost around 0.9% against sterling.

Euro Exchange Rates
(average monthly values)



Source: Bank of Portugal

Capital Market

Shares

There were fresh increases on the principal world stock markets in 2006. European indices, fuelled by news related with mergers and acquisitions, economic recovery and greater control of energy prices, particularly at year end, posted gains of around 20% for the second year in a row.

Announcements of corporate earnings systematically above target also comprised the principal support factor for the share market. The upwards movement was only interrupted in May and June after the Central Bank of Japan had decreed an increase in reference rates. The reaction of share indices, at the time in question, was particularly negative, with a huge increase in market volatility. The preceding weeks' losses were rapidly recovered, in early summer, in a movement also fuelled by the conviction that the US Federal Reserve would not announce additional increases to the respective reference rates. The principal share markets closed the year at levels similar to those in force at the beginning of 2000.

There were price increases in Europe, in all sectors, during the course of the year, particularly "raw materials", once more accompanied by "financial services" and "construction and materials". Gains were 75.9%, 48.67% and 37.6%, respectively.

The performance of the domestic equities market, with an appreciation of 29.9%, was higher than on the principal European markets and only exceeded by the Spanish market. Domestic trading of EUR 53.8 billion was up 61% during a year in which the PSI-20 index was powered by several events of which reference should be made to two take-over bids, one involving PT and Sonaecom, and the other BCP and BPI, plus the GALP privatisation.

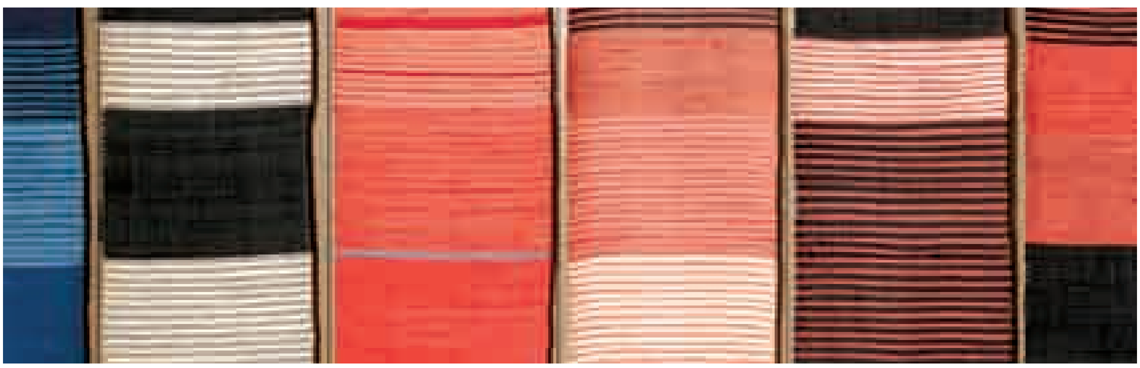
Bonds

Developments regarding ten year US bond yields in the first six months of the year were substantially different from the following six months. A marked upwards trend in the first six months provided US ten year rates with their best performance of the last six years. Notwithstanding fears generated by an evident cooling off of the housing market, a major spurt in the inflation figures and labour costs fuelled expectations that US reference rates would have to increase to a higher level than discounted to-date. The major fall in oil prices starting early August was a contributory factor in terms of the substantial slowdown in the growth of prices recorded in inflation reports. Major corrections were then made to rates, which ended the year only 31 b.p. higher than their December 2005 value.

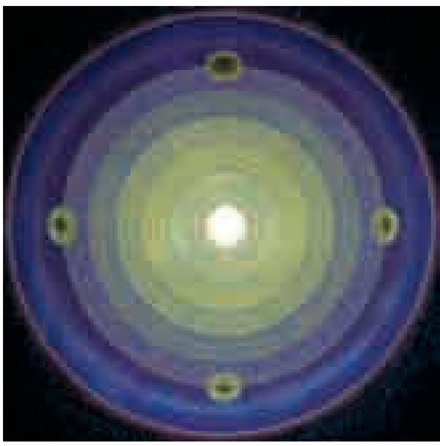
The performance of Eurozone ten year rates was similar, although the major increase in December led to an end of 2006 increase of around 64 b.p. over the end of 2005 level.

As regards the inclination of both curves, whereas, in the US the curve remained unaltered, the Eurozone curve flattened. The inclination's decrease went from 45 b.p. at end 2005 to only 5 b.p. at end 2006.

The differential between the ten year US and European Union rates decreased from 109 b.p. to 76 b.p., in 2006. The general bond market appreciated by around 1% in 2006, with a 0.3% fall in the European market.



CAIXA GERAL DE DEPÓSITOS



Eduardo Nery

Photographic reproduction of the dome of the southern entrance of Caixa Geral de Depósitos' head office building in Lisbon.
1993

Italian vitreous mosaics (vitreous tesserae measuring 2x2cm)
550 x Ø1100 cm

Caixa Geral
de Depositos

Caixa Geral de Depósitos

General Indicators

Balances at 31 December

(EUR million)

	CGD (Separate accounts)		CGD (Consolidated acounts)	
	2005	2006	2005	2006
Balance sheet:				
Loans and advances to credit institutions	12 102	12 731	9 861	9 137
Loans and advances to customers (gross)	45 416	51 388	51 337	58 824
Securities portfolio	9 373	10 597	19 368	21 123
Central banks' and credit institutions' resources	9 601	10 302	4 386	5 504
Customer resources	43 192	47 057	50 162	53 768
Debt securities	8 870	10 708	11 652	13 360
Shareholders' equity	3 986	4 537	4 325	5 014
Assets (net)	73 648	81 892	86 461	96 246
Operating income:				
Net interest income from equity instruments	1 168	1 580	1 454	1 778
Non-interest income	605	513	658	619
Technical income from insurance operations	-	-	513	586
Net operating income	1 773	2 094	2 625	2 983
Gross operating income	752	1 026	998	1 288
Income before tax	377	690	674	990
Net income	351	540	538	734
Ratios:				
Solvency ratio (Bank of Portugal)	11.0%	8.9%	12.4%	10.5%
TIER 1 (Bank of Portugal)	7.5%	7.6%	7.4%	7.4%
Non-performing credit/Total credit [(a)]	2.69%	2.33%	2.69%	2.29%
Non-performing credit, net/Total credit, net [(a)]	-	-	-0.04%	-0.37%
Overdue credit /Total credit	2.39%	2.11%	2.44%	2.15%
Accumulated impairment/Overdue credit	-	-	111.7%	123.2%
Accumulated impairment/Credit more than 90 days overdue	-	-	125.2%	138.5%
Cost to income	57.3%	50.7%	61.2%	54.6%
ROE (after tax)	-	-	15.1%	16.5%
ROA (after tax)	-	-	0.67%	0.85%
Market share in Portugal:				
Loans and advances to customers	22.1%	21.2%	-	-
Customer deposits	30.2%	29.9%	-	-
Other indicators:				
Employees [(b) (c)]	10 832	10 442	20 778	20 030
Banking institutions	10 832	10 442	13 646	13 457
Insurance companies	-	-	3 822	3 441
Financial companies	-	-	308	332
Other activities	-	-	3 002	2 800
Branches	831	849	1 099	1 136
Portugal	770	788	771	789
Abroad	61	61	328	347
Number of representative offices	6	6	10	11

(a) As defined in the chapter on Financial Analysis - Consolidated Operations.
(b) This table does not include 311 CGD employees in the Caixa Geral de Aposentações Support Department or 100 employees engaged on public service secondment or in other situations.
(c) Does not include Compal employees.

Operating Summary

Results (*)

Caixa Geral de Depósitos Group's consolidated net income was up 36.5%, in 2006, to EUR 733.8 million against the previous year's EUR 537.7 million. Income before tax and minority shareholders' interests was up 46.9% over 2005 to EUR 989.8 million.

Net operating income (from banking and insurance operations) totalled EUR 2 983 million which, excluding capital gains realised on the year 2005 disposal of Unibanco, represented a 22.2% increase of EUR 541.50 million.

Net interest income was up 22.2% to EUR 1 778 million, essentially fuelled by a 24.9% improvement in interest income.

Non-interest income was EUR 618.7 million which, excluding the capital gain on the disposal of the equity investment in Unibanco, corresponds to a 30.4% growth. Technical income from insurance operations whose rate of growth in insurance premiums was slightly lower than claims costs, was up 14.4% to EUR 586.2 million, contributing to this increase the 26.9% growth in income margin on insurance contract investments.

Operating costs - employee costs, external supplies and services and depreciation - were up 4.1% to EUR 1 694.8 million.

Cost-to-income was down from 61.2% to 54.6% and in the banking sphere from 57.7% to 51.9%.

Income from associated companies, consolidated by the equity accounting method, totalled EUR 109.7 million, almost all of which originating in REN and particularly deriving from the capital gains realised on the said company's disposal of its investment in GALP. CGD, however, allocated this non-recurring revenue to impairment and provisions appropriations.

Credit impairment appropriations, net of reversals totalled EUR 232 million. The provisions appropriation was EUR 106.4 million.

There was an 87% growth in income tax over the previous year to EUR 222.5 million. The effective tax rate was 23.3%.

Return on equity (ROE) after tax, was 16.5% (21.3% before tax) and return on assets (ROA) was 0.85% (1.1% before tax). These ratios are significantly better than in 2005.

CGD Group's net assets were up 11.3% over the previous year to EUR 96.2 billion. Growth was essentially fuelled by increases in loans and advances to customers with a 14.7% increase of EUR 7.3 billion and securities investments with a 9.1% increase of EUR 1.8 billion. The insurance sector, with EUR 12 billion, accounted for around 12% of the total.

There was also a significant improvement in asset quality, with an overdue to total credit ratio of 2.1% against the previous year's 2.4% and a non-performing credit rate of 2.29%, calculated under Bank of Portugal rules (against 2.69% in December 2005).

Accumulated impairment on loans and advances to customers at year end (normal and overdue) was EUR 1 556 million, having been reinforced by EUR 155 million (up 11.1%), representing a coverage level of 138.5% on credit overdue for more than 90 days.

Total resources taken by the group, excluding the money market were up 10.6% to EUR 87.6 billion. There was a 10.6% increase in balance sheet resources to EUR 74.8 billion and 10.5% increase in off-balance sheet resources to EUR 12.7 billion.

Reference should be made, in the group's balance sheet, to the 8.3% increase in resources from the retail segment to EUR 61.5 billion, particularly the 7.2% increase in bank deposits to EUR 51.2 billion and 25% increase in capitalisation insurance to EUR 7.9 billion.

(*) Considering the consolidation of Compal by the equity accounting method.

Shareholders' equity with a 15.9% increase of EUR 688.4 million over December 2005, totalled EUR 5 billion.

The solvency ratio, calculated under Bank of Portugal rules, was around 10.5%, in comparison to the previous year's 12.4% and the year 2004 value of 9.4%. The decrease essentially derives from regulatory changes of which special reference should be made to the application of the financial conglomerates directive to CGD, under which investments in insurance companies should be deducted from own funds, in addition to the year 2006 alteration in the processing of the provision for general credit risks almost all of which ceased to be a part of own funds.

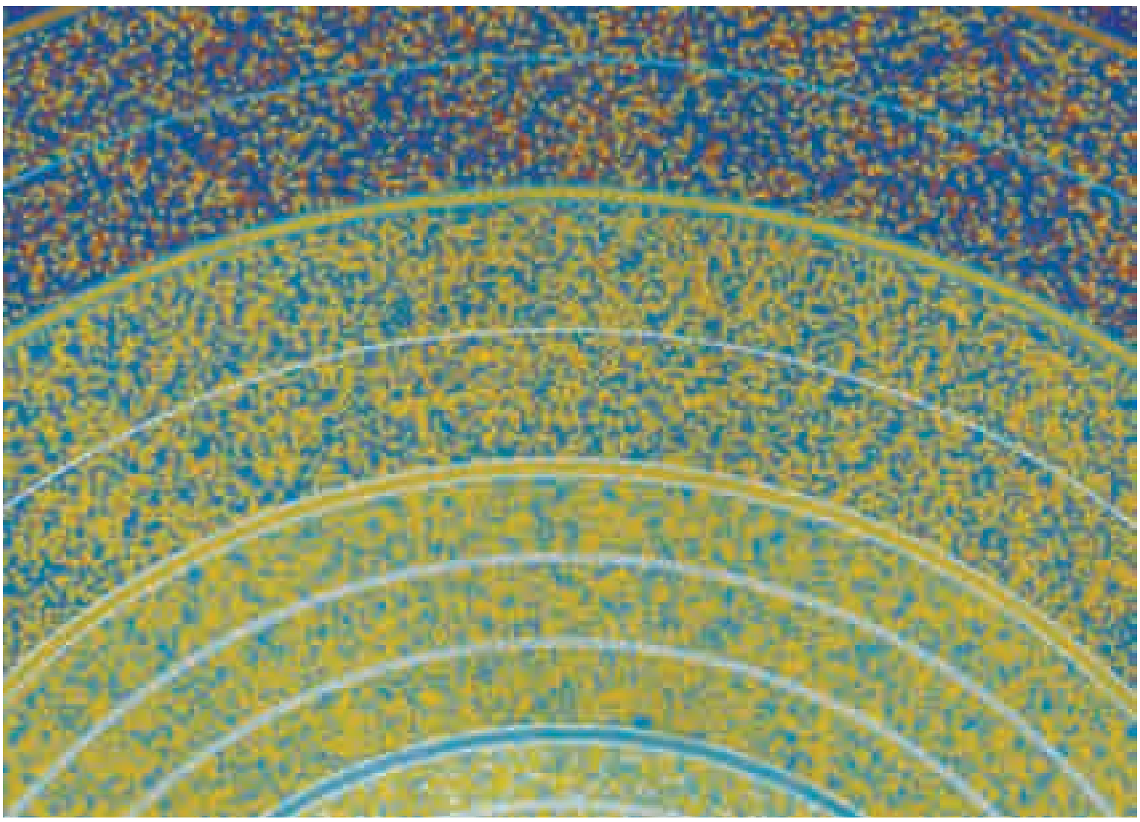
The value of both the TIER 1 basis own funds ratio, however, at 7.4% and the Core Tier 1 ratio, at 6.2%, are similar to last year's.

Group Rating

The three principal international rating agencies - STANDARD & POOR'S, MOODY'S, and FITCHRATINGS confirmed the ratings on Caixa Geral de Depósitos' short and long term financial liabilities, in 2006. These are the highest awarded to a Portuguese bank and place CGD in the same risk category as the most solid international financial institutions.

FITCHRATINGS' revision of CGD's "outlook" from stable to negative, in September 2005, exclusively translated the similar alteration to the ratings attributed to the Portuguese Republic ("sovereign ratings").

	Short Term	Long Term	Outlook	
STANDARD & POOR'S	A-1	A+	Stable	July 2006
MOODY'S	Prime -1	Aa3	Stable	September 2006
FITCHRATINGS	F1+	AA-	Negative	September 2006



The following summary has been based on a constant review of the reports issued by the three rating agencies:

Standard & Poor's, July 2006

"The ratings on Caixa Geral de Depósitos, SA (CGD) are supported by the bank's full ownership by the Republic of Portugal (AA-/Stable/A-1+); ironclad franchise in domestic retail banking, which provides it with a large, stable, and low-cost funding base; and overall adequate financial profile. At the same time, CGD's tight solvency position, high single-name risk concentration, and equity risk exposure weigh negatively on the ratings."

Moody's, September 2006

"Caixa Geral de Depósitos, SA's Aa3/P-1/B ratings, with stable outlook, are underpinned by the bank's leading market shares in Portugal, its strong funding, and relatively low business risk profile with a diversified franchise and half of the loan book comprising residential mortgages. The ratings also take into account the increasingly harsh competitive pressures, the bank's adequate asset quality indicators, the challenge of increasing its penetration in client segments where it is under-represented, and expanding its non-interest income through cross-selling, while maintaining cost efficiency and a relatively low risk profile.

[...]

While CGD's debt and deposit ratings take account of potential state support in the currently unlikely event of a distressed scenario, this is not a key rating driver, as reflected in the bank's B financial strength rating (FSR). So, for example, we would not expect (currently unlikely) privatisation of CGD to imply a downgrade of its long-term deposit ratings, as long as it is not accompanied by a change in the bank's business risk profile, or a material deterioration of its franchise or financial fundamentals.

[...]

CGD remains a major force in the banking system and benefits from a position in its domestic market that very few other European institutions can boast in their own countries."

FitchRatings, September 2006

"The IDR(*), Short-term and Support ratings of Caixa Geral de Depósitos (CGD) (AA-/F1+/1) reflect its state ownership and its strong franchise, with a dominant market share of retail deposits and mortgage lending. The individual rating reflects its relatively low appetite for credit risk and adequate capitalisation and it also takes into account a relative improvement in its operating profitability as well as some risk concentration from large equity investments.

CGD's ratings have a Negative Outlook reflecting the Negative Outlook on Portugal's sovereign ratings.

An upward movement in its IDR is currently constrained by the bank's size and growth prospects in the Portuguese market. Downside risk for CGD's ratings would arise if the sovereign ratings were downgraded or if CGD's profitability and capitalisation were to deteriorate significantly."

(*) IDR - Issuer Default Rating: comprising short term rating.

Group Overview

CGD Group has consolidated and stabilised its domestic operations. In the international area, the group has endeavoured to place its extensive network at the disposal of Portuguese companies' international processes. It has also started work on the process for the adoption of an international brand, common to its foreign network.

CGD took a 1% stake in GALP Energia as part of its risk diversification policy and dynamic financial investments management. CGD Group also increased the size of its equity investment in Cimpor, to 2.08%.

In the insurance sphere, CGD Group was authorised to set up Multicare - Seguros de Saúde, for insurance and reinsurance operations in the health insurance sector. The new LCS - Linha de Cuidados de Saúde company was also set up in this area, to manage the Portuguese National Health Service's Call Centre. Reference should also be made to the memorandum of understanding with USP Hospitales, the biggest Spanish hospital group, providing for an exchange of equity investments with HPP - Hospitais Privados de Portugal, SGPS.

The specialised credit sector saw the completion of the operational integration of Caixa Crédito SFAC into Caixa Leasing e Factoring - IFIC, operating as an umbrella organisation for the four property and equipment leasing, factoring and consumer credit businesses.

In terms of asset management operations, reference should be made to the positive performance of different asset classes most of which outperforming the market. Contributory factors were the launch of new funds, providing CGD Group customers with a diversified offer, enabling them to maximise investment return.

In the case of venture capital and as part of Portugal's biggest private equity operation over the last few years, reference should be made to the disposal of the full amount of the share capital of Nutricafés - Cafés e Restauração, SA, owned by Inbepor - Investimentos em Bebidas Portugal, SGPS, SA, in addition to Inbepor's incorporation of Compal, with the new company being known as COMPAL - Companhia Produtora de Conservas Alimentares, SA.

In early 2007, Caixa Desenvolvimento, SGPS, SA, disposed of 6% of COMPAL's share capital to FIQ Grupo CGD - Caixa Capital - Fundo de Capital de Risco para Investidores Qualificados. This operation gave Caixa Desenvolvimento control of 49% and FIQ Grupo CGD 31% of COMPAL's share capital.

In the international area and in addition to the observation already made, reference should also be made, in Spain, to the alteration of CGD Group's name and brand from Banco Siméon to Banco Caixa Geral. The new name, as part of the bank's modernisation and expansion plans, in addition to its creation of an internationally recognised corporate identity, constitutes a sign of commitment and the strengthening of the association with CGD in Portugal, increasing the group's recognition factor.

In December, CGD notified the Central Bank of Brazil of its intention to set up a new bank geared to business areas already developed in the Brazilian market, particularly investment banking and trade finance. This represents CGD Group's physical return to Brazil, after the sale of its Unibanco investment, in 2005.

CGD Group increased the share capital of its Macau offshore subsidiary, at year end, to adjust the adequacy of its own funds, in accordance with the rules in force in the territory of Macau. Share capital was increased to MOP 120 million, through the issue of 70 000 new shares with a nominal value of one thousand patacas each.

In the United States, CGD Group sold off its 51% investment in the share capital of the CGD USA, Holding Company, of which, Crown Bank was, in turn, a wholly owned subsidiary.

In domestic terms, reference should also be made to the reorganisation of the WEB area, with the completion of the Caixaweb - Serviços, SA and Imoportal merger, to form a new company known as Caixatec - Tecnologias de Comunicação. Technical and consultancy services in the contents and multimedia areas, which are complementary to CGD's business, were therefore concentrated into a single company, pursuant to which the holding company Caixaweb, SGPS and Portal Executivo were dissolved.

The group also increased the size of its investment in the share capital of Culturgest - Gestão de Espaços Culturais from 90% to 96%.

Group Dimension and International Ranking

CGD continues to be the retail banking leader, in Portugal, with market shares of around 30% in terms of customer deposits, increasing to 35.2% and 39.7%, in the individual customers' and emigrants' sectors, respectively.

CGD's total market share of loans and advances to customers was 21.2%, particularly mortgage lending with 30.9% (27.7% including securitised loans) and loans and advances to central and local government with more than 56%.

Dimension of Group - Market Shares in Portugal

	Dec. 2005		Dec. 2006	
	Share	Ranking	Share	Ranking
Banking				
Assets (net) [a]	30.9%	1st	31.3%	1st
Loans and advances to customers [b]	22.1%	2nd	21.2%	2nd
Corporate loans	13.7%	n.a.	13.4%	n.a.
Loans and advances to individual customers	28.1%	n.a.	26.1%	n.a.
Mortgage lending	33.5%	1st	30.9%	1st
Customer deposits [b]	30.2%	1st	29.9%	1st
Individual customers' deposits	35.8%	1st	35.2%	1st
Net income [a]	24.9%	2nd	27.5%	2nd
Insurance [c]	**22.3%**	**1st**	**24.2%**	**1st**
Life	16.6%	3rd	20.0%	1st
Non-life	34.3%	1st	32.6%	1st
Specialised credit [d]				
Property leasing	11.4%	4th	15.0%	3rd
Equipment leasing	9.2%	5th	10.1%	4th
Factoring	14.2%	3rd	13.9%	4th
Asset management				
Unit trust funds [e]	19.3%	2nd	21.9%	1st
Property funds [e]	11.7%	3rd	12.9%	2nd
Pension funds [f]	6.0%	6th	5.9%	6th
Wealth management [g]	11.3%	3rd	25.1%	2nd

(a) Considering the consolidated operations of the five biggest Portuguese banking system groups.
(b) Source: Bank of Portugal (Monetary and Financial Statistics). Credit does not include securitised operations.
(c) Source: Portuguese Insurance Institute. Operations in Portugal.
(d) Source: ALF (Portuguese Leasing and Factoring Association).
(e) Source: APFIPP (Portuguese Investment Funds, Pensions and Wealth Association).
(f) Source: Portuguese Insurance Institute. CGD Pensões, SA and Fidelidade-Mundial, SA shares quoted jointly (provisory).
(g) Source CMVM: Non-adjusted share owing to a double accounting problem with other management companies, as referred to in CMVM Asset Management reports.

Annual market share of insurance sales was 24.2%, split up between life insurance with 20% and non-life insurance with 32.6%.

The specialised credit area's global performance was also highly favourable, with a 56% increase in property leasing sales, increasing market share to 15%.

Caixagest achieved lead position in the asset management (unit trust funds) sector, now coming 1st in the ranking of management companies operating in Portugal, with a market share of 21.9%, against 19.3% in 2005. Fundimo also outperformed growth in the property leasing market, achieving a market share of 12.9% (11.7% in 2005) and rising to 2nd place in the management companies ranking.

CaixaBI was the leading Portuguese bank in terms of bond loan issues, in 2006, and is the only Portuguese institution in Bloomberg's top 10 ranking. The same data rank CaixaBI as the fourth biggest global institution.

In project finance, CaixaBI was the major mandated lead arranger Portuguese bank. Dealogic's League Tables rank CaixaBI in 1st place on the domestic scene, 3rd in the Iberian Peninsula and 6th in Europe.

According to the Bloomberg ranking, CaixaBI was the biggest Portuguese investment bank in the financial advisory area, in 2006, leading the mergers and acquisitions sector in Portugal in terms of completed transactions.

International Ranking

CGD, in world terms, retained 109th position in terms of the ranking of the biggest worldwide banking institutions, measured by asset volume and 140th by shareholders' equity (136th in 2005), according to the July 2006 issue of "The Banker". CGD improved its position relative to European banks, both on the basis of asset value, improving from 69th position, in 2005, to 68th in 2006 and volume of shareholders' equity, improving from 64th to 60th position (October 2006 issue of "The Banker").

Caixa Geral de Depósitos Group 31 December 2006

Commercial Banking

- Caixa Geral de Depósitos
- BANCO CAIXA GERAL (Spain) 99.8 %
- BANCO NACIONAL ULTRAMARINO (Macau) 100.0 %
- MERCANTILE BANK HOLDINGS (South Africa) 91.8 %
- CAIXA INTERNACIONAL, SGPS 100.0 %
- B. COMERCIAL E DE INVESTIMENTOS (Mozambique) 42.0 %

Investment Banking and Venture Capital

- GERBANCA, SGPS 100.0 %
- CAIXA-BANCO DE INVESTIMENTO 99.7 %
- CAIXA CAPITAL 100.0 %

Asset Management

- CAIXA - GESTÃO DE ACTIVOS, SGPS 100.0 %
- CAIXAGEST 100.0 %
- CGD PENSÕES 100.0 %

Specialised Credit

- CAIXA LEASING E FACTORING-IFIC 100.0 %
- BCI-ALD (Mozambique) 100.0 %

Insurance

- CAIXA SEGUROS, SGPS 100.0 %
- Companhia de Seguros FIDELIDADE MUNDIAL 100.0 %
- IMPÉRIO BONANÇA, Companhia de Seguros 100.0 %
- HPP Hospitais Privados de Portugal, SGPS 100.0 %
- GEP Gestão de Peritagens Automóveis 100.0 %
- EAPS Empresa de Análise Prevenção e Segurança 100.0 %

Auxiliary Services

- CULTURGEST 96.0 %
- CAIXANET 80.0 %
- IMOCAIXA 100.0 %

Holding Companies

- CAIXA-PARTICIPAÇÕES, SGPS 100.0 %

Other Equity Investments 31 December 2006

Complementary Financial Area Companies

- SIBS 21.6 %
- JETCO (Macau) 0.01 %
- INTERBANCOS (Mozambique) 36.95 %
- UNICRE 17.6 %
- EURONEXT 0.38%
- EUFISERV 3.9 %

Investments in Financial Institutions

- BANCO COMERCIAL PORTUGUÊS 2.4 %
- BANCO INTER. S.TOMÉ E PRÍNCIPE 27.0 %
- F. TURISMO, Soc. Gest. Fundos Inv. Imobiliário 33.5 %

Other Investments

- PORTUGAL TELECOM 5.13 %
- EDP 5.0 %
- CIMPOR 2.08 %
- SEAP (Macao) 25.0 %
- TAGUSPARQUE 10.0 %
- GCI-SOC. CAPITAL DE RISCO (Mozambique) 39.0 %

CAIXA GERAL DEP. SUBS. OFFSHORE MACAU
100.0 %

BANCO INTERATLÂNTICO
(Cape Verde)
70.0 %

BANCO COM. ATLÂNTICO
(Cape Verde)
65.0 %

CAIXA DESENVOLVIMENTO, SGPS
100.0 %

A PROMOTORA
(Cape Verde)
62.2 %

FUNDIMO
100.0 %

VIA DIRECTA
Companhia de Seguros
100.0 %

CARES
Companhia de Seguros
100.0 %

GARANTIA
(Cape Verde)
80.9 %

EPS
Gestão de Sistemas de Saúde
100.0 %

LCS
Linha de Cuidados de Saúde
100.0 %

FIDELIDADE MUNDIAL, SGII
100.0 %

SOGRUPO
Serviços Administrativos, ACE

SOGRUPO
Sistemas de Informação, ACE

SOGRUPO IV
Gestão de Imóveis, ACE

SISP
(Cape Verde)
20.0 %

ESEGUR
50.0 %

LOCARENT
45.0 %

REN
Rede Eléctrica Nacional
19.99 %

AdP
Águas de Portugal, SGPS
20.37 %

GALP ENERGIA
1.39 %

PT MULTIMÉDIA
1.44 %

Business Areas

Retail Banking

CGD continued to apply its "customer first" approach to retail banking in Portugal, during the course of the year, as redefined under the terms of Project Leader, aimed at achieving higher levels of return and turnover and reinforcing its lead in the referred to banking area.

The project was launched for the three year period 2005--2007. It is, currently, geared to consolidating value proposals for the Premium Customers, SMEs, University and Small Businesses segments, in terms of the launch of new, pioneering products and services, in addition to actions designed to improve the quality of customer service, information systems and commercial operations support tools. Functional and organic changes were made in the commercial area and a new specific personal enquiries model implemented in branch offices, with the involvement of all key Caixa areas. Also considered to be of decisive importance was the active promotion of new electronic banking and distribution channels for banking operations.

Segments and Products

Premium Customers

The Premium Customers segment witnessed the consolidation of the Caixazul brand. The segment, work upon which is due for completion in first half 2007, was expanded to around 40 new branch offices. The network has been extremely busy in commercial terms, incentivised by account managers' knowledge of the segment portfolio as a whole and consequent improvement of constant, personalised, effective, trust-based customer relationships.

Targets were achieved on a cross selling platform on the Premium Customers network and other actions, such as:

• The creation of 80 new Caixazul areas in branch offices, expanding to 456 at year end and installation of 10 new personal enquiry positions, to 206 in December;
• The creation of the New Premium Customers/Caixazul Communications Channel and the New Revista Azul Editorial Line;
• The launch of specific customer-centric: "Know your Customer", "Day-to-Day Management" and "Greater Commitment" campaigns;
• Improvements to commercial operations support tools with the new CRM functionalities;
• Supply of a Caixazul Service and Individual Customers management handbook to all bank workers with respective management functions;
• Launch of specific products and services:
  - Caixazul Housing and Land - special benefits in terms of spread and conveyancing documents with CasaFácil and CasaFácil Plus services;
  - Caixazul Card (a deferred debit card identifying Caixazul customers).

Under the terms of this service, attractive terms on financial products and services in the form of special agreements between the respective associations and CGD are provided to several leading professional categories.

Young People's and University Segment

More robust university segment management has consolidated the model geared to students in higher education, based on a younger, modern, pioneering communication channel providing for their specific interests, intensive use of telephone and electronic channels and personal service on a special commercial university network.

The pillars of this service comprise the AUC - Central University Branch Office and other university branches. AUC which has the commercial/relational responsibility for this segment, provides young customers with distance banking services using the Caixa University Polytechnic Service by telephone, internet and e-mail. AUC's activity, as a prime outbound action channel has made it possible to expand the field of operations with diverse campaigns geared to the segment.

The provision of personal service at university branch offices located on university campuses was significantly improved by the introduction of a new personal enquiries model based on a specific layout, complemented by specific training actions tailored to the segment, with positive results in the rate of retention of student customers and their involvement with Caixa. A friendly, efficient enquiries service, associated with personalisation, speed and ease of resolution of different situations are its main distinguishing features.

Adjustments to the model and their corresponding implications in terms of offer saw the 2006 development of online deposits as an exclusive product for young people and university students using "Caixadirecta" and "Caixadirecta *on-line*" services. In line with the same approach, "Fórmula U" vehicle credit is now part of Caixa's permanent offer.

Various other campaigns and actions were launched during the course of the year. These included saving and investments, online deposits, ISIC credit card, "entry to the world of work", Caixa Classic cards for final year students and recent graduates, university leagues, new university year, bonuses on new subscriptions for products and services, Bonus track and invitations to academic parties and employment forums in institutions of higher education.

Caixa's strategic interest in maintaining good relationships with such institutions explains the renewal of a broad range of protocols, as a formal instrument for setting out benefits for each educational establishment's academic population.

Diverse initiatives to increase traffic and registered CUP - *www.cup.pt* portal users were launched. They included support for the promotion of communications campaigns, presentation of theme dossiers of interest to students in institutions of higher education, prize draws, etc.

Young People's Segment

Caixa, in the under 18's segment and as an integral part of its strategy for the next three years, has made a fresh communicational approach to the juniors' and young people's segment, creating special supports for each target area. For young people up to the age of 11, we launched a campaign entitled: "A Konta que conta a valer" and another account for the 12 to 17 year olds called: "Faz a Konta à tua independência". Communication, in the former case, was geared to parents and other account members and in the latter case, directly to the young people themselves.

Other communication actions, based on the same approach, were organised during the course of the year. Several were geared to the segment's needs, with the campaign "Chegou a Konta que tem tudo a ver contigo" on the Conta Caixa Jovem, others, to an investor profile as in the case of "World Savings Day".

Reference should be made to our "World Children's Day" activities when Caixa invited hundreds of children to visit its branch counters "to play" at banking and learn a little about the value of money and simple operations performed at branch offices.

Caixa, on the themes of "committed to the future" and "mathematics for all" organised the Caixamat event, in collaboration with the University of Aveiro. This is a mathematics roadshow, under the aegis of the PmatE - Projecto Matemática Ensino programme which visited 29 schools all over the country.

Portuguese Residents Abroad Segment

A special campaign was launched for the Portuguese residents abroad segment. It was shown in the principal communications media, based on the concept "Caixa is already a part of the lives of thousands of Portuguese all over the World", positioning Caixa as a benchmark operator for Portuguese citizens abroad, with solutions designed to meet the needs of different customer profiles.

The LD<30 card was also launched in first half. The card is geared to young people of Portuguese descent between the ages of 12 - 29. In addition to comprising a practical, secure payment media, it also provides a series of benefits in such areas as, inter alia, culture, sport, travel and accommodation.

In second half 2006, and to keep pace with the trend towards an increasingly competitive market, taking into account the high levels of investment in the construction of tourism resorts in Portugal, Caixa launched its "Live in

Portugal" residential tourism mortgage offer for foreigners interested in buying a second home in Portugal (see, section on Mortgage Lending). Specialised personal enquiries services were set up in strategically located branch offices in Óbidos in the western zone, our Lisbon headquarters and in the Algarve.

Caixa keeps in regular contact with this segment in its "Caixa in the World" newsletter which was renamed and revamped this year, optimising contents and making it easier and more pleasant to read. Customers resident abroad also have an exclusive area on the: *www.cgd.pt/english/index.htm* site.

Corporate Segment

Caixa's principal corporate sector objectives are geared to reinforcing its market share and growth in the small businesses and SME banking areas, increasing volume of business per customer and improving return.

The principal actions taken in this segment during the course of the year, particularly include:

• The reorganisation of our SME offer, providing information on the full range of respective products and services: current management, investment, international and sectoral offer.

• Small enterprises - product offer improvements, with integrated solutions tailored to individual operating sectors, particularly property promotion and construction, use of credit cards, vehicle finance and further enhancements to the internet banking service.

• Microcredit - start-up and provision of microcredit, resulting from protocols entered into, in 2005, with the Jesuit Refugee Service (JRS), National Association for the Right to Credit (ANDC) and National Association of Young Businesspeople (ANJE), making a positive solution to combating social and economic exclusion and boosting entrepreneurialism, supporting the creation of self-employment and small businesses.

• Iberian Offer - selection of several key products and services meeting the principal needs of "Iberian customers", benefiting from synergies between CGD in Portugal and Banco Caixa Geral in Spain (BCG). The objective is to exploit business opportunities resulting from the progressive integration of the Portuguese and Spanish economies.

Opening an account in Spain from any Caixa branch office or, in Portugal, from any BCG branch, in addition to transferring money between accounts at the two branches, is now a simple and speedy operation.

Caixa, on the basis of new processes, competitive conditions and bilateral business commercial support structures also provides a vast Iberian-wide branch office and corporate office network.

• Line of credit for fisheries - creation of a subsidised line of credit to finance fisheries sector entities to offset production cost increases, deriving from higher fuel prices. This line of credit is regulated under Decree Law 179/2006 of 05 September and IFADAP Circular 6/2006.

• Franchising offer - reformulation of this offer pursuant to the development of solutions geared to entrepreneurialism, targeted at companies and businesspeople operating under their own name who run or intend to run a franchising business, in a high growth area in the domestic market.

• Automatic payment terminals - launch of a mobility solution, comprising two new items of equipment - Portable DECT, permitting total mobility within a range of 250 metres and APT GPRS which can be used anywhere covered by a mobile network, including communication costs with no transaction limits.

• Business and CaixaWorks cards - launch of these cards, for companies. (See chapter on Payment Media).

• Protocols entered into with various mutual guarantee companies - under the terms of the protocols entered into with Lisgarante, Norgarante and Garval, CGD, in addition to standard guarantees, started to use mutual guarantees i.e. on first demand guarantees in its transactions with SMEs, with the approval of a special line of credit, benefiting from a mutual guarantee designed to promote eligibility and ensure lower costs for financing Portuguese SMEs.

• Protocols with business associations and professional orders - such protocols support the creation of financial terms for companies and the launch of promotional campaigns and information on participation in events.

• "1st Export Mission 2006 Forum" - participation and support of CGD in this forum, organised by AIP (Portuguese Industrial Association), in partnership with ICEP Portugal (Corporate Institute for the External Market). Principally geared to companies at their early internationalisation stage, the aim is to encourage business debate on internationalisation, internationalisation procedures and support for the decision to move into exports.

• "Management Competitiveness" events - organised by CGD, in conjunction with the government's Technological Plan Office. These events have been attended by a large number of small and medium sized enterprises. Discussions have centred on innovation and competitiveness factors in today's world.

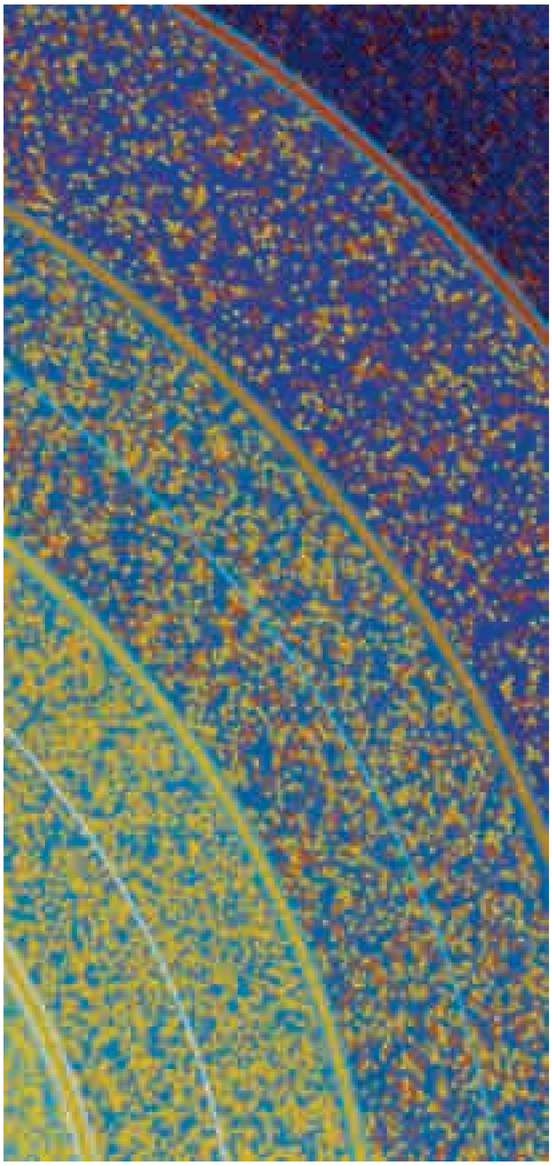
• Euro Info Centre - this CGD Office, under its support for and interchange with companies, has also continued to publicise a large number of business opportunities (936) and other initiatives in conjunction with business entities. Special reference should be made to joint initiatives with the Spanish Portuguese Chamber of Commerce (in franchising terms) and IAPMEI and the government's Technological Plan Office (for venture capital).

• Electronic Newsletter - the supply of monthly information by the Euro Info Centre, on issues of business interest, ranging from legal issues, information on business opportunities or events of business interest, available on CGD's website.

• Issue of "In Focus" advertising supplements - six advertising supplements, in national newspapers, containing information of interest to companies, on CGD products and services, in areas such as relevant investment support for innovation and expansion, promotion and encouragement of the presence of SMEs in external markets and export promotion support instruments.

• Customer satisfaction survey launched and monitored by Empresas & Soluções offices, with the aim of assessing and improving customer service levels.

• CGD website - revamping of corporate area image and contents, improving upon the quality of customer market information and communication requirements.



Products and Services

Savings

Caixa has reformulated several savings area structured products in line with each segment's customer profile, having launched 45 targeted campaigns, particularly including:

- "Selecção Caixa 7,5%" - a product commercialised in 6 campaigns, whose investment is split up between a 3 months' term deposit, with TANB (gross annual nominal rate) of 7.5% and a Caixagest special open-ended investment fund or capitalisation insurance;
- Special Open-ended Investment Funds - "Caixagest Rendimento Crescente 2011" and "Caixagest Rendimento Mais" funds, together with funds especially created for the *Selecção Caixa 7,5%* product;
- "Valor Nacional" - structured deposit, for the Macau and Madeira offshore zone domestic market, providing fiscal benefits on maturity periods of more than 5 years, in addition to fine silver and silver gilt medals for customers with the largest deposits;
- "Caixa Seguros Multi-Estratégia" - financially sophisticated unit-linked insurance, providing investment options in accordance with customers' risk profiles.

Other customer targeted actions particularly include the "Campanha Poupança Fiscal 2006", promoting Caixa's retirement savings and pension fund plans and public offering for Galp Energia's 4th reprivatisation stage, led by CGD which succeeded in placing more than 40% of the offer.

CGD, concentrating on flexibility and security, also reformulated its permanent offer of financial and non--financial insurance:

- Retirement savings plans, with higher levels of return;
- Caixa vehicle insurance, combining the automobile campaign, reformulating the former car insurance and providing several areas of cover not required by law, with the aim of protecting policyholders and putting them at ease in any situation, whose tariffs have been geared to specific circumstances pertaining to each vehicle and driver.

Mortgage Lending

CGD's strategic mortgage lending guidelines continue to be based on increasing competitiveness and fundamentally concentrating on priorities of quality of service, pricing, and launch of new products and services incorporating innovation and adjusted to customers' needs and expectations, plus new distribution channels. These measures have helped to reinforce CGD's image, responsibility and leadership in this operating sector, consolidating its position as a benchmark property market operator.

Significant investments have been made to improve the quality of customer service, in terms of working instruments. A new integrated credit operations management application was implemented in conjunction with a workflow tool. The improvements are particularly noticeable in terms of decision-making, proactive monitoring of all stages of the operation's life up to the exchange of contracts and in simulations on various Caixa branch network, insurance and property intermediation and internet site channels.

In pricing terms, reference should be made to the creation of various adequate, simplified solutions such as the introduction of a new indexer, comprising the simple average of the 3 months' Euribor rate on mortgage lending, multi-options and other property investments.

Caixa, prior to the entry into force of the legislation defining the new rules for rounding up/down interest rates to the thousandth, started to apply the new indexed rates, on 01 December 2006, based on the previous month's 3 and 6 months average Euribor rate, rounded up/down to the nearest thousandth percentage point thus improving the transparency and reliability of market information.

A fixed-rate loan offer was also introduced on maturities of 5, 10, 15, 20, 25 and 30 years, providing solutions enabling customers to avoid the risk of interest rates increases on variable-rate indexed contracts. This fixed rate option provides precise information on the payments schedule whose amount is not altered during the rate fixing period.

A system, adjusting the payment of mortgage instalments to a date at the customer's discretion was also introduced.

A permanent loan transfer facility was launched for customers with mortgage loans with other credit institutions, which are no longer in line with market trends and who are interested in transferring their loans to Caixa and whose respective costs are part subsidised by Caixa. This facility also provides preferential conditions on insurance and personal loans as a complement to the credit operation. Caixa has, at the same time, adopted several commercial procedures to retain its current mortgage loan customers, allowing them to renegotiate existing loan terms, ensuring a greater commitment.

A new pricing and cross-selling model, with more competitive financing and guarantee solutions was created in terms of new products and services, in an approach based on expediency and a targeted offer. Special reference should be made in the sphere of the Caixazul service, to the “Caixazul Habitação” and “Caixazul Terrenos” solutions. These were complemented by the creation of two different associated service products in the form of “CasaFácil”, included in the product, and “CasaFácil Plus”, providing a series of benefits including the processing of contract/conveyancing documents and discounts on the assessment of the value of property for sale. The product launch was enhanced by an advertising campaign, using radio, specialised trade media, promotional material at point of sale and direct marketing, in which Caixa paid for the 1st monthly loan instalment on amounts of EUR 75 000 or more with a maturity period of more than 10 years, taken out between 18 September and 29 December 2006.

Also in product terms, Caixa renewed the promotional conditions attached to its TRIPLEX mortgage lending scheme for young people, providing customers under 36 with an option to take a payment holiday of up to 10 years, during which only interest is payable. Customers may also defer up to 30% the payment of a percentage of the principal up to the end of the loan period. Other initiatives comprising specific solutions for the young people's segment were the new financing agreement entered into with EPUL, for sales of "Praça de Entrecampos" housing estate apartments, in Lisbon.

An advertising campaign entitled “Crédito Habitação da Caixa” ("Caixa Mortgage Lending") was launched with the twofold objective of reinforcing Caixa's communication and enhancing the flexibility of financing solutions. The campaign emphasised a commitment to immediately approve the operation at the time of negotiation, possibility of defining the amount of the instalment, reducing the respective amount through the deferral of principal and/or lengthening the maturity period and re-mortgaging etc, at the customer's discretion.

Caixa also created a specific mortgage lending facility for foreign citizens living in other countries, under the "Live in Portugal" brand, in light of the major investment being made in the construction of resorts for non-resident foreigners intending to acquire, build or rebuild a second home in Portugal. This facility comprises bridging loans, acquisitions, construction, reconstruction and multi-option products. For commercialisation purposes, specialised enquiry services were set up in branch offices in the Western Zone (Óbidos), Lisbon (CGD headquarters) and the Algarve (Albufeira, Almancil, Faro, Lagos, Loulé, Portimão and Vilamoura). A specific telephone channel, providing tourists with customer care and associated services in English was also created.

The urban rehabilitation market has been growing in importance owing to the poor state of repair of buildings in urban centres, recent alterations to the urban rents regime and consequent expectations of change in terms of building improvements/repairs. Caixa has been taking a leading position in this business area, providing competitive solutions to refurbish and promote prime and historical zones in large cities. Caixa, in partnership with the European Investment Bank, has been providing urban rehabilitation investment support and improving buildings' health, safety and accommodation possibilities, renewing the special "Spread Zero" urban rehabilitation promotion, which is valid for the 1st year of application of each loan. Caixa has, at the same time, been consolidating its co-operation with several urban rehabilitation companies, as a party to protocols in several parts of Portugal.

The use of new distribution channels is another excellent means of providing information on property and particularly so when Caixa finances their construction. In an endeavour to generate business opportunities along the mortgage lending value chain as a whole, CGD's *www.cgd.pt* site has added a new page, providing information on Caixa-financed projects. Visitors to this page can search by geographical area, view and obtain detailed information on CGD-financed property and arrange an inspection visit online, obtain loan simulations and obtain information on payment terms.

In terms of new channels, Caixa has also entered into partnerships with several specialised property vendors in the form of property auctions, with the objective of bringing several CGD Group owned properties onto the market while, at the same time, increasing the volume of its mortgage lending operations. The diverse property auctions held in 2006, notably in the "Salão Imobiliário de Lisboa" (Lisbon Property Exhibition), confirmed the high level of public interest in general, in this new solution for the acquisition of property, which has exceeded the most optimistic expectations in terms of property sales and loans.

Caixa, in terms of its external mortgage lending channels and exploiting group synergies, has consolidated its "Assurfinance" project using Fidelidade-Mundial and Império-Bonança insurance mediators, experienced in commercialising finance products. This channel's activity was supported by the development of the Mortgage Lending Portal, which provides mediators with full information on products and campaigns, enabling simulations to be performed, the issue of immediate decision letters and monitoring of the whole of the credit process up to the exchange of contracts.

To enhance the visibility of its property promotion activities, CGD was present at such specialised international events as MIPIM 2006 in Cannes, Madrid's Salón Inmobiliario (SIMA 2006), Barcelona Meeting Point, and the Iberian Property and Residential Tourism Property Exhibition (IMOBITUR) at EXPONOR (Porto). This participation shows a highly flexible, energetic approach to sector promotion operations.

CGD also took part, as an official sponsor on its own stand, at the 9th Lisbon Property Exhibition held in FIL - Parque das Nações. The event was attended by a significant number of visitors and national and international property market specialists. It is considered the prime location for presenting and promoting various CGD Group finance and insurance offers. In terms of Caixa sponsored initiatives, reference should be made to the information provided to the public and principal property sector and tourism operatives on its innovative and highly competitive financing solutions, including the new already referred to "Live in Portugal" residential tourism offer.

Automobile Solution

The automobile offer comprises three vehicle financing solutions, with extended repayment periods and lower interest rates, as a highly competitive market solution. CGD Group committed its resources to a major advertising campaign, providing information on leasing, personal loans and renting solutions.

Payment Media

The payment media area, in 2006, comprising debit and credit cards, maintained its innovation and growth strategy, with the launch of new cards, creation of differentiated value proposals and improved levels of service. This enabled us to secure new and retain the loyalty of existing customers, with a more than 50% increase in the number of cards in circulation. In operating terms we converted individual customers' credit cards to a new platform, enabling greater functionality and flexibility on the creation/management of products geared to meet the specific needs of different customer segments.

The following cards were either issued or reformulated during the course of the year:

• "Caixazul" - This card is for individual customers. It identifies the customer as a Caixazul customer and incorporates the deferred debit concept, enabling purchases and payments to be made in the most expedient manner.

• "Caixa FÃ" - The launch of an innovative, exclusive card allowing cardholders to make purchases in Portugal and abroad and incorporating the above referred to deferred credit (Caixazul card).

• "Caixa Gold" - This card is for individual customers. It has new functionalities and innovative attributes, of which special reference should be made to the Caixa Gold Club. The club comprises several exclusive partnerships with discounts and special services in such areas as: travel and accommodation, culture and leisure, communications, restaurants, beauty care, health and sport, clothing, watches/clocks and jewellery, household services and assistance.

• "Business" - This card is especially geared to SMEs, major companies and institutions, with new features for the control and management of corporate expenses, notably comprising different payment modes, including revolving credit. It is intended to replace the former Gold and Classic cards but maintains their functionalities.

• "Caixaworks" - This new CGD credit card enables the effective management of companies' treasury functions while simultaneously operating as a card. It is geared to the small business market (self-employed business people, small and micro-companies), and aims to be an innovative payment media, comprising a short term corporate credit limit whose credit limits have been adjusted to the needs of companies' treasury functions, with highly competitive interest rates.

The card also has the additional benefit of providing its users with a supplementary line of credit of up to 50% of the allocated credit limit, enabling higher value payments to be split up for the purpose of releasing amounts on card balances for day-to-day expenses. This Caixa card is targeted at the small businesses segment, which comprises around 90% of the business environment in Portugal.

• "Soma" and "Caixa Classic" cards - Campaigns, stressing the difference between each card were organised. Users of Soma cards enjoy double the number of *Fast* programme points while *Classic* users are entitled to discounts on the amount of their purchases.

• LD<30 Card - This is a specific card for young people of Portuguese descent, under the age of 30, residing abroad.

Several products were discontinued under the reorganisation of the credit cards portfolio, including the CGD "Premier" and "Euro XXI Gold" cards, in addition to the CGD "Classic "and "Euro XXI Classic" cards, which were respectively migrated to Caixa's "Gold" and "Classic" cards.

Together with these initiatives, other business promotion campaigns were also organised to boost card business. Special reference should be made to sales of non-banking products and the organisation of customer loyalty campaigns with the offer of various types of vouchers for exchange at selected partners with the aim of rewarding customer loyalty. This represented an endeavour to add value to cards and customers' day-to-day needs and preferences.

The following special promotions were also organised:

• FIFA 2006 World Championship, in Germany, leveraging a campaign to incentivise subscriptions for and increased billing on Caixa's "Ímpar" and "Miles & More" cards. Caixa took advantage of this special promotion open to holders of both cards, to provide 65 of its customers with the experience of accompanying the Portuguese Football team to the World Cup;

• "Double your Advantage", a direct marketing activity for Caixa's credit card holders, to promote the offer of additional cards, for spouses and children up to the age of 24, at no additional cost. The statement is incorporated into the principal card to facilitate control of family expenditure. Reference should also be made to the fact that there the annual fee applicable to the principal "Caixa Gold", "Caixa Classic", "Ímpar" and "Soma" cards, is waived.

Internet and Self-Service Channels

New steps were taken during the year to adjust the distribution channels to Caixa's commercial needs. There was an increase in the number of transactions by individual customers and companies on internet banking services of which special reference should be made to international transfers in the Eurozone and several payment services (VAT, Sapo ADSL and other).

The "Caixadirecta *on-line*" - Internet banking service for individual customers achieved progress in terms of the relationship between account managers and customers as part of a proximity management approach. The manager acts as the interface between bank and customer on the various channels, using a secure mailbox with enhanced online linkage to *Caixazul* and *Caixadirecta* services.

Based on this approach, information on the manager associated with the referred to mailbox was provided on the online service with the launch of internet banking campaign features, enabling customers to accompany and respond to recommendations.

Five financial investment campaigns linked between the manager and Caixadirecta *on-line* were launched to end December.

Internet Sites

Caixa intensified its level of market communication, during the year, not only on non-personal channels but also through the creation of its new "Caixa Fã" web space, enhancing CGD's brand, its recognition factor and positioning.

In the financial sector, reference should be made to CGD Group's institutional or commercial presence in several virtual domains (.pt, .com, .fr, .mo, etc.) hosting leading web locations. The group's different institutions provide increasingly comprehensive information, new distance banking products and services and financial solutions of which reference should be made to the following sites and addresses:
www.cgd.pt, www.caixabi.pt, www.caixagest.pt, www.clf.pt, www.locarent.pt, www.caixacredito.pt, www.imocaixa.pt, www.fundimo.pt, www.cgdpensoes.pt, www.lardocelar.com, www.caixadirecta.cgd.pt, www.caixaebanking.cgd.pt and www.cgd.pt/caixadirecta_online/index.htm.

The group's respective sites achieved a monthly average of 439 000 unique visitors in 2006 with around 8 million page views and continues to come 1st in the total banking index domain and site ranking, consecutively appearing in the KPBI30 Index's TOP10, in terms of performance and availability.

In operational terms, sites provide online tools and transactional functions such as examining and making account entries, purchases and sales of shares, orders, purchases, simulations, subscriptions or even subscribing for financial products, boosting the bank's core business and fuelling business opportunities and customer loyalty. The diverse market segments were provided with innovative communication initiatives, evidencing a capacity for change and a fresh customer approach.

The approach of the new *Caixa Fã* area is based on emotional iconography and language and personalised references, allied with a sense of belonging to groups with common interests, giving rise to a spontaneous association between users and the CGD brand. This space is, accordingly, open to a multiplicity of such *FÃ* community areas as sport, culture, the environment and solidarity. New instruments such as creativity, discovery, knowledge and loyalty are paradigmatic of this new space.

The *www.caixafa.pt* site gives users an idea of being a "Fan" in terms of communication, conceptual image, information compiled on themes of interest, concern with current society's more emergent social causes most valued by the market area to which it is directed.

Particular attention was also paid to the student sector through the *www.cup.pt* university portal which, in addition to financial and leisure related information, concentrated on interaction with students, leading them to use the media available to them through Caixa, such as Caixadirecta *on-line* and university branch offices especially geared to this segment. Endeavours were also made to increase the use of Caixa products and services through the permanent organisation of leisure activities and publication of issues of interest in a weekly newsletter.

In the property segment, Caixa provides information on property and projects financed by CGD in the "LardoceLar" portal at *www.lardocelar.com* and the "Bolsa Caixa Imobiliário" portal at *www.bci.lardocelar.com*. Market reaction to this service has been highly positive, with 309 167 properties having been registered during the year together with 152 336 requests to visit property, 1 094 registered projects and the issue of 16 904 mortgage lending certificates.

Exploiting its market knowledge, "LardoceLar" also launched a unique site in Portugal, specialising exclusively in commercial property information on offices at: www.escritorios.com.pt. In addition to this property, information is also provided on shops, warehouses and industrial land at *www.lojas.com.pt* and *www.industrial.com.pt*.

Reference should, lastly, be made to the "PMELink" initiative at *(www.PMELink.pt)*, as the Portuguese market's first online Business Centre, geared to supporting SMEs in all business support areas. Its mission is to exploit its promoters' dimension, capacities and expertise, providing SMEs with full information on high quality products and services, in a highly expedient manner and at very competitive prices.

CGD's site is also available in English at *www.cgd.pt/english/index.htm*, in an endeavour to facilitate contacts with foreign entities.

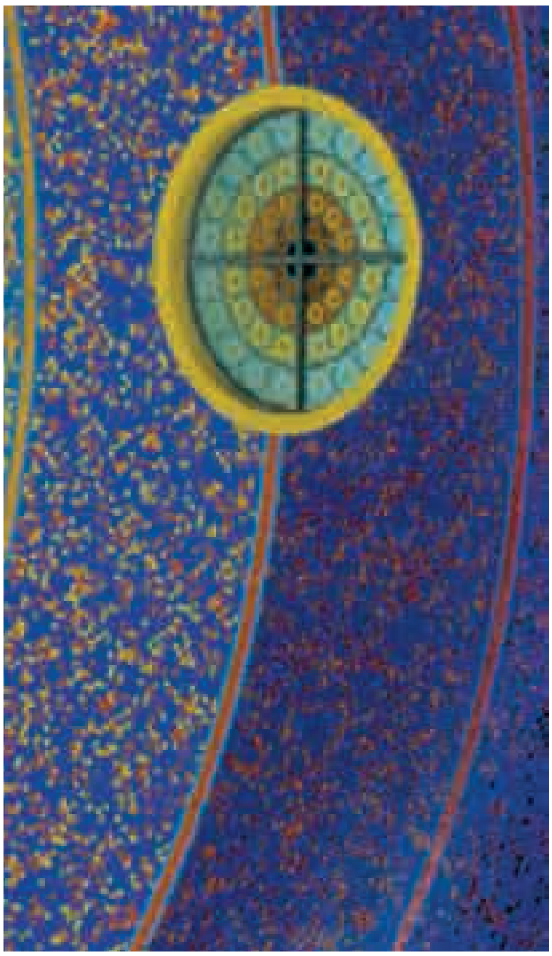
Caixa has also endeavoured to provide its institutional site with features making it enhancing accessibility in due respect for rules of usability, for users with special needs.

Investment Banking

Caixa-Banco de Investimento (CaixaBI) is CGD Group's investment banking platform. It works with CGD's commercial and financial structures, particularly its Major Companies (DGE) and Financial Markets (DMF) Divisions. The bank's target market comprises large and small enterprises, public institutes and municipalities, institutional investors and promoters of major nationwide and regional projects in addition to individual customers with investments in the financial instruments trading area.

Our market approach strategy, based on energising commercial relations with customers, originating operations in this banking area, lead, organisation and structuring of transactions, particularly syndicated corporate finance, leveraged buy-outs, financial restructuring or other operations organised by the bank's product areas and consequent reinforcement of market shares was further consolidated in 2006.

The bank also reinforced its international role, notably in the Spanish market, through its Madrid branch, which was highly dynamic and one of the principal operations origination sources.



Domestic Corporate Operations

The bank led several operations during the year, particularly including, on account of their innovative structure, amount involved or relevance of the parties involved, the following:

• Lead management, organisation and underwriting, for latter syndication, of a long term loan to Companhia Carris de Ferro de Lisboa, SA, for the amount of EUR 100 million, combining risk/return margins enabling CaixaBI to avoid competitive pressures.

• Lead management, organisation and underwriting of a commercial paper issue programme for the Estoril Sol Group, for a global amount of EUR 50 million to consolidate the company's financial liabilities.

• Lead management and organisation of a group rated commercial paper issue programme for Visabeira Group, for the global amount of EUR 40 million and financial advisory services for its financing strategy.

• Sogevinus, SGPS, SA – Organisation and structuring of acquisition finance on the full share capital of Porto Barros and latter debt refinance for a global amount of EUR 80 million.

• Altri, S.L. – Organisation, structuring and joint syndication of acquisition finance on the full share capital of Celbi and latter global financial debt refinance of EUR 400 million.

• Caima Indústria, SA (Altri SGPS Group) – Interest rate hedge of EUR 310 million, for risk management associated with the above referred to finance of EUR 400 million.

• Auto Industrial, SA – Organisation and structuring of a disintermediated commercial paper issue programme for the amount of EUR 10 million.

• Parque Expo, SA – Organisation and structuring of a disintermediated commercial paper issue programme for the amount of EUR 10 million.

• EDA – Empresa de Electricidade dos Açores, SA – Organisation and structuring of a disintermediated commercial paper issue programme for the amount of EUR 20 million.

• DEFLOC – Interest rate swap for the amount of EUR 2.49 million associated with finance for the acquisition of EH 101 helicopters.

• Petrogal/Galp Energia – Commercial paper issue programme for the amount of EUR 100 million to complement the company's financial requirements.

• EPUL – First use (EUR 12 million) of the EUR 35 million loan agreement entered into in July 2005 and respective commissions charges associated with such use.

• OGMA – Oficinas Gerais de Material Aeronáutico, SA – Commercial paper issue programme with a subscription guarantee via a current account facility of EUR 10 million. The operation was designed to refinance a part of the company's liabilities.

• Luís Simões, SGPS, SA - Disintermediated commercial paper issue programme for the amount of EUR 10 million to complement the company's financial needs.

• Alves Ribeiro/Alrisa – Commercial paper programme, for the amount of EUR 5 million to complement the company's financial needs.

• EDP – Medium term revolving credit facility for the amount of EUR 1 100 million with CaixaBI having the status of mandated lead arranger underwriting the amount of EUR 75 million.

• Cinveste, SGPS, SA – Commercial paper issue programme for the amount of EUR 50 million, collateralised by financial investments.

CaixaBI agencied 84 commercial paper programme issues, comprising 400 issues worth more than EUR 10 billion in 2006. The bank also agencied 24 bond loan operations, for an aggregate amount of more than EUR 4.5 billion, of which 50% were secured this year.

International Corporate Operations

There was significant growth of CaixaBI's international activity, particularly in Spain, in which the bank's branch continued to demonstrate its highly dynamic approach and in which the branch is one of the principal investment banking originating units.

Special reference should be made to the following completions, based on the dimension and importance of operations to the bank's image and results:

• Saprogal Group - Secondary buy-out of EUR 150 million with CGD's participation as arranger underwriting EUR 15 million.

• Parques Reunidos - Refinance of EUR 338.2 million. CGD Group participation of EUR 45 million.

• Telefonica – Refinance of acquisition of O2 for an amount of between EUR 350 million and a maximum of EUR 700 million comprising a "club deal" with the Spanish "Cajas". CGD Group participation of EUR 60 million.

• INAER - Finance for Investindustrial's acquisition of Inaer for the amount of EUR 91.5 million. CGD participation of EUR 7 million as arranger.

• Yelmo Cineplex - Participation in refinance for Yelmo Cineplex for the amount of EUR 38 million. CGD Group participation of EUR 8 million as co-arranger.

• ENCE Group - Finance of EUR 400 million. CGD Group participation of EUR 30 million as lead arranger.

• Aspro Ocio - Finance of EUR 180 million. CGD Group participation of EUR 45 million as mandated lead arranger.

• United Surgical Partners Europe - Finance of EUR 126 million. CGD Group participation of EUR 10 million as co-arranger.

• Panrico – Refinance of Panrico leveraged buy-out operation for the amount of EUR 789 million. CGD Group participation of EUR 25 million as lead manager.

• Prisa Group - Participation in finance of EUR 1.6 billion for Prisa Group. CGD Group participation of EUR 50 million as arranger.

• Caprabo Group - Participation in finance of EUR 475 million for Caprabo Group. CGD Group participation of EUR 25 million as lead arranger.

• Alteco Gestión y Promoción de Marcas S.L.U. and Mag-Import S.L.- Participation in finance of EUR 2.16 million to Alteco Gestión y Promoción de Marcas S.L.U and Mag-Import S.L. for Metrovacesa take-over bid. Participation in underwriting EUR 250 million as mandated lead arranger.

• Pullmantur – Participation in finance of EUR 220 million to Pullmantur Cruises group. Participation of EUR 20 million as mandated lead manager.

• Levantina - Acquisition leverage finance of EUR 358 million. CGD Group participation as arranger underwriting EUR 30 million.

• Ferrovial Infraestructuras - Equity finance for acquisition of BAA, for a total amount of GBP 1.85 billion. CGD Group participation underwriting GBP 150 million.

• La Seda de Barcelona – Finance of EUR 470 million. CGD Group participation as mandated lead arranger underwriting EUR 70 million.

• Blinker Group - Refinance and recapitalisation of EUR 31.5 million for Blinker Group, with CaixaBI operating as mandated lead arranger and bookrunner for the full amount of the finance.

• Angulas Aguinaga - Finance of EUR 105 million pursuant to the acquisition process by private equity interests. CGD Group participation as arranger, underwriting EUR 15 million.

• Cementos Portland Valderrivas - Finance of part acquisition of Uniland for the amount of EUR 1.58 billion. CGD Group participation as mandated lead arranger underwriting EUR 150 million.

CaixaBI's international activity, other than in Spain, particularly included, *inter alia*, the following operations:

• Isolux/Cobra/Elecnor consortium – Issue of a standby letter of credit guarantee on behalf of the consortium which won the contract for several high voltage transmission lines in Brazil, for the total amount of USD 235 million. CGD Group participation of USD 35 million.

• Endesa Fortaleza – Finance of USD 67.5 million via an IFC B Loan for a new natural gas combined power station in Fortaleza -Brazil. CGD Group participation of USD 22.5 million.

• Martifer SGPS – Group - Club deal finance of EUR 25 million for Biomart Energy SL and Agromart Energy SL, two of the group's subsidiaries in Romania, for the development of a bio--diesel project. CGD Group participation of EUR 10 million.

Project Finance

CaixaBI was the principal Portuguese bank in the project finance area, as mandated lead arranger. According to Dealogic's League Tables, CaixaBI retained 1st position in the domestic market and was the 3rd major bank in the Iberian Peninsula and 6th in Europe.

Reference should be made to the following operations, in 2006, in which CaixaBI played the role of mandated lead arranger:

• Senior debt of EUR 1 056 million on the project for Babcock & Brown's acquisition of Enersis II SGPS in the wind farm area. This operation was classified by Project Finance International as the "Renewable Deal of the Year".

• Senior debt of GBP 6.97 billion for the planned acquisition of the British Airports Authority by the consortium led by Ferrovial Infraestruturas.

• Senior debt of GBP 2.37 billion for the planned acquisition of Associated British Holdings plc by the consortium comprising Borealis Infrastructure Management, GIC SI Special Investments, Goldman Sachs Investment and Infracapital Partners.

• Tejo Energia's debt refinancing operation and the financing of EUR 696 million in new pollution control equipment.

Capital Market

Public Debt

In the sphere of the public debt financing and management programme and with the aim of diversifying and broadening the investor base, the guidelines once again concentrated on the issue of treasury bonds together with the renewal of treasury bill issues comprising a total of EUR 57.7 billion.

Two new syndicated treasury bonds series were issued in 2006:

- A new 30 year benchmark issue - Treasury Bonds 4.10% 15 April 2037 - for the amount of EUR 3 billion, with BES, Barclays, BNP Paribas, Caylon and Deutsche Bank as joint lead managers.

- A 10 year issue - Treasury Bonds 4.20% October 2016 - for the amount of EUR 3 billion with CGD, Citigroup, Goldman Sachs, Morgan Stanley and Société General as joint lead managers.

Treasury bonds were the principal financing instrument in the marketable debt domain, with total issues of EUR 13.8 billion, followed by Treasury Bills, with EUR 11.8 billion. Non-marketable debt particularly included the issue of EUR 19.5 billion in Special Public Debt Certificates ("CEDICs").

The government, at year end, owing to major demand, decided to increase the limit on the issue of savings certificates from EUR 2 billion to EUR 2.5 billion.

Under the terms of the debt swap programme, repos operations on the following were provided: Treasury Bonds 3% July 2006, Treasury Bonds 6.625% February 2007 and Treasury Bonds 5.375% June 2008 on an electronic trading platform by MTS Portugal or through the organisation of repos auctions.

Arrangements for the repurchase of other instruments not subject to listing requirements on MEDIP/MTS Portugal were also made. This resulted in the repurchase of EUR 1.5 billion of Treasury Bonds 3% July 2006 and EUR 507 million of Treasury Bonds 4.875% August 2007.

Private Debt

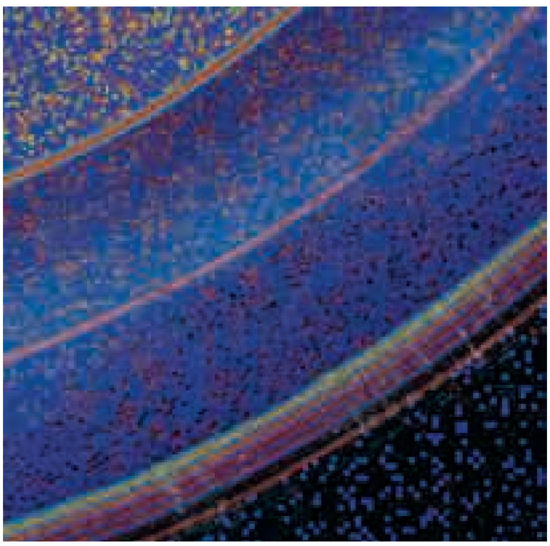
Bonds

CaixaBI was involved in 16 private debt segment bond issues for around EUR 8.1 billion, in 2006.

These particularly include the first Portuguese covered bonds issue (Caixa Geral de Depósitos mortgage bonds), in which CaixaBI operated as joint lead manager and bookrunner, for the amount of EUR 2 billion.

Reference should also be made to the following issues of EUR 50 million or more, which were also led by CaixaBI:

• Semapa – bond loan 2006-2016, for the amount of EUR 175 million;
• Sonae, SGPS – bond loan 2006-2011, for the amount of EUR 250 million;
• EDP Finance BV – 4.25% bonds due 2012, for the amount of EUR 500 million;
• Sonae Indústria – bond loan 2006-2013, for the amount of EUR 50 million;
• Refer, EP – 4.047% guaranteed notes due 2026, for the amount of EUR 600 million;
• Refer, EP – 4.25% notes due 2021, for the amount of EUR 500 million;



Equity Capital Market

The prestigious Euromoney magazine classified CaixaBI as the "Best Equity House in Portugal", in 2006.

In the sixth largest sales operation in Europe, in 2006, CaixaBI was one of the joint global co-ordinators and bookrunners for the 4th stage of the Galp Energia SGPS, SA reprivatisation, totalling EUR 1.1 billion. The 82 950 000 shares comprising the biggest public offer for sale, in Portugal, since 2000 revitalised the domestic capital market. CaixaBI placed 70% of institutional and 40% of retail market shares.

There were marked levels of growth in the brokerage area, notably in the last quarter, with Caixa BI coming 1st, in terms of market share, in orders placed by customers.

Activity as a liquidity provider for various securities listed on Euronext Lisbon, such as Cofina, Novabase, Orey Antunes, Reditus, Altri and Inapa kept up at a fast pace. Euronext recognised CaixaBI's activity by awarding its highest "A" rating for all securities and classes. Market making activities included Ibersol shares starting October.

CGD Own Issues

Financing policy guidelines implemented in 2006 were geared to securing resources, optimising cost through access to diversified financing sources.

Caixa therefore furthered its policy of employing the principal resource-taking instruments in the institutional market, enabling it to reduce its funding costs. For reasons associated with funding strategy, the volume of EMTN Programme operations was more moderate than in 2005, owing to greater emphasis on the first covered bonds issue.

Constrained by the need to comply with the liquidity ratio, Caixa maintained a balance of EUR 3.5 billion on the ECP/USCP.

47 EMTN programme operations, totalling EUR 1.5 billion, were performed; a decrease of around 60% over the preceding year. The outstanding balance, translating the low level of settlements, totalled EUR 6.6 billion, comprising an increase of EUR 497 million.

EUR 50 million in yen loans were taken out in 1st quarter. There was a significant decrease in the balance on Schuldschein loans, to EUR 89 million, owing to the settlement of EUR 250 million on such loans.

12 subordinated debt loans were entered into in the institutional sector, with a total issue value of EUR 509 million against the EUR 600 million set out in the financing programme. 47 senior debt operations totalling EUR 1.5 billion were performed.

Caixa launched its first issue of Portuguese covered bonds for the amount of EUR 2 billion under a EUR 10 billion covered bonds programme involving the participation of a vast group of dealers of recognised expertise in the European covered bonds market, functioning as a strategic capital market financing instrument. This operation, with a maturity of 10 years, comprised the biggest non-sovereign bond issue with the highest rating from the three principal and largest rating agencies (AAA/AAA/Aaa). This was a highly successful operation, evidenced, *inter alia*, by its final price (4 b.p. above the swap curve) and the dimension and quality of the order book, comprising around EUR 6 billion from more than 130 investors in 23 countries.

The operation's final price, with a fixed coupon rate of 3.875%, was 4 b.p. above the swap curve, originating possible savings of around 15 b.p. in comparison to other market financing sources for the same maturity period. The issue was led by Barclays Capital, CaixaBI, Nomura and SG CIB.

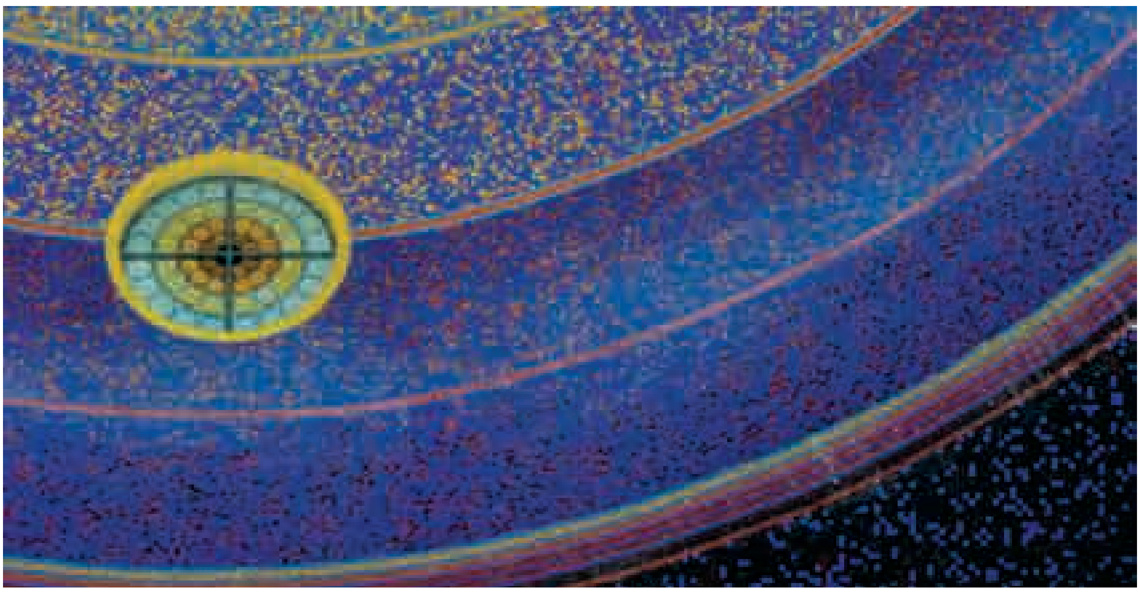
Private Equity

The venture capital area invested a total amount of EUR 44.1 million in 2006. EUR 34.2 million of this amount was invested in new subsidiaries and EUR 9.9 million in reinforcing current portfolio investments.

New operations particularly included:

• a 12% equity investment in Parque Eólico da Penha da Gardunha, Lda., 76% owned by Enersis Group and owning 25% of the consortium bidding for the second stage of the public tender for electricity to be generated by wind farms;

• 5% equity investment in La Seda de Barcelona, SA, a Spanish company listed on the Madrid Stock Exchange whose biggest shareholder is the Portuguese group Imatosgil and which organised a major capital increase operation of EUR 418.7 million to fund its growth strategy to become the European market leader in PET production. The equity investment in La Seda de Barcelona, SA was EUR 34.16 million.



Risk Management

Risk management is centralised in CGD. It encompasses the assessment and control 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

CGD's approach to credit risk involves the issue of opinions and control of potential portfolio risk, whose analysis incorporates projects' forecast economic-financial evolution and influence and perception of risk enhancing factors.

Risk assessment, both in lending and off-balance sheet terms, is based on a systematic analysis of the following factors:

• transparency and quality of economic-financial information;
• management quality, operating efficiency, influence of economic environment attached to customer/risk and market/competitiveness, geographical area, operating sector, contingencies, relationship with CGD and banking sector, enabling both endogenous and exogenous risk detection;
• quality of proposed operation, notably purpose, maturity period, guarantees, liabilities sharing, collateral, foreign exchange risk, etc.

The following specific criteria apply to the assessment of economic groups:

• consideration of external credit risk ratings;
• consideration of credit risk on various group areas/companies;
• exposure concentration;
• regulatory limits on major risks, as regards shareholders' equity and solvency ratio-related considerations.

An internal risk rating model using methodology common to the group as a whole, is also used for risk assessment terms and as a decision-making tool. This comprises ratings for the larger companies and economic groups and a scoring system for the individual customers segment.

Risk assessments on financial institutions are based on internal regulations, particularly a definition of exposure risk per counterparty, supported not only by rating information but also other quantitative and qualitative criteria. The market and the economic environment in which they operate, shareholder quality and other credit risk mitigating factors are also taken into account.

The above referred to rules have been incorporated into a risk assessment methodology, designed not only to allocate limits to such counterparties but also to be fed into computer systems, permitting an analysis of the risks incurred by each entity, business unit or in consolidated terms. Limits are allocated by counterparty, maturity and product in line with the respective entity/customer's risk level and capacity to take on debt. Counterparty risk is also measured and control exercised over exposure and limits allocations.

An internal rating model for credit institutions has been developed under the Basel II Programme, helping to improve portfolio analysis and achieve more rigorous assessment standards. A set of procedures designed to increase autonomy and control of banks' limits is in progress.

Credit risk control implicit in CGD's portfolio comprises a monitoring procedure on the principal indicators in whose portfolio is split up by product, customer segment, decision-making structure, level of financial system exposure, operating sector and geographical area. Major exposures are analysed and compared to the limits defined by the bank's supervisory services.

As regards overdue credit, detailed information on non-performing loans is provided to Caixa's commercial areas. This is split up by product and type of customer. Provisions are also calculated on an economic basis, together with impairment on the credit portfolio.

Credit Control and Recovery

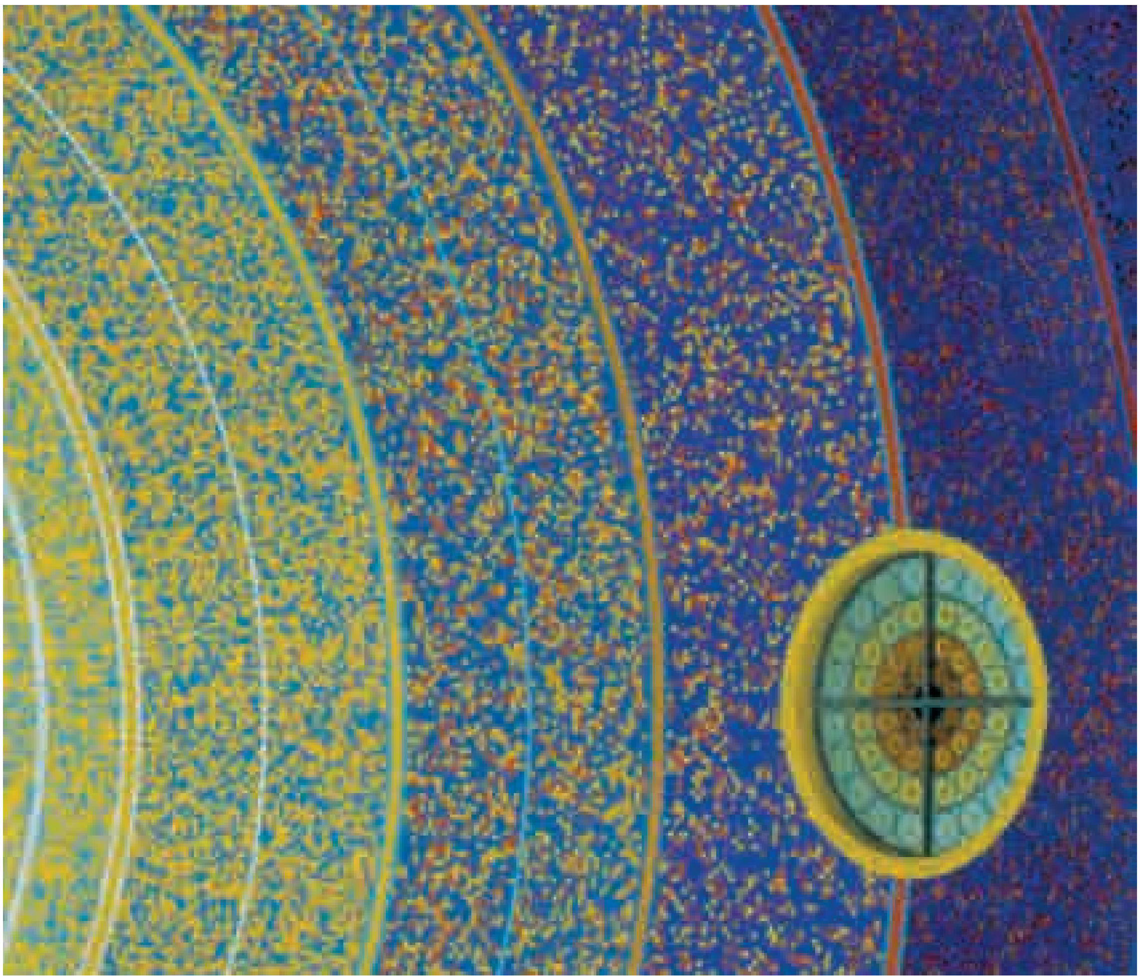
Credit, credit quality and compliance are primarily the responsibility of the credit issuing structures followed by structures which are not associated with the credit but responsible for the recovery of overdue credit, restructuring of outstanding credit and suitable classification of the said customers by the bank, with the aim of preventing defaults.

The Credit Recovery area's functions, in 2006, were expanded with the integration of the legal affairs office, both for individual customers and companies, as a determining factor behind a new approach to the customers involved, in line with a preference for negotiated solutions and recovery procedures not involving the use of legal proceedings. Legal action is now considered to be a recovery tool to complement and support negotiations as an approach to be maintained up until the end of the executive procedure. Only after recovery endeavours, not involving legal proceedings have proved unsuccessful will such proceedings be taken, although the bank remains open to negotiation during the whole of the procedure.

With the aim of increasing credit recovery flexibility, all operations with three unpaid instalments in the individual customers' area and over the whole of Caixa's network, are automatically channelled to this area. This is done on a case by case basis, in the corporate area in which clear and standardised definitions have not, as yet, been provided.

In terms of recovery negotiations, in 2006, more than 8 300 of the total number of individual customers comprising 44% of the total allocated to the recovery area remedied their default. Payment plans were drawn up for around 11% of the rest and legal proceedings have been taken in 10% of cases. Negotiations continue with the remaining 35%.

Legal recovery procedures involved around 6 500 operations involving the start of executive proceedings. 4 400 legal actions were taken and around 6 100 completed.



Market Risk

CGD Group's market risk management rules on each portfolio or business unit, include market risk limits, credit exposure limits, market and liquidity risk, required levels of return, types of instruments authorised and maximum permitted loss levels.

The definition of such rules comprises the final stage of the exercise to obtain relevant risk assessment information. Revised management rules on Caixa headquarters' trading portfolio were approved in 2006.

Executory functions on market operations and associated risk control are completely separate.

Risk hedging operations are decided by portfolio managers or business units. They are based on risk limits and authorised instruments in which the risk management area collaborates on assessing the impact of total risk hedges incurred or the alteration of authorised market risk levels, if deemed advisable under the circumstances.

The market risk measurement used for all types of market risk is Value at Risk (VaR) (interest rates, shares, exchange rates and volatility), using the historical simulation method, whose confidence levels used in the simulation are contingent upon the portfolio's objectives. Other market risk measurements, such as sensitivity to the price changes of underlying assets (basis point value "bpv", for interest rates) and other sensitivity indicators commonly applied to share portfolios are also applied. Stress testing assessments have also been developed.

VaR measurement is subject to daily theoretical and real backtesting analyses. Real backtesting values are calculated monthly. 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 market risk management process has been audited, to prepare for the internal risk assessment model's application for statutory capital calculation purposes.

The following table provides information on VaR measured market risk, during the year:

Market Risk - Trading Portfolio 2006

(EUR thousand)

	VaR 95%		
	Minimum	**Average**	**Maximum**
Interest rate	149	276	595
Price	0	570	1 167
Exchange rate	8	86	894
Total (a)	**270**	**698**	**1 417**

(a) Total VaR refers to the combined effect of interest rate, price, foreign exchange and volatility risks which are, in general, less than the sum of the risks taken individually owing to the diversification effect.

Market Risk - Investment Portfolio 2006

(EUR thousand)

	VaR 95%		
	Minimum	**Average**	**Maximum**
Interest rate	4 005	7 611	11 051
Price	566	1 535	3 317
Exchange rate	46	1 248	12 919
Volatility	5	267	631
Total (a)	**3 935**	**7 761**	**16 431**

(a) See note to above table.

Interest rate risk exposure levels, measured in bpv, on all portfolios controlled by CGD headquarters peaked at EUR 282 thousand during the year with a trough of EUR -444 thousand and an average of EUR -69 thousand.

Trading portfolio management has short term objectives designed to exploit market opportunities, although there may not be any portfolio positions available, whereas investment portfolio objectives are medium and long term and designed to generate a regular and reasonably steady income stream, with minimum limits on amounts invested.

The bank's management has established trading and investment portfolios guidelines, which are controlled on a day-to-day basis. Both have been revised, in terms of stop loss measures, with an increase in the type of instruments authorised in the bank's investment portfolio and part market risk limits and composition in terms of rating, in the trading portfolio. The requirement for a minimum amount of EBT (earnings before tax) – gross income less own and outside financing costs, in absolute terms, with a continued minimum ROE requirement. Both the bank's trading and investment portfolios, in 2006, achieved the required risk-adjusted return level, in addition to the absolute EBT figure.

These rules impose restrictions on the composition of each portfolio's assets and risk levels. Risk levels are defined on credit exposure (concentration by name, sector, rating and country), market (maximum total risk level by risk factor and maturity period) and liquidity (minimum number of listings required, maximum authorised portfolio percentage for each issue, composition of share portfolios based on their inclusion in authorised indices). Monthly control and return analyses are produced on these portfolios and their credit risks assessed according to statutory dispositions in force and market risk assessed by internal models.

Foreign Exchange Risk

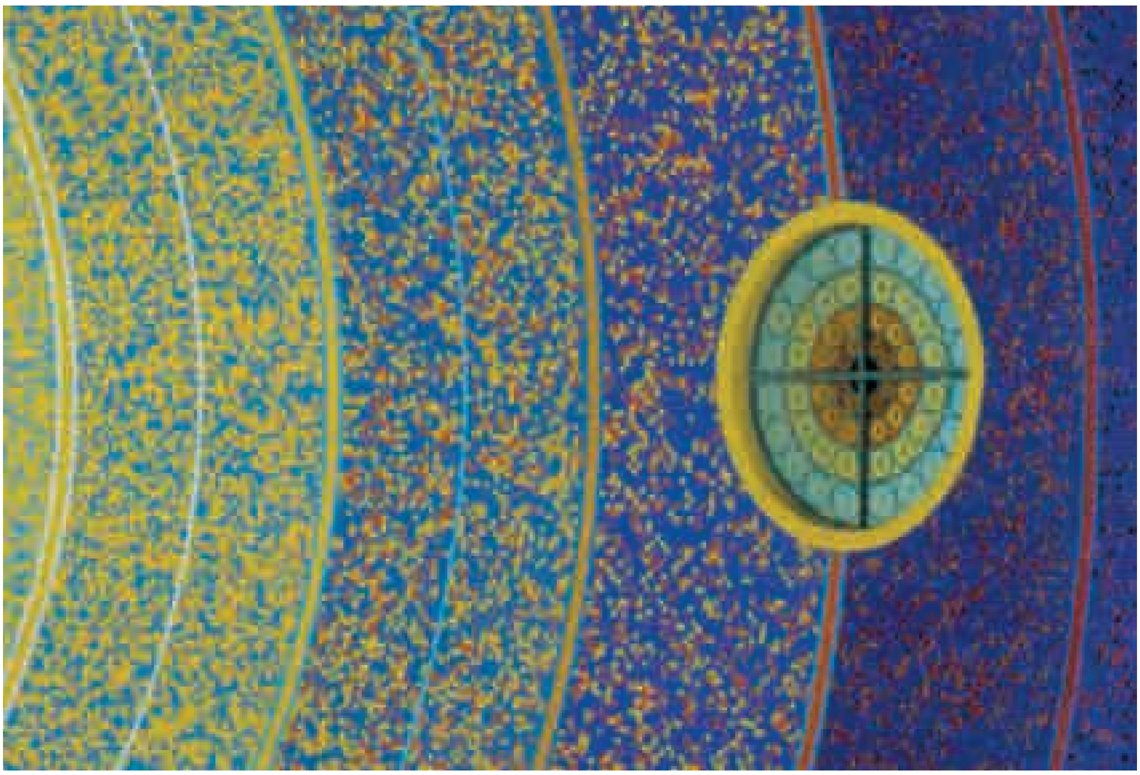
Exchange risk is controlled and assessed on a daily, individual basis for domestic operations for each branch office and subsidiary and fortnightly, on a consolidated level for the group as a whole. The calculation is made on VaR values and limits, in addition to limits per total open position and open currency position.

Information on risk levels and market value of CGD Group's foreign exchange position during the year, is set out in the following table.

Foreign Exchange Risk 2006

(EUR thousand)

	VaR 99%			Market Value		
	Maximum	Minimum	Average	Maximum	Minimum	Average
Total	5 516	985	1 445	150 769	-114 755	49 787



Asset Management and Liabilities

The principal object of asset-liability management (ALM) is to ensure prudent liquidity management, capital use and control of associated financial risks. This particularly includes interest rate, market and liquidity risks.

Liquidity Risk

Management of this type of risk, which analyses the period to maturity of different balance sheet assets and liabilities, shows the difference between cash inflows and outflows for each of the different time bands considered, in addition to the respective liquidity gaps, which, at year end, were as follows:

Liquidity Gap at 31.12.2006 (*)

(EUR million)

Time Bands	1 Month	3 Months	12 Months	3 Year	10 Years	>10 Years
Period gap	-2 860.1	-6 432.1	-8 707.7	3 034.8	-5 756.4	19 160.7
Accumulated gap	-2 860.1	-9 292.2	-17 999.9	-14 965.1	-20 721.5	-1 560.8

(*) Perimeter: CGD, SFE, France, Monaco, London, New York and Grand Cayman branches, Caixa-Banco de Investimento, CGD Finance, Caixa Geral Finance, CGD North America and Macau Offshore Branch.

To avoid high negative liquidity gaps over short term time bands, Caixa has endeavoured to ensure efficient treasury management and to provide for the longer maturity periods, particularly mortgage lending and continues to employ resource-taking instruments in the international markets, notably through its issue of Euro Medium Term Notes.

Caixa therefore, during the course of the year, furthered its policy of taking in resources with more adequate maturity periods to provide for the mismatches between assets and liabilities maturity periods, ensuring greater stability of its customer resources, both in its launch of structured savings products, as in debt or preference shares issues. A considerably successful covered bonds issue was also launched, for the first time, under new legislation.

Caixa's liquidity ratio, information on which is sent to the Bank of Portugal each quarter, was 91.8%, at year end for the bank's separate operations and 95.2% for its consolidated operations.

Interest Rate Risk

Caixa runs interest rate risk whenever it is a party to operations whose future financial flows are sensitive to interest rate changes during the course of its operations.

To measure such risk, Caixa aggregates sensitive assets and liabilities into fixed time bands in accordance with the respective interest repricing dates. Cash inflows and outflows and corresponding interest risk rate gaps are calculated for such bands.

Interest rate risk analysis also involves the monthly calculation of the duration of sensitive assets and liabilities, in addition to the respective duration gap, which measures the mismatch level between the average time over which the cash inflows are generated and cash outflows are required.

The accumulated static interest rate gap, of up to 12 months, remained positive during the year, increasing to EUR 16 138.3 million at year end.

Interest Rate Gap at 31.12.2006 (*)

(EUR million)

Time Bands	1 Month	3 Months	6 Months	12 Months	3 Years	>3 Years
Period gap	8 272.4	-266.9	5 214.1	2 918.6	-18 895.3	722.2
Accumulated gap	8 272.4	8 005.5	13 219.7	16 138.3	-2 757.0	-2 034.9

(*) Perimeter: CGD, SFE, France, Monaco, London, New York and Grand Cayman branches, Caixa-Banco de Investimento, CGD Finance, Caixa Geral Finance, CGD North America and Macau Offshore Branch.

To monitor the effect of the referred to gaps on net interest income, a regular forecast of sensitive assets and liabilities scenarios is produced. It includes relevant banking activity performance and trends, different evolution of market rates and expectations reflected in the yield curve.

Pursuant to an ALCO resolution, a set of guidelines on interest rate risk in the balance and banking portfolio, including the definition of limits on certain significant changes in the level of exposure to this type of risk, was opportunely approved. The objective of these guidelines is to ensure that Caixa is able to manage the return-risk trade-off in balance sheet management terms and is in a position to define expedient exposure levels and control the results of its policies and positions.

The defined limits are calculated monthly, for the 12 months accumulated gap and duration gap and quarterly for the economic value at risk indicator (translating the changes in economic value of the bank's capital, resulting from changes in the level of interest rates) and for the earnings at risk indicator (which translates the changes in the bank's net interest income forecasts, resulting from changes in the level of interest rates and the evolution of the resources and investment balances).

The interest rate risk on the banking portfolio is also calculated on consolidated operations every six months and encompasses all balance and off-balance sheet operations not included in the trading portfolio. The assessment and measurement of this type of risk is based on the accumulated impact of instruments sensitive to interest rates, resulting from a parallel movement of +/- 200 b.p. on the yield curve (as in Bank of Portugal Instruction 19/2005). Under an ALCO resolution, the impact on shareholders' equity and net interest income for internal management purposes is now calculated quarterly and respective value guidelines have been defined.

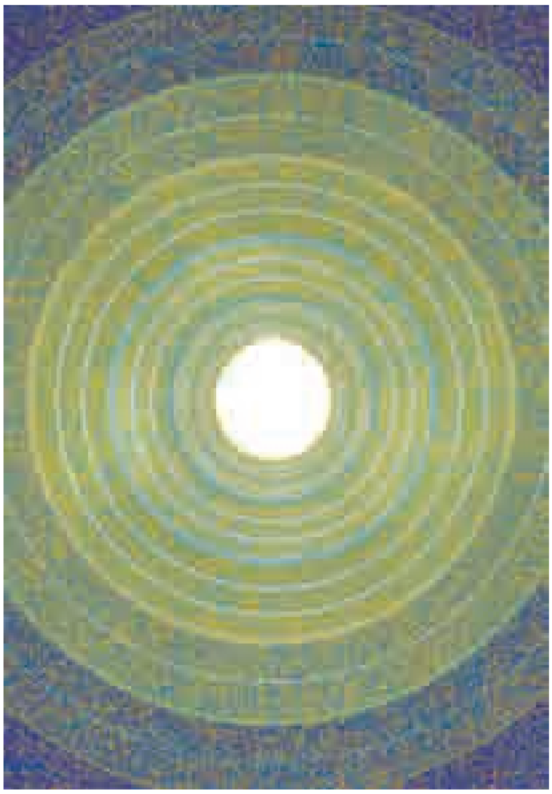
Operating Risk

CGD has been engaged on reviewing its internal control and operating risk management processes and procedures, following its adoption of best internal and international control practice (Sarbanes-Oxley Act).

A transversal project is currently being developed pursuant to which Caixa intends to apply for the use of a standard model to calculate shareholders' equity requirements under the new statutory framework, immediately starting work on an eventual medium term advanced measurement model.

Work on a series of internal document control and risk mitigation initiatives is in progress and due for completion. They include: operating risk documents and business process and support controls; a decentralised loss information collection system; a periodic operating risk self-assessment process; a specific reporting system for operating risk management support purposes by process/structural body and an enhanced control culture. Such measures will strengthen operating risk and internal control management, in association with compliance and internal audit functions.

CGD also continues to invest in security measures, under its Business Continuity Plan, to prevent disaster situations, guarantee the processing of operations in critical areas and/or services and mitigate eventual losses.



Basel II

CGD began work on the Basel II Programme in 2002. Its fundamental aim is to develop a series of initiatives complying with the rules defined in the New Capital Accord – Basel II – through the design and implementation of new methodologies, development of information systems to support and review risk management policies and procedures. The programme was expanded, in 2006, with the completion of several significant stages and the evolution of essential projects for CGD's inclusion in the new regulatory framework.

CGD monitored the publication of the two European Union directives, in June 2006, and the proposal for domestic legislation, supplied by the Bank of Portugal at year end for advance consultation. Pursuant to the above the new prudential supervisory rules are expected to enter into force, in Portugal, in the form of new Decree Laws and the Bank of Portugal's issue of Official Notices and Instructions.

As regards projects currently in progress, we continue to endeavour to develop various credit, market, operating and interest rate risk and liquidity measures.

Significant progress was made in the credit risk domain, in terms of the functional design and technical implementation of various internal models for the management of specific credit portfolio segments and the definition of a system for the integrated risk management of the corporate and institutional segments was completed. As a result of its work, CGD's informal application for the adoption of internal credit risk models was submitted to the Bank of Portugal.

Work began on the process for the internal review of the credit risk management model, under the aegis of the Audit and Inspection Division, in last quarter.

A review of the internal market risk model, also under the aegis of the Audit and Inspection Division, was completed in last quarter.

The implementation of a new assets and liabilities management tool, in the interest rate risk and balance sheet liquidity area has enabled an assessment of materially relevant CGD Group entities in this area. We have also started work on defining the respective advanced risk management methodologies.

One of the implementation stages of the overall risk data repository was completed in 2006, as a support structure for various risk areas. A technical solution to compile information from all CGD Group banking branches and subsidiaries was also defined.

A Risk Management Handbook was also produced and validated as a transversal tool for various risk aspects and a significant number of training actions for a vast internal audience was planned.

Two new projects, comprising the development and implementation of internal risk factor quantification models (LGD and EAD) for an advanced approach to credit risk have been planned for 2007. Work will also begin, in 2007, on the implementation of a capital requirements calculation tool for Basel II after the completion of the respective selection process, in 2006.

Alco

The Assets and Liabilities Management Committee continued to use the previous year's operating structure and model, in 2006. It is CGD's prime forum for the analysis and discussion of principal liquidity management and financing strategies, portfolio management and all aspects of risk management.

Significant progress on the use of models and construction and implementation of risk indicators, whose application has been gradually expanded to the different CGD Group businesses, was achieved this year. Assessment and analysis, in addition to the fixing of guidelines for all consolidated balance sheet risks is the prime objective of this committee whose composition includes all relevant business areas in terms of the ALM process.

The level of complexity of the above referred to indicators, designed to provide for the permanent evolution of CGD's operations, has been growing.

Distribution Channels

Branch Office Networks

CGD Group expanded its network, in 2006, by a further 37 branches to a year end total of 1 136, of which 789 in Portugal and 347 abroad. The size of the domestic network increased by 18 branches and the foreign network by 19 branches, mainly deriving from Banco Caixa Geral (with an additional 13 branches) following the implementation of its business modernisation and expansion plans.

bank counters, encouraging the transfer of routine, automated operations to electronic media.

CGD'S Self-Service Banking Facilities

Number of CGD Group Branch Offices

	2005	2006
CGD (Portugal) (a)	770	788
Caixa-Banco de Investimento (b)	2	2
France Branch	45	45
Banco Caixa Geral (Spain)	175	188
Banco Nacional Ultramarino (Macau)	11	13
Banco Comercial e de Investimentos (Mozambique)	35	38
Banco Interatlântico (Cape Verde)	5	5
Banco Comercial Atlântico (Cape Verde)	24	25
Mercantile Lisbon Bank Holdings	15	15
Other CGD branches	16	16
Macau Offshore Branch	1	1
Total	**1 099**	**1 136**
Representative offices	**10**	**11**

(a) Includes 41 "Empresas & Soluções" network branches in 2006.
(b) Includes a branch office in Madrid.

80 new Caixazul areas in branch offices were created for premium customers, together with a further 10 Personal Customer Enquiries Management System positions, expanding their number to 456 and 206, respectively, at end 2006.

Electronic Banking Channels

Caixautomática and Multibanco

In terms of electronic banking channels, reference should be made to the promotion of CAIXAUTOMÁTICA and MULTIBANCO self-service banking networks in 2006. These have been designed to complement the services provided by

The total number of installations was increased with a further 55 new intelligent cash deposit machines, permitting banknotes to be automatically identified and immediately credited to customers' accounts.

There were 4 410 machines on both networks, at year end, against 4 343 in 2005, with a 4.4% increase in the number of operations to around 255 million. This has made it possible to increase the automation rate on counters (measured by the proportion of Caixautomática Service operations out of the total number of automatable operations on the counter and service) which came to

65.5%, or 4.3 p.p. up over 2005. A contributory factor to this achievement was the involvement of 240 branch offices in the complementary automation and network reinforcement programme.

CGD's global automation rate on its diverse electronic banking and internet channels (ATMs - Multibanco and Caixautomática internet networks) continued to make progress, achieving more than the 75% recorded in 2005.

There was a 5.25% increase in the number of CGD-assisted cash machines on the MULTIBANCO network, shared with SIBS, to 1 825 or around 16% of banking sector machines. This growth essentially derived from the installation of equipment in non-banking locations, leveraging their convenience value, with a growth of 8% to around 52% of ATMs.

Automatic Payment Terminals

There was a significant 14% growth in CGD's automatic payment terminals network to more than 16 000 installations and a 5.1% increase in operations to 29.5 million.

New Electronic Banking Channels

Greater use of a multichannel approach based on linkage between personal and distance electronic banking channels providing the best customer relationship solutions has been geared to the quest for more effective, innovative service solutions.

This multichannel platform encompasses:

Individual Customers:
- CAIXADIRECTA;
- CAIXADIRECTA *ON-LINE* (internet);
- CAIXA UNIVERSIDADE POLITÉCNICO (AUC - Central University Branch);
- CAIXADIRECTA *WAP* (mobile phone internet);
- CAIXADIRECTA *SMS;*
- CAIXADIRECTA *INVEST*, providing an online brokerage service.

Corporate and Institutional Customers:
- CAIXA *E-BANKING*.

in addition to the **following platform:**
- CAIXACONTACTCENTER

Caixadirecta

Caixadirecta is CGD's telephone banking service. It enables customers to operate a large number of functions, consult and use their account, perform credit simulations (mortgages and personal) and obtain information on CGD's offer.

There was a 21% increase in the number of customers using the channel during the year to more than 820 thousand subscribers, owing to CaixaContactCenter's telemarketing campaigns. There was a 15% growth of around 2.85 million in incoming calls, over 2005, of which around 85% were resolved automatically.

CaixaContactCenter also received around 50 thousand e-mails in 2006. Outgoing calls, comprising telemarketing and credit recovery campaigns involved 1.31 million calls (up 58% over 2005). There was also a 36% increase of 423 000 in the number of customers contacted.

Caixadirecta *on-line*

Caixadirecta *on-line* is the internet banking channel for individual customers. It registered major growth in terms of new subscribers in 2006 with a 37% increase of more than 572 000 in the number of "active" contracts and more than 60% increase in the number of operations to 219 million (See also distance channels - Retail Banking).

Caixadirecta *on-line*

Caixa *e-banking*

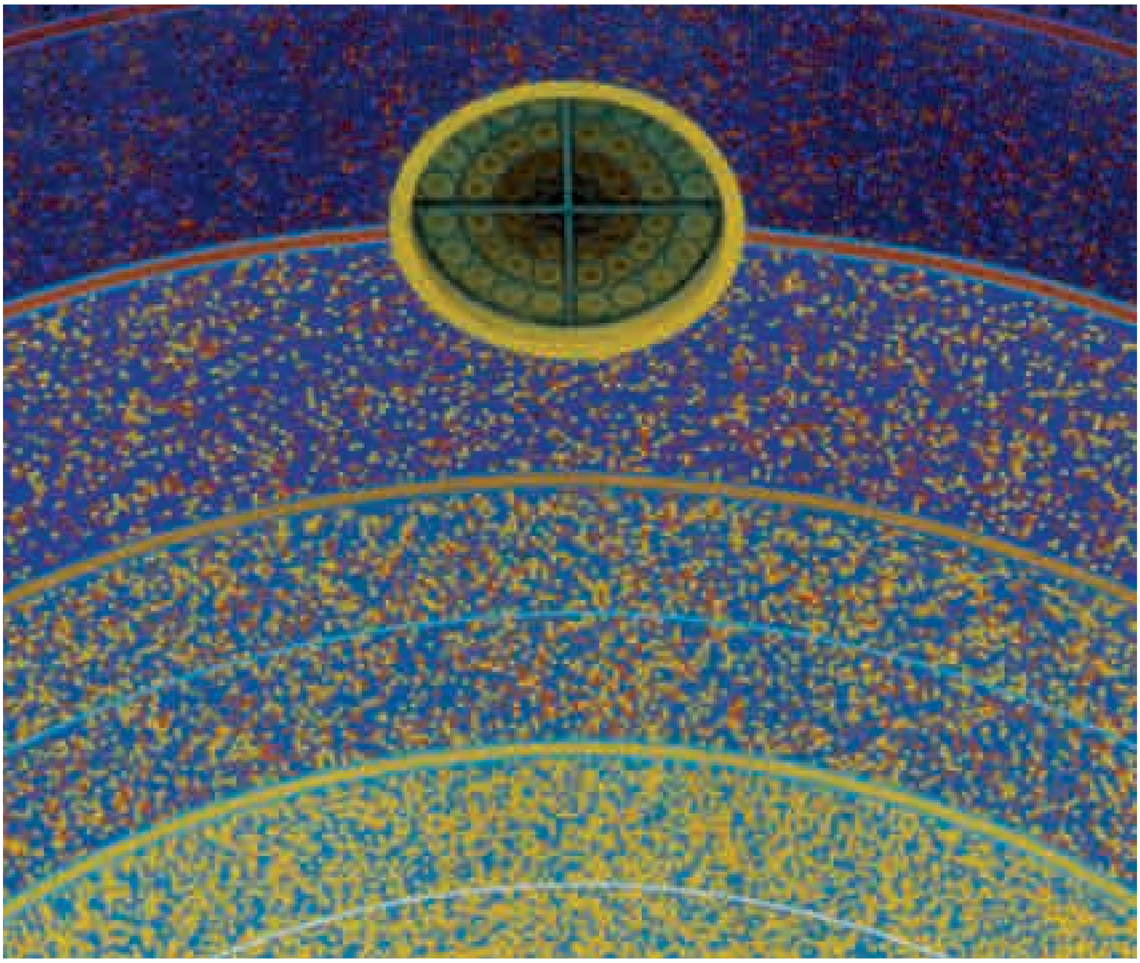
Caixa *e-banking* is the internet banking channel for corporate and institutional customers. It continues to be in great demand with an increase of around 29% to more than 55 thousand new contracts, comprising 13 thousand new subscribers.

The 55% increase in successfully completed operations to more than 29 million, particularly resulted from the service's functional attractiveness, constant enhancements and introduction of new features since its launch in 2002.

Caixa Universidade Politécnico - Central University Branch

CAIXA UNIVERSIDADE POLITÉCNICO-Central University Branch which has only been in operation since 01 September 2005, is part of the CaixaContactCenter platform as a university segment management tool. It is based on a new service distance banking based model comprising new forms of interaction and communication. This channel is open for business 24 hours a day on separate local rate number 808 212 213, in addition to caixaup@cgd.pt. It also enjoys the support of university shops and other branch offices on the CGD network, providing an effective relationship with customers during their academic lives and improving their level of satisfaction. CGD's aim is for them to continue to work with us as their preferred financial partner.

On 01 September 2006, a segment analysis, including university customers enrolled up to their 3rd academic year, dispersed on the branch network, indicated that the central university branch network managed more than 98 000 customers.



Financial Analysis

Consolidated Operations

Balance Sheet (*)

CGD Group's net assets were 11.3% up over the previous year to EUR 96.2 billion, particularly deriving from loans and advances to customers and securities investments. On the liabilities side, reference should be made to growths in customer resources and debt securities.

CGD Group - Consolidated Balance Sheet
at 31 December

(EUR million)

	2005	2006	Change	
			Total	Percent
Assets				
Cash and cash equivalents at central banks	1 989	2 2 43	254	12.8%
Loans and advances to credit institutions	9 861	9 137	-724	-7.3%
Loans and advances to customers	49 936	57 268	7 332	14.7%
Securities investments	19 368	21 123	1 755	9.1%
Investments in subsidiaries and associated companies	308	328	20	6.5%
Investment properties	311	340	28	9.0%
Intangible and tangible assets	1 386	1 678	291	21.0%
Current tax assets	11	33	22	208.7%
Deferred tax assets	437	547	110	25.2%
Technical provisions for outwards reinsurance	232	237	5	2.3%
Other assets	2 621	3 315	693	26.4%
Total	**86 461**	**96 246**	**9 785**	**11.3%**
Liabilities				
Central banks' and credit institutions' resources	4 386	5 504	1 118	25.5%
Customer resources	50 162	53 768	3 606	7.2%
Financial liabilities	353	590	237	67.1%
Debt securities	11 652	13 360	1 708	14.7%
Provisions	721	964	243	33.8%
Technical provisions for insurance operations	7 010	7 828	818	11.7%
Subordinated liabilities	1 702	1 926	223	13.1%
Other liabilities	6 150	7 292	1 143	18.6%
Sub-total	**82 136**	**91 232**	**9 096**	**11.1%**
SHAREHOLDERS' EQUITY	**4 325**	**5 014**	**688**	**15.9%**
Total	**86 461**	**96 246**	**9 785**	**11.3%**

(*) In 2006 Compal's accounts were consolidated by the full consolidation method.

Within a group context, CGD's separate operations accounted for 75.7% of net assets, while insurance operations accounted for 12.2%. The remaining institutions particularly include Banco Caixa Geral, in Spain and Caixa Leasing e Factoring, with 3.6% and 2.2% of group assets respectively, which represent an increase over 2005.

Information on consolidated net assets by entity, is set out in the following table:

Loans and Advances to Customers

There was a 14.6% increase of EUR 7.5 billion in loans and advances to customers (gross) over the preceding year to EUR 58.8 billion. The increase benefited, however, from a public debt repos operation and a EUR 1 billion inflow in respect of commercial paper, previously recognised in the securities portfolio. The consideration of commercial paper as loans and advances to customers, for comparison purposes, in 2005, would have resulted in a 12.8% increase of EUR 6.7 billion in credit over the preceding year.

CGD Group - Consolidated Net Assets

at 31 December

(EUR million)

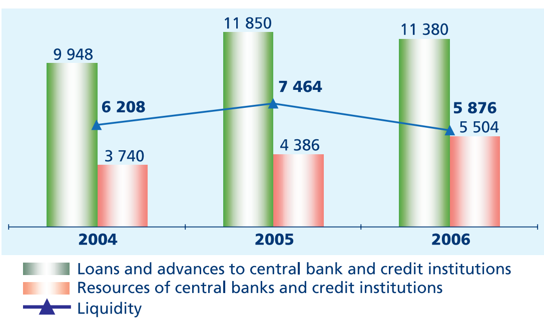
	2005		2006	
	Amount	Percent	Amount	Percent
CGD GROUP				
Caixa Geral de Depósitos	67 092	77.6%	72 904	75.7%
Caixa-Seguros	11 000	12.7%	11 761	12.2%
Banco Caixa Geral (Spain)	2 246	2.6%	3 321	3.6%
BNU-Banco Nacional Ultramarino, SA (Macau)	949	1.1%	1 381	1.4%
Caixa-Banco de Investimento	1 169	1.4%	1 305	1.4%
Caixa Leasing e Factoring	1 572	1.8%	2 124	2.2%
Banco Comercial Atlântico (Cape Verde)	429	0.5%	494	0.5%
Banco Comercial e de Investimentos (Mozambique)	337	0.4%	344	0.4%
Other companies (a)	1 667	1.9%	2 613	2.7%
Consolidated net assets	**86 461**	**100.0%**	**96 246**	**100.0%**

(a) Includes CGD Group companies consolidated by the equity accounting method and Compal.

Cash and Cash Equivalents and Loans and Advances and Resources with Credit Institutions

Cash and cash equivalents and loans and advances to credit institutions totalled EUR 11.3 billion, with EUR 5.5 billion in resources being obtained from the same entities, contributing to a "comfortable" situation in group liquidity terms.

Liquidity
Outstanding balances (EUR million)



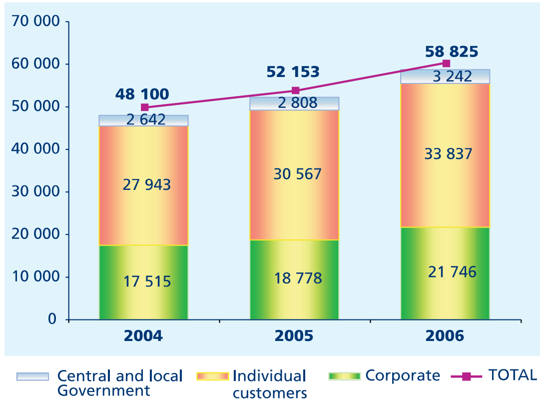
In total credit terms, CGD's domestic operations accounted for EUR 46.3 billion. Special reference should also be made to the contributions of Banco Caixa Geral, with EUR 3.1 billion (up 55%) and Caixa Leasing e Factoring, with EUR 2.1 billion (up 40%).

By customer segment, loans and advances to individual customers continue to account for a preponderant proportion in absorbing 57% of the total credit balance, particularly mortgage lending.

Loans and advances to companies and general government were highly dynamic, with increases of 15.8% and 15.5%, respectively.

CGD's market share of loans and advances to customers, in Portugal, was 21.2% at year end (20.2% including securitised loans), rising to 30.9% (27.7% including securitised loans) for mortgage lending and more than 56%, for general government, with Caixa continuing to be the segment leader. The market share for corporate loans was 13.4%.The deposits-to-loans conversion rate, in balance sheet structure terms, was 106.5%, against 99.5% at the end of last year.

Loans and Advances to Customers
Outstanding balances (EUR million)



Loans and Advances to Customers [a]
by customer segment
Balances at 31 December

(EUR million)

	2005	2006	Change Total	Change Percent
Corporate	18 778	21 746	2 967	15.8%
General government	2 808	3 242	434	15.5%
Individual customers	30 567	33 837	3 270	10.7%
Total	**52 153**	**58 824**	**6 671**	**12.8%**

(a) Consolidated operations. Commercial paper balances for the amount of EUR 816 million were included in the year 2005 figures for comparison purposes.

Loans and Advances to Companies

Loans and advances to companies grew 15.8%, evidencing general buoyancy in almost all operating sectors, particularly services with a 20.2% increase and manufacturing with a 16.7% increase. The balance on construction and public works, at only 2.6%, translated the slowdown of activity in the sector.

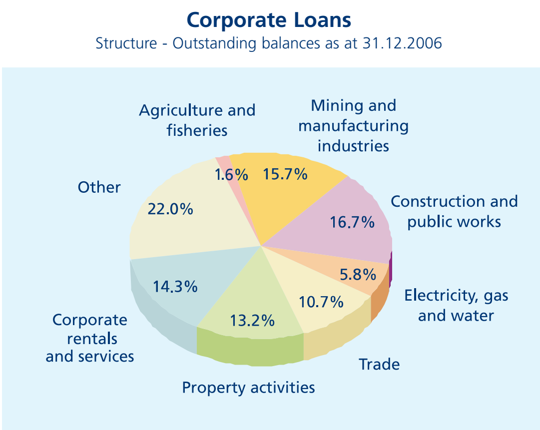
The loans and advances balance on services was mainly invested in the "corporate leases and services" subsectors with EUR 3.1 billion, "property activities", with EUR 2.9 billion, "wholesale and retail trade", with EUR 2.3 billion, and "financial intermediation, excluding insurance and pension funds", with EUR 1 billion.

Loans and Advances to Companies [a]
by sector of activity
Balances at 31 December

(EUR million)

	2005	2006	Change Total	Change Percent
Agriculture and fisheries	272	345	73	26.7%
Mining and manufacturing	2 923	3 410	487	16.7%
Construction and public works	3 529	3 621	92	2.6%
Electricity, gas and water	1 157	1 268	111	9.6%
Services	10 897	13 102	2 205	20.2%
Total	**18 778**	**21 746**	**2 967**	**15.8%**

(a) Consolidated operations. Commercial paper balances for the amount of EUR 816 million were included in the year 2005 figures for comparison purposes.



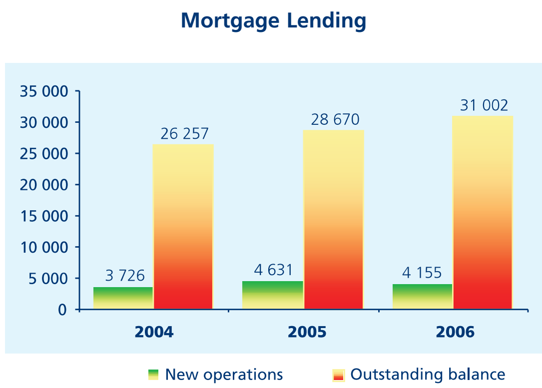
Loans and Advances to Individual Customers

There was a EUR 3.3 billion increase in loans and advances to individual customers, sustained by an 8.1% increase in mortgage lending and 49.4% increase in "loans for other purposes".

There were 55 614 new mortgage lending operations entered into during the year, in Portugal, totalling an amount of EUR 4.2 billion, in comparison to 67 341 operations and EUR 4.6 billion, respectively, in 2005.

Credit for other purposes is based on a broad-ranging product offer encompassing diverse purposes such as consumer credit, credit cards, consumer durables and home improvements, with an appreciable 49.4% increase to a balance of EUR 2.8 billion.

"Other personal credit" includes the operations of specialised subsidiaries and branches, of which special reference should be made Banco Caixa Geral, with EUR 0.9 billion.



Loans and Advances to Individual Customers (a)

(EUR million)

	2005	2006	Change Total	Change Percent
BALANCES:				
Mortgage lending	28 670	31 002	2 332	8.1%
Other	1 897	2 835	938	49.4%
of which:				
Credicaixa (consumer credit) (b)	627	826	199	31.7%
Credit cards (b)	125	210	85	68.0%
Other personal loans	1 145	1 799	654	57.1%
Total	**30 567**	**33 837**	**3 270**	**10.7%**
NEW OPERATIONS: (b)				
Mortgage lending				
Number of contracts	67 341	55 614	-11 727	-17.4%
Amount (EUR million)	4 631	4 155	-477	-10.3%
Credicaixa (consumer credit)				
Number of operations	42 565	73 079	30 514	71.7%
Amount (EUR million)	353	503	150	42.5%

(a) Consolidated operations.
(b) Operations in Portugal.

Loans and Advances to the Public Sector

There was a 15.5% increase of EUR 434 million in loans and advances to the public sector over the preceding year to EUR 3.2 billion of which amount EUR 161 million went to local councils, notwithstanding the continuation of various constraints on municipal debt, in 2006, under the budget consolidation policy and reduction of public deficit.

Loans and Advances to the Public Sector [(a)]

Balances at 31 December

(EUR million)

	2005	2006	Change	
			Total	Percent
Central Government	560	833	273	48.7%
Municipalities	2 248	2 409	161	7.2%
Housing and public works	1 327	1 337	10	0.8%
Other sectors	921	1 072	151	16.4%
Total	**2 808**	**3 242**	**434**	**15.5%**

(a) Consolidated operations.

Growth of the loans and advances to the public sector balance enabled CGD to retain a market share of more than 50%.

The referred to framework governing the public sector has fuelled the organisation and structuring of unusual, highly complex, technical operations leading to close co-operation with CGD Group's investment banking, financial leasing and factoring areas.

Reference should be made to the highly energetic approach in terms of services provided to the local government segment, in the payments media and electronic collections area, supported by intense modernisation in most councils, notwithstanding their dimension and capabilities.

Overdue Credit, Impairment and Provisions

There was a slight 0.7% increase of EUR 9 million in overdue credit, in 2006, to EUR 1 264 million. This figure, as a component part of credit growth, represented a significant improvement in terms of asset quality resulting in an overdue to total credit ratio of 2.1% against the preceding year's 2.4%. Non-performing credit, calculated under Bank of Portugal rules, was reduced to 2.3% against the previous period's 2.7%.

Loans and Advances to Customers (consolidated)
Balances at 31 December

(EUR million)

	2005	2006	Change	
			Total	Percent
1. Total credit	**51 337**	**58 824**	**7 487**	**14.6%**
1.1. Loans and advances to customers (outstanding)	50 083	57 561	7 478	14.9%
1.2. Overdue credit and interest	1 255	1 264	9	0.7%
Of which: more than 90 days overdue	1 119	1 123	4	0.3%
2. Credit impairment	**1 401**	**1 556**	**155**	**11.0%**
2.1. Accumulated impairment - loans and advances to customers	530	685	155	29.2%
2.2. Accumulated impairment - overdue credit and interest	871	872	1	-
3. Credit net of Impairment	**49 936**	**57 268**	**7 332**	**14.7%**
Ratios				
Non-performing credit ratio (1)	2.69%	2.29%		
Non-performing credit net/Total credit net (1)	-0.04%	-0.37%		
Overdue credit / Total credit	2.44%	2.15%		
Credit more than 90 days overdue/Total credit	2.18%	1.91%		
Accumulated impairment/Overdue credit	111.7%	123.2%		
Accumulated impairment/Credit more than 90 days overdue	125.2%	138.5%		

(1) Indicators calculated in accordance with Bank of Portugal "Instruction".

Accumulated impairment was 29.2% up by EUR 155 million to EUR 1 556 million, comprising cover of 138.5% on credit overdue for more than 90 days against the end of last year's figure of 125.2%.

Securities Portfolio

The balance on the securities portfolio was up 9.1% to EUR 21 billion against the end of 2005 figure of EUR 19.4 billion. This balance includes an 8% increase in insurance sector investment to EUR 10 billion, comprising 47% of the total. "Financial assets at fair value through profit or loss", acquired for short term trading purposes comprised 70% of the total.

"Available for sale financial assets" included, *inter alia*, stable financial investments. Reference should be made to the March acquisition of a 1% equity investment in GALP Energia, for the amount of EUR 50.7 million. CGD also increased its equity investment in CIMPOR to 2.08% at year end. In addition, CGD disposed of 4 million BCP shares for the amount of EUR 36.8 million, in 2006.

Securities Investments (consolidated)
Balances at 31 December

(EUR million)

	2005	2006	Change	
			Total	Percent
Banking	**10 141**	**11 152**	**1 011**	**10.0%**
Financial assets at fair value through profit or loss	7 595	7 843	248	3.3%
Available for sale financial assets	2 546	3 309	763	30.0%
Insurance	**9 227**	**9 971**	**744**	**8.1%**
Available for sale financial assets	8 558	9 123	565	6.6%
Investments associated with unit linked products	669	848	179	26.8%
Total	**19 368**	**21 123**	**1755**	**9.1%**

Almost all of the insurance area portfolio, with a 8.1% increase of EUR 744 million during the year, is classified as "available for sale".

Customer Resources

There was a 7.2% increase of EUR 3.6 billion in customer resources to a year end total of EUR 53.8 billion. The balance mainly consists of customer deposits (EUR 51.2 billion) with a 7.2% increase of 3 438 million.

Deposit growth by type was mainly fuelled by term deposits with a 14.2% increase of EUR 3 billion and sight deposits with a 5% increase of EUR 862 million.

Customer Resources (consolidated)

Balances at 31 December

(EUR million)

	2005	2006	Change	
			Total	Percent
Deposits	**47 766**	**51 204**	**3 438**	**7.2%**
Sight	17 364	18 226	862	5.0%
Term	20 908	23 868	2 960	14.2%
Savings	8 646	8 277	-369	-4.3%
Mandatory	848	833	-15	-1.8%
Other resources	**2 396**	**2 564**	**168**	**7.0%**
Total	**50 162**	**53 768**	**3 606**	**7.2%**

The expansion of deposits by customer segment, mainly derived from companies, with a 53.4% increase of EUR 2.6 billion and the public sector with a 17.9% increase of EUR 758 million.

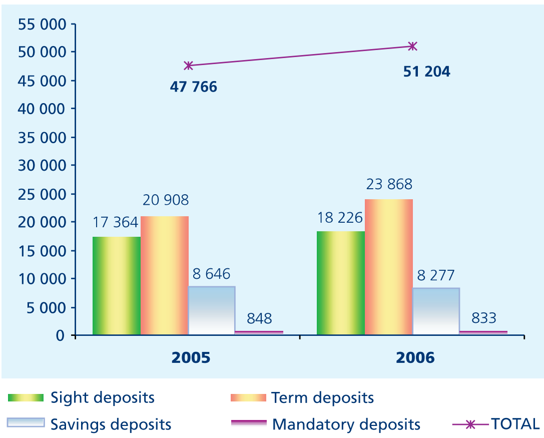
Customer Deposits (consolidated)

Balances at 31 December

(EUR million)

	2005	2006	Change	
			Total	Percent
Individual Customers	**38 699**	**38 797**	**98**	**0.3%**
Sight	11 311	11 757	446	3.9%
Term	18 742	18 763	21	0.1%
Savings	8 646	8 277	-369	-4.3%
Corporate	**4 832**	**7 415**	**2 583**	**53.4%**
Sight	3 044	3 505	461	15.2%
Term	1 788	3 909	2 121	118.6%
Public Sector	**4 235**	**4 993**	**758**	**17.9%**
Sight	3 009	2 963	-46	-1.5%
Term	378	1 196	818	216.4%
Mandatory	848	833	-15	-1.8%
Total	**47 766**	**51 204**	**3 438**	**7.2%**

Customer Deposits
Balance (€ million)



CGD's domestic operations accounted for EUR 42.5 billion of the deposits balance, equivalent to around 83% of the consolidated total. Special mention should also be made, in terms of the group's branches and subsidiaries, to Banco Caixa Geral and BNU Macau balances (both with EUR 1.8 billion), France branch (EUR 1.4 billion) and Macau offshore subsidiary (EUR 1 billion).

CGD's market share of customer deposits, in Portugal, was 29.9%, against the preceding year's figure of 30.2%. The individual customers and emigrants segments accounted for 35.2% and 39.7%, respectively.

The balance of CGD Group's total balance sheet and "off-balance sheet" resources was more than EUR 87.5 billion, representing a 10.6% increase of EUR 8.4 billion over the preceding year.

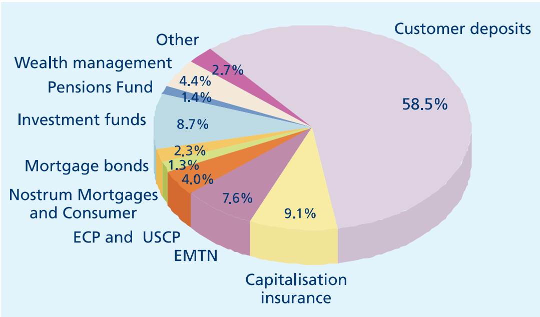
Resources Taken by CGD Group (a) (b)
Balances at 31 December

(EUR million)

	2005	2006	Change	
			Total	Percent
Customer Resources				
Balance sheet:	**67 666**	**74 814**	**7 148**	**10.6%**
Retail	**56 802**	**61 545**	**4 743**	**8.3%**
Customer deposits	47 766	51 204	3 438	7.2%
Capitalisation insurance	6 355	7 944	1 589	25.0%
Other customer resources	2 681	2 397	-283	-10.6%
Institutional investors	**10 864**	**13 269**	**2 405**	**22.1%**
EMTN	6 127	6 625	497	8.1%
ECP and USCP	3 520	3 525	4	0.1%
Nostrum Mortgages and Nostrum Consumer	1 217	1 134	-83	-6.8%
Covered bonds	-	1 985	1 985	-
Off-balance sheet:	**11 536**	**12 746**	**1 210**	**10.5%**
Investment units in unit trust investment funds	6 420	7 637	1 217	19.0%
Caixagest	5 465	6 381	916	16.8%
Fundimo	955	1 256	301	31.5%
Pension fund	1 040	1 253	213	20.4%
Wealth management	4 076	3 856	-220	-5.4%
Total	**79 202**	**87 559**	**8 357**	**10.6%**

(a) Consolidated operations.
(b) Does not include credit and financial institutions' deposits.

Resources Taken
Structure - Balances at 31.12.2006



Reference should be made to off-balance sheet resources taken from the retail segment which were up 8.3% over the preceding year to EUR 61.5 billion, particularly deposits with a 7.2% increase to EUR 51.2 billion and capitalisation insurance with a 25% increase to EUR 7.9 billion.

The balance on the "other customer resources" sub-heading, comprising cash bonds and subordinated cash bonds, was EUR 2.4 billion.

The group's global balance on resources taken from institutional investors in the capital market was up 22.1% to EUR 13.3 billion and is of major relevance for funding longer term operations. The resources were taken through issues of Euro Medium Term Notes and Commercial Paper programmes, mortgage and consumer credit securitisation operations and launch of a covered bonds issue, in 2006.

"Off-balance sheet" resources particularly include Caixagest and Fundimo unit trust funds with a significant 19% growth to EUR 7.6 billion, in addition to wealth management area funds with EUR 3.9 billion.

Debt Securities

There was a 14.7% increase in the debt securities balance, over 2005, to EUR 13.4 billion. The said increase particularly reflected the launch of a new "covered bonds" issue with subscriptions of EUR 1 985 million (see "Capital Market - Own Issues" chapter).

Debt Securities (consolidated)
Balances at 31 December

(EUR million)

	2005	2006	Change	
			Total	Percent
EMTN Programme issues (a)	5 055	5 167	112	2.2%
ECP and USCP Programme issues	3 520	3 525	4	0.1%
Nostrum Mortgages and Nostrum Consumer	1 217	1 134	-83	-6.8%
Covered bonds	-	1 985	1 985	-
Cash bonds and certificates of deposit	1 860	1 550	-310	-16.7%
Total	**11 652**	**13 360**	**1 708**	**14.7%**

(a) Does not include EUR 1 457 million of issues classified as subordinated liabilities, in 2006.

In terms of the EMTN programme, the outstanding balance on non-subordinated bonds totalled EUR 5.2 billion, comprising a 2.2% increase of EUR 112 million over 2005.

The commercial paper programme whose balance of EUR 3.5 billion remained stable throughout the course of the year, continued to be the vehicle of preference for taking in short term funds.

Subordinated Liabilities

The balance of resources taken by Caixa in the form of subordinated liabilities totalled EUR 1 926 million, of which an amount of EUR 1 457 million (up 36%) comprised bonds issued by CGD Finance and CGD's France branch, under the Euro Medium Term Notes programme. The remaining part was made up of structured savings products namely "Renda mais" cash bonds placed with retail customers.

Subordinated Liabilities (consolidated)

Balances at 31 December

(EUR million)

	2005	2006	Change	
			Total	Percent
EMTN Programme issues [(a)]	1 072	1 457	385	36.0%
Other	630	468	-162	-25.7%
Total	**1 702**	**1 926**	**223**	**13.1%**

(a) Does not include EUR 5 167 million of issues classified as debt securities, in 2006.

Shareholders' Equity

CGD's consolidated shareholders' equity was 15.9% up by EUR 688 million over December 2005 to more than EUR 5 billion.

Shareholders' Equity (consolidated)

Balances at 31 December

(EUR million)

	2005	2006	Change	
			Total	Percent
Share capital	2 950	2 950	-	-
Fair value reserves	565	656	91	16.1%
Other reserves	-68	299	367	-
Retained earnings	-347	-319	27	-
Minority shareholders' interests	687	694	7	1.1%
Net income for year	538	734	196	36.5%
Total	**4 325**	**5 014**	**688**	**15.9%**

Reference should be made to the contribution made by the incorporation of EUR 141 million of non-distributed income in "other reserves", EUR 91 million increase in fair value reserves from the revaluation of assets and EUR 196 million increase in net income for the year to the referred to growth.

Solvency Ratio

The consolidated solvency ratio, calculated under Bank of Portugal rules, was 10.5% in comparison to the preceding year's 12.4%, owing to the introduction of various regulatory alterations, in 2006, for own funds calculation purposes.

Total own funds for solvency ratio purposes were EUR 5 520 million (EUR 329 million or down 5.6% over 2005). Notwithstanding the said reduction, the EUR 371 million increase in Tier 1 basis own funds was particularly fuelled by the EUR 377 million increase in consolidation reserves. Net income for the year and deferred tax assets also made a positive contribution to Tier 1, with increases of EUR 131 million and EUR 173 million, respectively.

The increase in basis own funds already comprises a series of deductions, made in 2006. Particularly important were those resulting from goodwill on Império Bonança (deduction of EUR 150.7 million) and Compal (deduction of EUR 124.9 million). These amounts were not deducted in 2005, in Compal's case, because it was not a party to the consolidation perimeter and in the case of Império Bonança, because it was only considered for the first time in March 2006.

The EUR 411 million decrease in complementary own funds mainly originated from revaluation reserves (down EUR 214.2 million), partly related with the reclassification and correction of several entries during the year. The provision for general credit risks, on the other hand, only contributed EUR 6.1 million to own funds, in 2006,

Solvency Ratio (consolidated) [a]
Balances at 31 December

(EUR million)

	2005	2006
1. Total own funds	5 849	5 520
a) Basis own funds	3 507	3 878
b) Complementary own funds	2 697	2 286
c) Deductions	355	644
2. Weighted assets (credit risks) and market risks	47 117	52 521
3. Own funds requirements	3 769	4 202
4. Surplus own funds (1.-3.)	2 080	1 318
5. TIER 1 (1a)./(3.*12.5))	**7.4%**	**7.4%**
6. Solvency Ratio (1./(3.*12.5))	**12.4%**	**10.5%**

(a) Under Bank of Portugal rules.

against EUR 337.7 million, in 2005, owing to the Bank of Portugal's regulatory alteration, in May. In accordance with the alteration, only the part of such provisions not required to cover expected credit-associated losses may be considered as a positive own funds element.

There was an EUR 133 million increase in subordinated debt's contribution to this own funds component over the preceding year. This had an attenuating effect on the negative impacts recognised in revaluation reserves and provisions for general credit risks.

Reference should also be made to the penalising effect of the EUR 289 million increase in respective deductions on total own funds. This increase fundamentally derived from the other change also made by the Bank of Portugal to the calculation of own funds at 31 December 2006, through the transposition of the Community Directive on Financial Conglomerates into national legislation. This transposition resulted in CGD being classified as a conglomerate and consequently imposing requirements for investments of more than 20% in insurance, reinsurance or holding companies in the insurance sector to be written off from own funds. This required an additional deduction of EUR 494 million, owing to the application of the alternative method introduced, in the meantime, under Official Notice 12/92. The impact was also partly absorbed by the decrease in the size of the deduction on the surplus on CGD Group's major risks (reduction of EUR 185 million).

In global terms, the two alterations resulting from the Bank of Portugal's supervisory guidelines signified a global reduction of EUR 876.3 million to CGD's total own funds, in 2006.

There was an 11.5% increase in weighted assets to EUR 52.5 billion, giving minimum own funds requirements of EUR 4 202 million, in comparison to existing total funds of EUR 5 520 million, i.e. a year end surplus of EUR 1 318 million. As already stated, this gives a solvency ratio of 10.5% against 12.4% in 2005.

Considering solely basis own funds, the respective Tier 1 ratio was 7.4%. Core Tier 1, which excludes preference shares from the said funds was 6.2%, as in 2005.

Results and Profit Ratios [*]

There was a 36.5% increase to EUR 733.8 million in Caixa Geral de Depósitos Group's consolidated net income for 2006, not including any extraordinary income. This compares to the preceding year's EUR 537.7 million. Income before tax and minority shareholders' interests was 46.9% up over 2005 to EUR 989.8 million.

Net operating income from banking and insurance operations totalled EUR 2 983 million which, excluding the capital gains made on the sale of the Unibanco equity investment, in 2005, comprised a 22.2% increase of EUR 541.5 million.

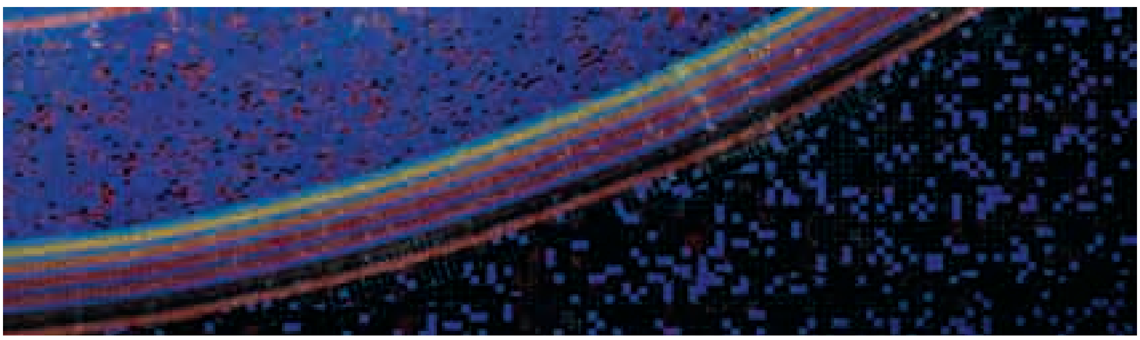
(*) Considering Compal's consolidation by the equity accounting method.

Income Statement (consolidated) (*)

(EUR thousand)

	2005	2006	Change	
			Total	Percent
Net interest income (1)	**1 454 462**	**1 778 037**	**323 575**	**22.2%**
Interest and similar income	3 277 889	4 376 848	1 098 958	33.5%
Interest and similar costs	1 912 460	2 671 847	759 386	39.7%
Income from equity instruments	89 033	73 036	-15 998	-18.0%
Non-interest income (2)	**658 285**	**618 715**	**-39 570**	**-6.0%**
Income from services and commissions (net)	319 441	364 719	45 279	14.2%
Income from financial operations	297 218	130 683	-166 535	-56.0%
Other operating income	41 627	123 313	81 686	196.2%
Technical income from insurance operations (3)	**512 648**	**586 242**	**73 594**	**14.4%**
Premiums net of reinsurance	2 376 226	2 626 655	250 429	10.5%
Income from insurance contract investments	245 952	312 209	66 256	26.9%
Claims costs, net of reinsurance	1 955 489	2 187 314	231 824	11.9%
Commissions and other income and associated costs	-154 041	-165 308	-11 267	7.3%
Net operating income (4)=(1)+(2)+(3)	**2 625 395**	**2 982 994**	**357 598**	**13.6%**
Operating costs (5)	**1 627 800**	**1 694 779**	**66 979**	**4.1%**
Employee costs	859 140	918 303	59 163	6.9%
Outside supplies and services	643 557	634 311	-9 247	-1.4%
Depreciation and amortisation	125 103	142 165	17 063	13.6%
Gross operating income (6)=(4)-(5)	**997 596**	**1 288 215**	**290 619**	**29.1%**
Provisions and impairment (7)	**348 867**	**408 094**	**59 227**	**17.0%**
Provisions net of reversals	64 026	106 358	42 333	66.1%
Credit impairment (net)	252 419	232 123	-20 296	-8.0%
Impairment of other assets (net)	32 422	69 613	37 190	114.7%
Income from associated companies (8)	**25 049**	**109 704**	**84 654**	**338.0%**
Income before tax and minority shareholders' interests (9)=(6)-(7)+(8)	**673 778**	**989 825**	**316 046**	**46.9%**
Tax (10)	**118 995**	**222 505**	**103 509**	**87.0%**
Current	124 610	265 738	141 128	113.3%
Deferred, net	-5 615	-43 233	-37 618	670.0%
Consolidated net income for year (11)=(9)-(10)				
Attributable to minority interests	17 116	33 512	16 396	95.8%
Attributable to CGD shareholder	**537 667**	**733 808**	**196 141**	**36.5%**

(*) Considering the consolidation of Compal by the equity accounting method.



Other CGD Group Operations in Portugal

Investment Banking

Caixa – Banco de Investimento

As referred to in the chapter on investment banking, CaixaBI's performance, in 2006, was highly positive, translating into its best ever results.

The bank's assets were up 17.9% to EUR 1 596 million, reflecting the 64% growth in its securities portfolio, to a balance of EUR 604 million. There was also a 9.8% increase of EUR 787 million in loans and advances to customers to a year end balance.

Net operating income was up 27% to EUR 59.2 million, owing to the significant 52% increase in net interest income and 19% increase in income from commissions. Net income was up 57.2% to EUR 30.6 million over 2005.

Caixa-Banco de Investimento (a)

(EUR thousand)

	2005	2006
Net assets	1 353 833	1 595 983
Loans and advances to customers	716 701	787 137
Securities portfolios	368 077	603 749
Other assets	171 051	179 024
Shareholders' equity	172 377	186 361
Net income	19 463	30 589
Share capital	81 250	81 250
CGD Group %	99.65%	99.64%
Employees	173	184
Medium and long term rating awarded by FITCH RATINGS		AA-

(a) Amounts in respect of Caixa BI sub-group for CGD Group consolidation purposes. These amounts do not include the accounts of COMPAL which were directly consolidated by the full integration method in CGD's accounts.

Caixa Capital and Caixa Desenvolvimento (Venture Capital)

As in previous years, CGD Group venture capital operations continue to be performed by the following two companies:

- Caixa Capital - Sociedade de Capital de Risco, SA, which, in addition to its own operating activities, also manages three venture capital funds (FIQ CGD Group, FIQ Energias Renováveis and FIQ PME); and
- Caixa Desenvolvimento, SGPS, SA, geared to larger scale interventions.

Caixa Capital's activities, in 2006, owing to its characteristics, continued to be affected by the moderate economic growth. An amount of EUR 44.1 million was invested in the venture capital area of which EUR 34.2 million in new fund subsidiaries and EUR 9.9 million in increasing the size of current portfolio investments.

In the case of new fund subsidiaries reference should be made to:

a) the 12% equity investment in Parque Eólico da Penha da Gardunha, Lda., in turn, 76% owned by Enersis Group;

b) the 5% equity investment in La Seda de Barcelona, SA, a Spanish company listed on the Madrid stock exchange, whose major shareholder is the Portuguese group Imatosgil. There was a major EUR 418.7 million increase in the company's share capital to finance its growth strategy and achieve lead position in the European PET production market.

An amount of EUR 9.1 million in seven fund subsidiaries was disinvested during the year, not including the "transfer" of SICAV NovEnergia 2010 from FIQ CGD Group to FIQ Energias Renováveis.

Caixa Capital and Caixa Desenvolvimento, at year end, managed a portfolio of 30 companies in various operating sectors, comprising investment of EUR 240 million, particularly including COMPAL, Visabeira Group, FINPRO SGPS, SILGER, SGPS, SICAV NovEnergia and the above referred to La Seda de Barcelona.

Paid up capital in the three FIQ CGD Group, FIQ Energias Renováveis and FIQ PME venture capital funds totalled EUR 92.6 million, plus EUR 48 million in additional funding. The respective portfolios comprised global investment of around EUR 130.3 million.

Information on the two companies' principal indicators is set out below:

Caixa Capital

(EUR thousand)

	2005	2006
Net assets	25 387	25 488
Available for sale financial assets	12 961	7 835
Loans and advances to credit institutions	8 532	5 484
Other assets	3 311	3 005
Shareholders' equity	23 876	27 901
Net income	4 933	1 380
Share capital	16 500	16 500
CGD Group %	100%	100%

Caixa Desenvolvimento

(EUR thousand)

	2005	2006
Net assets	111 703	98 556
Available for sale financial assets	6 286	5 637
Loans and advances to credit institutions	4 366	1 722
Other assets	100 528	80 017
Shareholders' equity	41 495	41 349
Net income	1 937	-2 026
Share capital	2 500	2 500
CGD Group %	100%	100%

Insurance

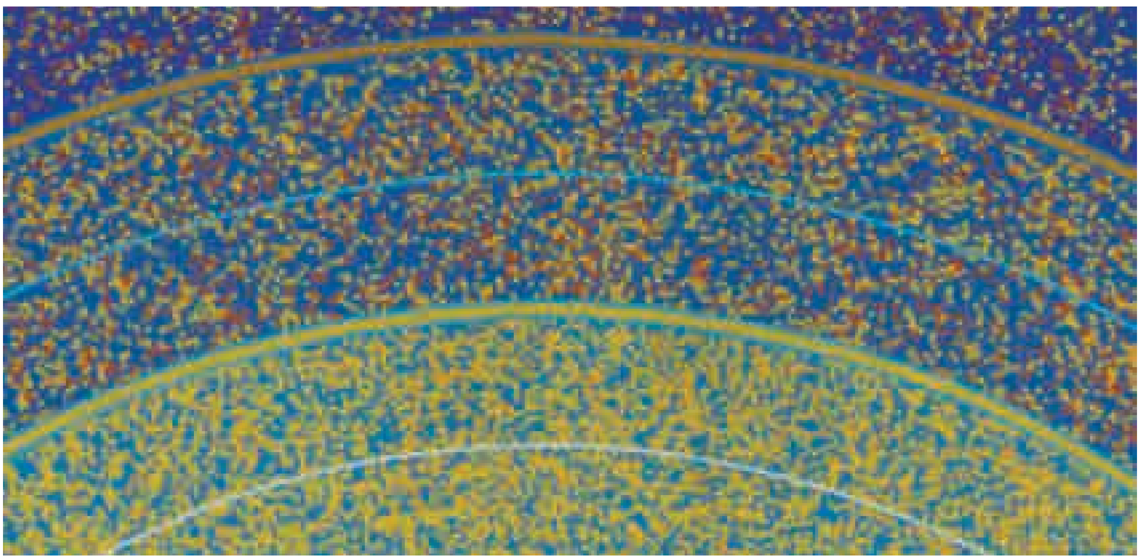
Overview

In terms of insurance market operations, in Portugal in 2006, an amount of EUR 13 121 million was sold in direct insurance premiums (8.6% of GDP). Around two thirds of this amount derived from life insurance branches. Sales of insurance abroad were down over the preceding year to EUR 112 million.

Premium volume was 2.3% down during the year, deriving from the 4.1% drop in life insurance sales which, as opposed to 2005, failed to record such a high volume of transfers of financial investments to capitalisation insurance. Non-life insurance, comprising around one third of sales was up 1.5%, in line with the moderate evolution of economic activity and price reduction trend whose benefits in terms of claims control were passed on to customers.

Direct insurance premiums in CGD Group were up 4.8% to EUR 3 247 million, equivalent to a market share of 24.2%, split up between life insurance with 20% and non-life insurance with 32.6%.

Regarding alterations to the sector's business structure, reference should be made to BES partner Crédit Agricole's acquisition of the majority of the share capital of



Tranquilidade Vida and Espírito Santo Seguros and Eurovida's acquisition of Aviva's insurance portfolio. Reference should also be made to the reduction in the level of market concentration, in both life and non-life insurance, owing to the high growth recorded by several of the smaller insurance companies.

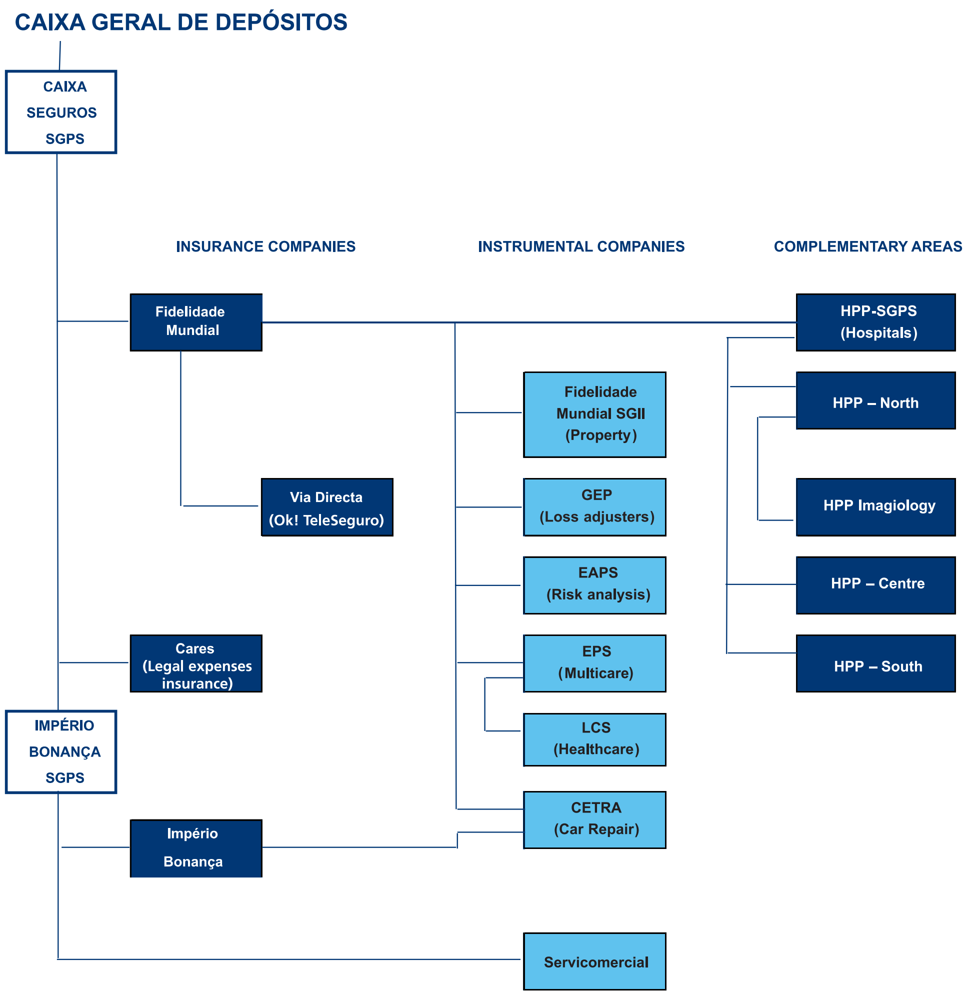
Legislation particularly included the new legal premiums payment scheme implemented under Portuguese Insurance Institute Regulation 16/2006-R and new rules and procedures on motor insurance claims settlements, in accordance with the part transposition of the 5th European Directive on claims related with damages to property.

Reference should, lastly, be made to the various operators' continued improvements in efficiency levels, associated with claims containment and good financial market performance, suggesting higher net income levels, in 2006, for most insurance sector companies.

Caixa Seguros, SGPS, SA

Investment Structure

Caixa Seguros, SGPS, SA is CGD Group's holding company for the insurance area. It is a fully owned CGD subsidiary whose portfolio comprises the full amount of equity investments in the Fidelidade-Mundial, SA, Império Bonança – Companhia de Seguros, SA (*) and Cares – Companhia de Seguros de Assistência, SA insurance companies.



(*) A contract entered into between CGD and BCP provides for Caixa Seguros's acquisition of the remaining 30% of Império Bonança.

Caixa Seguros has also made indirect equity investments in several companies, most of which complement insurance companies' operations. Special reference should be made to Via Directa – Companhia de Seguros, SA, which specialises in telephone and internet channels.

In the health area, the HPP – Hospitais Privados de Portugal, SGPS holding company manages a network of hospitals and clinics and EPS – Gestão de Sistemas de Saúde, SA operates in management care services. Cares, SA specialises in assistance and legal protection branches.

Financial Statements and Principal Indicators (IAS/IFRS)

Summary of Consolidated Balance Sheet

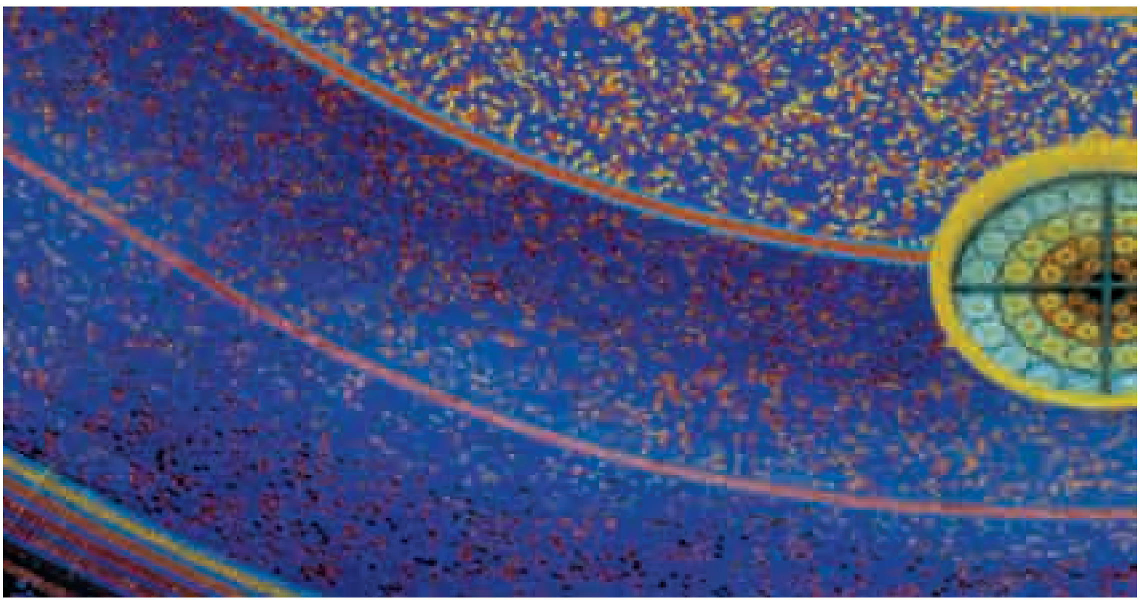
(EUR thousand)

	2005	2006
Net assets		
Fixed assets and inventories	256 536	248 957
Investments	9 416 696	10 169 844
Policyholder risk	669 222	848 401
Technical provisions for outwards reinsurance	229 358	236 255
Debtors	487 643	801 964
Bank deposits and cash	962 984	1 040 254
Accrued and deferred income	75 471	111 314
Total assets	**12 097 911**	**13 456 989**
Shareholders' equity and liabilities		
Share capital	448 400	448 400
Issue premiums	184 404	184 404
Reserves	387 463	298 841
Retained earnings	-32 358	72 160
Net income for year	120 121	154 529
Minority shareholders' interest	15 519	15 353
Total shareholders' equity	**1 123 549**	**1 173 687**
Liabilities		
Technical provisions	7 506 562	7 822 155
Liabilities for financial instruments	1 702 470	2 183 915
Technical provisions - policyholder risk	669 222	847 369
Provisions for other risks and charges	34 915	73 875
Deposits received from reinsurers	32 964	38 319
Creditors	952 220	1 211 831
Accrued and deferred income	76 009	105 839
Total liabilities	**10 974 362**	**12 283 303**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**12 097 911**	**13 456 989**

Consolidated Summary of Gains and Losses

(EUR thousand)

	2005	2006
Non-life insurance technical account		
Earned premiums net of reinsurance	1 395 836	1 340 174
Investment income / costs	46 089	124 050
Other technical income / costs	3 043	-2 122
Claims costs, net of reinsurance	-1 002 911	-958 201
Net operating costs	-393 536	-381 870
Non-life insurance technical income	**48 521**	**122 030**
Life insurance technical account		
Earned premiums net of reinsurance	980 772	1 281 174
Investment income / costs	232 491	192 369
Other technical income / costs	-484 970	-960 679
Claims costs, net of reinsurance	-595 299	-409 119
Net operating costs	-48 088	-44 904
Life insurance technical income	**84 906**	**58 841**
Technical income from financial instruments	**6 892**	**25 982**
Total technical income	**140 319**	**206 854**
Non-technical account		
Investment income / costs	22 894	27 550
Other non-technical income / costs	-12 375	-34 085
Extraordinary income	4 345	5 575
Income before tax	**155 183**	**205 894**
Tax on income for year	-34 856	-51 721
Minority shareholders' interests / Income	-205	356
Net income for year	**120 121**	**154 529**



Caixa Seguros, SGPS, SA

General Indicators

(EUR thousand)

	2005	2006
Net assets	**12 097 911**	**13 456 989**
Direct insurance premiums	**3 098 262**	**3 246 709**
Life insurance	998 443	1 301 918
Investment contracts	567 179	501 460
Non-life insurance	1 532 640	1 443 331
Insurance contract liabilities	**9 209 032**	**10 006 070**
Technical provisions for direct insurance and inwards reinsurance	7 506 562	7 822 155
Liabilities for investment contracts	1 702 470	2 183 915
Net investments	**10 958 399**	**12 000 104**
Direct insurance claims rate on earned premiums		
Life insurance	50.4%	49.1%
Non-life insurance	54.9%	55.6%
Shareholders' equity	**1 123 549**	**1 173 687**
Net income	**120 121**	**154 529**
Solvency (Local GAAP)		
A. Solvency margin (total)	832 308	930 089
B. Solvency margin (mandatory)	563 919	598 330
Solvency margin cover (A/B)	147.6%	155.4%
Return		
ROE (net)	15.3%	13.5%
ROA (net)	1.19%	1.21%
Market shares (in Portugal)	**22.3%**	**24.2%**
Life insurance	16.6%	20.0%
Non-life insurance	34.3%	32.6%
Employees	**4 584**	**4 153**
Insurance sector	3 757	3 374
Other sectors	827	779
Branch offices	**154**	**153**
Fidelidade Mundial:	91	90
Exclusive outlets	252	342
Império Bonança:		
Branch office	63	63
Franchising outlets	122	134

Operating summary

Caixa Seguros operates in the market with various brands – Fidelidade Mundial, Império Bonança, OK! Teleseguro, Multicare, Cares, HPP -, supported by the largest and most diversified national market financial products distribution network – Fidelidade Mundial and Império Bonança own counters, agents and brokers, CGD's banking branch offices, CTT counters, telephone and internet.

Caixa Seguros continued to implement its policy of integrating back-office and shared management areas, in 2006, particularly in the case of Fidelidade Mundial and Império Bonança, in which special reference should be made to the creation of a sales and claims call centre, located in Évora and the unifying of the labour accident compensation claims management application. In line with the same approach and the sphere of its integration of the operations of Império Bonança, SGPS, SA's instrumental subsidiary companies as part of Caixa Seguros, during a first stage, Impergesto's operations were assimilated into Cares and the company latterly liquidated.

This policy, designed to improve operating efficiency and achieve structure rationalisation gains permitted the creation of a new organic structure common to Fidelidade Mundial and Império Bonança.

Direct Insurance Premiums

After the first joint year of operation of the Fidelidade Mundial and Império Bonança brands, Caixa Seguros reinforced its leadership of the Portuguese insurance market, achieving 4.8% growth in direct insurance premiums to EUR 3 247 million, increasing its market share, in Portugal, from 22.3% to 24.2%, in 2006.

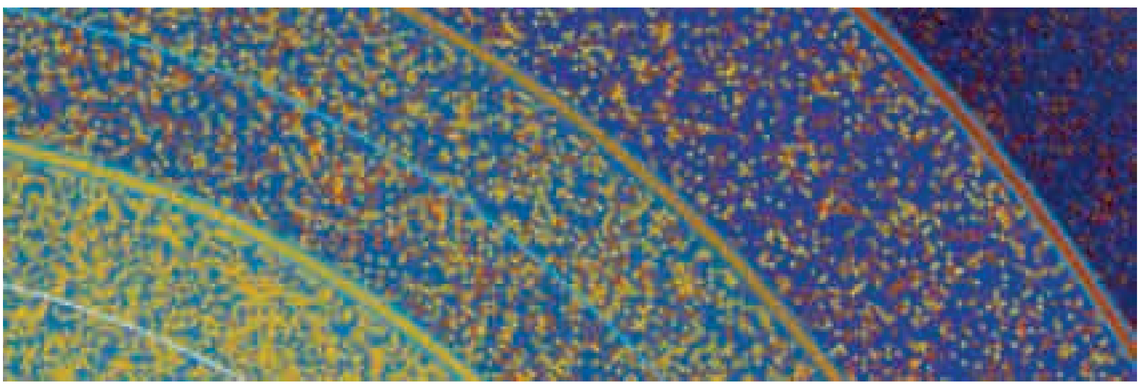
There was a 15.2% increase in life insurance premiums and investment contracts to EUR 1 803 million. Non-life insurance premiums were 5.8% down to EUR 1 443 million.

In addition to the positive effect of the reintroduction of fiscal benefits on PPRs (retirement pension plans) life segment growth translated the mobilisation and commitment evidenced by the commercial network and Caixa Seguros' more aggressive strategy in terms of product launches and securing resources.

Fidelidade Mundial, being responsible for distribution in CGD branch offices and the CTT network and owing to its higher number of branches, was responsible for around 93% of total life insurance premiums with a 14% increase in the size of its life insurance portfolio to EUR 1 681.6 million. Império Bonança, which exclusively operates mediation and brokerage channels, upped last years' sales by 35% to EUR 121.7 million.

CGD Group maintained its leadership of the non-life insurance market, although 1.7 percentage points down. Reference should be made, by branches, to motor insurance with around 33.4%, fire (32.8%), labour accidents (31.9%) and health (35.6%).

In distribution terms, the combination of banking, postal and telephone channels accounted for around 49.8% of total sales, with mediation and brokerage (essentially non-life insurance) accounting for around 48%.



Non-life Insurance
Non-life Direct Insurance

	Earned Premiums		Claims		Claims Rate	
	2005	2006	2005	2006	2005	2006
Labour accidents	256 780	246 886	161 903	202 397	63.1%	82.0%
Personal accidents and passengers	54 408	51 187	14 005	7 039	25.7%	13.8%
Health	138 759	143 694	98 403	110 482	70.9%	76.9%
Fire and other damage	285 264	243 323	83 192	63 841	29.2%	26.2%
Motor	712 039	679 122	458 010	394 881	64.3%	58.1%
Marine, air and transport	43 547	39 266	14 518	28 277	33.3%	72.0%
General third party liability	38 832	33 258	21 653	898	55.8%	2.7%
Credit and guarantees	739	830	-111	504	-15.1%	60.6%
Legal protection	6 679	5 331	-133	351	-2.0%	6.6%
Assistance	8 448	8 741	3 135	-37	37.1%	-0.4%
Miscellaneous	15 441	13 144	2 679	5 104	17.4%	38.8%
Total	**1 560 935**	**1 464 782**	**857 255**	**813 736**	**54.9%**	**55.6%**

Claims

The 0.6 p.p. increase in the direct insurance claims rate to 55.6% translates CGD Group's preparation for the new long term Solvency II programmes. If this alteration had not occurred, the claims rate for 2006 would have been 2.85 p.p. down over the preceding year to 52.07%.

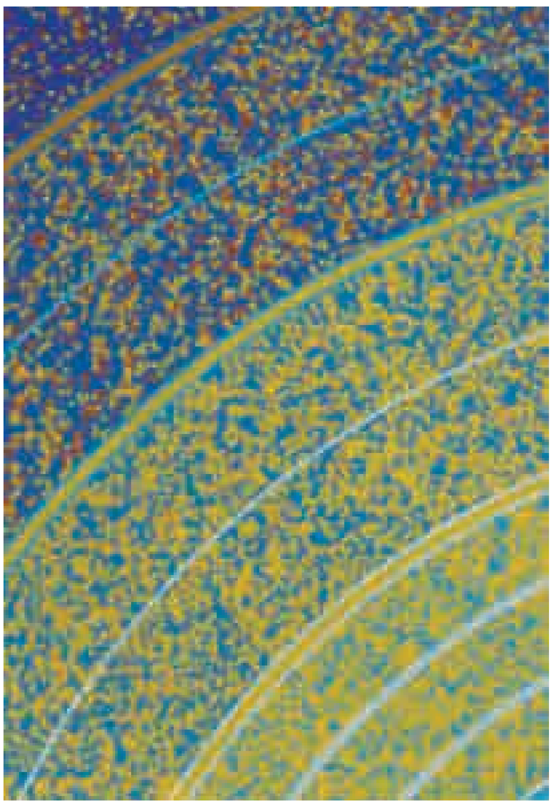
Technical Provisions and Cover

In accordance with the national rules on the assessment of assets and technical provisions, technical provisions on direct insurance and inwards reinsurance, including investment contract liabilities, totalled EUR 10 705 million, whereas assets eligible for the representation thereof totalled EUR 11 419 million, giving a cover ratio of 106.6%.

Under IFRS, insurance contract liabilities totalled EUR 10 853 million, with net investments totalling EUR 12 billion.

Reference should be made to the 14 percentage points increase of 163.8% on non-life technical provisions over non-life premiums. A market ratio close to 130%, in 2005, is indicative of the prudent provisioning policy adopted by the insurance companies.

CGD Group's liabilities to policyholders and third parties are fully covered and adequately represented, complying with the limits established on financial investments, in addition to the solvency margin and guarantee fund levels and are significantly higher than the minimum, legally defined, amounts.



Income and Shareholders' Equity

There was a 3.3% increase of EUR 16.7 million in Caixa Seguros's total structural costs to EUR 500.7 million over the preceding year, mainly deriving from the EUR 13.2 million increase in employee costs. Excluding, however, the non--recurring costs associated with the payment of indemnities to the 397 workers leaving the group, employee and structural costs would have effectively been EUR 9.8 million down.

The 28.6% increase in net income over the preceding year to EUR 154.5 million continues to benefit from a favourable combination of selective risk management, implementation of cost containment and the good equity market performance.

Caixa Seguros's consolidated shareholders' equity, at end 2006, was up EUR 50 million over the preceding year to EUR 1 174 million.

The solvency margin required of Caixa Seguros, at end 2006, was EUR 598 million, whereas its respective component parts totalled EUR 930 million, comprising a solvency margin cover ratio of 155.5% and therefore representing a high safety margin for all policyholders and economic operatives related with insurance companies.

Companhia de Seguros Fidelidade Mundial, SA

Operating Summary

In terms of internal organisation, the aim of year 2006 operations was to consolidate the reformulation of the company's internal architecture, following the integration of back office structures with Império Bonança.

Fidelidade Mundial brand reinforcement measures also continued to be implemented, notably comprising promotional activities on distribution channels, campaigns, the use of new communication channels and development and improvement of sales support tools, particularly in respect of new functionalities and greater use of Medinet as a decentralised mediation network computer application.

The year in question was also characterised by the evolution of the commercial promotion model comprising promotional campaigns targeted at retaining customers and promoting life insurance products. Particular reference should be made to the Assurfinance project, comprising the mediation network's mortgage lending and motor finance offers to Fidelidade Mundial customers.

Special reference should also be made to the fact that Fidelidade Mundial was, for the fifth year running, distinguished as the most trusted insurance company by the Portuguese, as published in the "Brands you Can Trust" study by "Selecções do Reader's Digest" in 2006.

In terms of product policy, particular reference should be made to the steps taken to consolidate the current motor insurance portfolio, comprising tariff and subscription policy changes and greater portfolio segmentation as the best means of adjusting price to the risk underpinning each contract.

The PPR (retirement savings plans) offer, in the life insurance savings sphere, was reformulated. This comprised an increase in guaranteed rates and changes to the fiscal regime on such products brought in under the 2006 State Budget. In the capitalisation area, endeavours were made to provide for customers with a less conservative profile, through the launch of various unit linked products of which reference should be made to the banking channel's Multi-Strategy launch and expansion of its commercialisation to the traditional channel.

To improve the "personal protection" insurance offer, a new personal accidents travel product was launched and, in the life insurance sphere, a new insurance policy targeted at mortgage loan agreements entered into on CGD's external promoters' network was also launched and the "Postal M" product designed to provide for women's specific needs in terms of protection.

The company is easily the market leader with a share of 18.9%, both in life (18.6%) as in non-life insurance (19.5%).

Companhia de Seguros Fidelidade Mundial

Separate accounts (a)

(EUR thousand)

	2005	2006
Net assets	9 061 856	10 173 764
Investments (representing assets)	8 080 241	9 157 805
Technical provisions net of reinsurance	7 408 337	8 524 071
Direct insurance premiums for year	2 415 915	2 552 327
Net income	95 387	104 014
Shareholders' equity	913 800	959 005
Share capital	400 000	400 000
CGD Group %	100.0%	100.0%
Employees	2 136	1 889
Branch offices	92	90
Exclusive outlets	252	342

(a) The figures set out in this table are in accordance with domestic accounting rules for the insurance sector.

Fidelidade Mundial achieved a 5.6% increase in direct insurance premiums over the preceding year to EUR 2 552 million, essentially deriving from good life insurance results.

Premium income on non-life operations over the preceding year was 3.4% down to EUR 849.4 million. This change derives from moderate economic growth and reduction in average premium sizes, whose principal aggregates, except for health insurance (up 7.7%) and multiple risks home insurance (up 2.7%) were down in volume terms.

There was a 5.8% increase in direct insurance indemnities over 2005 to EUR 1 341.5 million, translating both the increase in the level of life insurance (higher redemption volumes) and the increase in the size of indemnities paid out in non-life insurance.

The non-life insurance net of re-insurance claims rate was 76.2% or 6.2 p.p. up over 2005, basically owing to the unfavourable performance of accidents and health insurance, which amount already reflects the new demands of the new long term Solvency II programmes. Special reference should, however, be made to the continued low level of motor insurance claims which remained under 70% for the third year running.

Assets representing technical provisions, in the form of investment, totalled EUR 9.2 billion, translating into a 105.7% cover rate on direct insurance and inwards reinsurance technical provisions of around EUR 500 million in excess of liabilities.

In terms of separate accounts, Fidelidade Mundial's shareholders' equity was up 4.9% over the preceding year to EUR 959 million, reflecting its level of net income for the year and increased reserves.

Fidelidade Mundial consolidates its accounts with several other subsidiary companies, leading to an increase in consolidated net income to EUR 111.5 million (EUR 104 million for its separate accounts). This comprised an increase of EUR 10.2 million over the EUR 101.3 million achieved in 2005.

Império Bonança - Companhia de Seguros, SA

Operating summary

Império Bonança continued to implement its internal reorganisation procedures, in 2006, essentially through its integration of common back office platforms with the Fidelidade Mundial and Império Bonança insurance companies.

The company continued to further its strategy of promoting and reinforcing the use of its prime distribution channels, comprising its mediation and brokers network. The year was marked by a stronger relationship with the mediation network and consequent recovery in terms of multi-insurance mediators and increased network professionalism.

Several measures, essentially geared to the traditional mediation channel and designed to boost commercial activity, were introduced. They include:

• Continued implementation of measures designed to counteract the trend towards motor insurance losses, with the introduction of a new subscription policy and several tariff changes, designed to increase competitiveness and return;

• The launch of a specific labour accident product for domestic staff, with innovative cover;

• In the savings products area, the reformulation of the retirement savings plans (PPR) offer following the product's reintroduction under the State Budget for 2006. The offer of capitalisation products saw the return of the commercialisation of unit linked products, of which special reference should be made to the "Crescer 20" product, under which an amount of EUR 30 million was secured;

• Two new products were launched with the aim of improving the offer of personal protection insurance in the personal accidents insurance area. One product was geared to the young people's segment and, in the life insurance area, another new product associated with CGD mortgage loans was launched, using the services of external promoters.

The opening of a further 18 franchising outlets led to a year end total of 134.

A significant commitment was, at the same time, made to increasing Império Bonança's share of the SME market and recovering its market share.

Several products were launched, in addition to the traditional offer for both individual and corporate customers, particularly in terms of life insurance and labour accidents.

Império Bonança - Companhia de Seguros

Separate accounts (a)

(EUR thousand)

	2005	2006
Net assets	2 570 213	2 546 804
Investments (representing assets)	2 223 665	2 176 911
Technical provisions net of reinsurance	1 965 385	1 898 768
Direct insurance premiums for year	653 465	659 814
Net income	16 160	28 971
Shareholders' equity	165 480	191 973
Share capital	202 005	202 005
CGD Group % (b)	70.0%	70.0%
Employees	1 420	1 278
Branch offices	63	63
Franchising outlets	122	134

(a) The figures set out in this table are in accordance with domestic accounting rules for the insurance sector.

(b) A contract entered into between CGD and BCP provides for Caixa Seguros's acquisition of the remaining 30% of Império Bonança.

The company upped its sales of direct insurance premiums by 1% over the preceding year to EUR 660 million, essentially on the back of life insurance activity with a 34.9% increase EUR 121 million in premiums, mostly deriving from the commercialisation of unit linked products and retirement savings plans (PPRs), reflecting the positive effect of the re-introduction of fiscal benefits on this type of product.

Although there was a 4.5% decrease in non-life activity to premiums to EUR 538.1 million, reference should, *inter alia*, be made to the 6.8% growth in third party liability and 1.2% growth in the case of multiple risk home insurance.

Claims costs were up 8.8% up in 2006 to EUR 541 million, with direct insurance claims costs net of re-insurance on non-life activity being 2.3 percentage points up over the same period to 63.9%. The further decrease of 5.2 percentage points in the motor insurance claims rate, reflected not only an improvement in the risk subscription policy, but also a 9.4% to 9.0% decrease in accidents.

Assets representing technical provisions totalled EUR 2 177 million, translating into 108.4% cover of direct insurance technical and inwards reinsurance provisions, around EUR 169 million in excess of liabilities.

There was a highly positive 81.2% improvement in Império Bonança's net income to EUR 29.0 million, over the same period last year.

Hospital Activity Overview

The private healthcare sector was highly dynamic in 2006, with principal investors increasing their investment in the acquisition or construction of new hospitals. This trend is in anticipation of expectations of continued growth in the demand for private healthcare services, in lieu of or as a complement to the National Health Service.

HPP Saúde continued construction work on its new hospitals, the private "Lusíadas" hospital in Lisbon and including the expansion of Porto's private "Boavista" hospital, whose first activities have been forecast for 2007. These investments will represent an important reinforcement in terms of the dimension, quality and competitiveness of HPP Saúde's services. In terms of its current activity, HPP Saúde has increased its level of income from services by around 6%, with growth in the individual customers and healthcare insurance segment and a higher than expected decrease in customers from the labour accident and motor insurance segments. Reference should also be made, in this latter segment, to the completion of the process under which HPP Saúde is Caixa Seguros's provider of preference from 2007, in contracting for the provision of clinical services by Império Bonança - Companhia de Seguros, as in the case of Companhia de Seguros Fidelidade Mundial.

In tenders for the construction and management of new PPP (Point-to-Point Protocol) National Health Service hospitals, HPP Saúde in a consortium with the Teixeira Duarte, SA construction company, was chosen for the competitive negotiation stage for the new Cascais hospital. Its proposal was classified in first place, in accordance with the preliminary assessment report. A PPP proposal has also been submitted for the new Vila Franca de Xira hospital.

HPP SGPS made consolidated income of EUR 53.2 million, in 2006, generating a 16% increase of EUR 4.3 million in EBITDA over the preceding year. Growth of consolidated net income, determined under domestic regulations, at EUR 723 thousand, was much higher than in 2005, notwithstanding the incorporation of high costs incurred on PPP tenders.

The selection process for a partner for the development of HPP Saúde's strategy was also completed at end 2006, with the entering into of heads of agreement with Spain's leading private healthcare company USP, providing for a 25% investment in HPP SGPS's and CGD Group's acquisition of a 10% equity investment in USP.

Other Subsidiaries' Operations

Via Directa - Companhia de Seguros, SA, specialising in distance insurance commercialisation channels through its Ok!Teleseguro brand, increased its portfolio to around 125 thousand customers, with a 19.3% increase in direct insurance sales to EUR 34.3 million and a 35% increase in net income to EUR 4.5 million, determined under domestic regulations;

Cares, specialising in legal assistance insurance, increased its consolidated sales of direct insurance premiums by 14.6% to EUR 34.6 million over the preceding year, achieving net income of EUR 3 million, determined under domestic regulations, on the same level as last year's income.

EPS – Gestão de Sistemas de Saúde, SA, specialising in healthcare operations management and networks, providing services to several insurance companies, increased its income by 7.3% to EUR 10.7 million over the preceding year, managing a portfolio of around EUR 150 million in healthcare insurance premiums.

GEP – Gestão de Peritagens Automóveis, SA, responsible for loss adjustment operations on motor insurance claims for the group's insurance companies, achieved an approximate 40% billing increase over the preceding year to EUR 17.6 million.

EAPS – Empresa de Análise, Prevenção e Segurança, SA, continued to make a positive contribution to the company's operations in its area of specific competence, having increased last year's turnover by 34% to EUR 1.9 million.

The objective of Fidelidade Mundial SGII, which is geared to property management, is to reinforce its operating capacity in a particularly interesting market for insurance operations, having achieved income of EUR 4.9 million, mostly deriving from property rents and net income of EUR 990 thousand, determined under domestic regulations.

Cetra – Centro Técnico de Reparação Automóvel, specialising in automobile repairs achieved a turnover of around EUR 1.5 million.

Specialised Credit

CGD Group's specialised credit reorganisation process, beginning end 2004, integrated consumer credit into the sphere of Caixa Leasing e Factoring – IFIC, starting 02 January 2006.

The activities concentration strategy, geared to maximising synergies between specialised credit and banking operations has also been designed to achieve significant cost reductions, rationalise equity structure and maximise commercial performance through the offer of a mix of financial solutions for customers. 2006 was characterised by the full integration of four business areas – property leasing, equipment leasing, factoring and consumer credit - under the aegis of a single company which achieved highly satisfactory results in terms of the development of its core business.

The operations of sector companies in Portugal saw the favourable performance of financial leasing business with increases of 19.3% in property and 14.2% in equipment leasing. Factoring operations, in turn, increased by 17% and consumer credit by 13% over 2005.

Annual sales

(EUR million)

	2005	2006	Group Market Shares
Property leasing	1 833	2 186	15.0%
Equipment leasing	3 056	3 489	10.1%
Factoring	16 954	19 838	13.9%
Consumer credit	5 270	5 948	0.7%

Caixa Leasing e Factoring (CLF)

The performance of CGD Group's global specialised credit operations, in terms of leasing and factoring, was highly favourable. Special reference should be made to the 56.1% growth in property leasing sales.

CGD Group Sales

(EUR thousand)

	2005	2006	Change
Property leasing	209 596	327 185	56.1%
Equipment leasing	281 054	354 093	26.0%
Factoring	2 411 382	2 749 014	14.0%
Consumer credit	47 942	43 545	-9.2%

Owing to its high level of commercial activity, loans and advances to customers granted by CLF was up 30.4% over the preceding year to around EUR 2.1 billion. The portfolio default rate, mirroring increased credit risks associated with weak economic performance and constraints associated with economic operators' liquidity shortages was slightly up at 5.4%. The company's net assets were 29.6% up over the preceding year to EUR 2 181 million.

(EUR thousand)

	2005	2006
	Caixa Leasing e Factoring	Caixa Leasing e Factoring
Net assets	1 683 066	2 180 557
Loans and advances to customers	1 628 027	2 123 086
Provisions for overdue credit (balances)	19 648	23 701
Shareholders' equity	112 100	111 397
Net income	14 599	9 375

Notwithstanding the globally unfavourable external economic environment, constrained by narrowing financial intermediation spreads in comparison to the preceding year, operating activity generated a 28% increase in net interest income over the preceding year to EUR 36.2 million. Net income, in turn, was EUR 9.4 million, against the preceding year's EUR 14.6 million owing to the effect of provisions entries and other corrections.

Asset Management

The asset management sector was positively influenced, in 2006, by the economic upturn in Europe and continued US growth, in a scenario of rising interest rates which had fallen to minimum levels in 2004. The end of year performance on the principal world stock markets was highly positive, outperforming the values recorded in early 2000, with an annual appreciation of 34% on the IBEX, 23% on the DAX and 16% on the Dow Jones. The domestic market kept pace with this positive trend, with a 30% increase in prices on the PSI 20. This was offset by slight falls in (fixed-rate) bonds indices during the year.

There was a 3% increase in unit trust funds under management in Portugal over December 2005 to EUR 29.2 billion. Bond and treasury funds continued to dominate the funds market with around 57% of the total, although reference should be made, in both cases, to disinvestments of 14% and 7% respectively. In other fund categories, mention should be made of the 76% increase in "special investment funds", owing to the dynamism of their launch by most fund managers and 35% increase in equities funds, owing to greater investor demand, combined with the increase in the value of the equities market.

Demand for property investment funds, notwithstanding competition from the equities market and increased interest rates on deposits, remains high owing to the low associated risk and interesting levels of return, with growth of 19.5%, achieving a total volume of EUR 9.8 million. The change fundamentally derived from the launch of 99 new closed end and special investment funds, as the commercialisation of open-ended funds was limited to 15 products, with growth of around 5.2%.

The reintroduction of fiscal benefits on PPRs and pension funds, in 2006, together with increasing concern over the sustainability of retirement systems led to demand for this type of product from a growing number of Portuguese. The pension funds market in Portugal, at year end, was up 12% over the preceding year to EUR 21.2 million with growing importance being attached to open-ended funds.

Assets under management and fund advisory activities in CGD Group were 9% up over 2005 to a year end total of EUR 24.1 billion.

All different asset classes outperformed market growth, with consequent gains in market share. Reference should also be made to the fact that, pursuant to the rationalisation of operations, Caixagest included the assets of CGD Group's insurance companies, previously recognised in the advisory portfolio in its assets under management portfolio.

Funds under CGD Group Management

(EUR million)

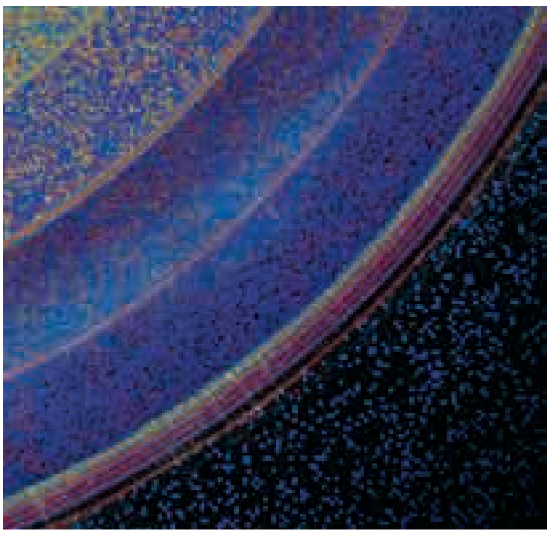
	2005	2006	Market shares 2006
Funds under Management	**11 535**	**23 794**	
- Unit trust funds (Caixagest)	5 465	6 381	21.9%
- Property funds (Fundimo)	955	1 256	12.9%
- Pension funds (CGD Pensões) (*)	1 040	1 253	5.9%
- Wealth management (Caixagest) (**)	4 076	14 904	25.1%
Assets - advisory management	**10 476**	**278**	
- Insurance portfolios	10 233	-	
- Other portfolios - advisory	243	278	
Total	**22 011**	**24 072**	

(*) Provisory market share.
(**) Non-adjusted share owing to a double accounting problem in other management companies, as referred to in CMVM Asset Management reports.

Caixagest Técnicas de Gestão de Fundos

Unit trust funds under Caixagest management increased in value by 16.8%, in 2006, to EUR 6.4 billion, giving the company lead position, in Portugal, in the fund management ranking with a market share of 21.9%, against 19.3% at end 2005.

Caixagest continued to expand its commercial offer in 2006 to a total of 46 funds, through its launch of seven new "special investment funds", six of which open-ended and one closed, taking in EUR 496 million.



Caixagest also introduced the possibility of transferring investments held by the same customer in most of its funds, at no additional cost, to allow investors to actively manage their portfolio, altering their exposure to various funds and markets at any time.

Reference should also be made to the fact that three of the funds managed by Caixagest are included in the ten largest funds being operated in Portugal, namely "Caixagest Tesouraria" and "Caixagest Moeda" coming 2nd and 3rd respectively and "Caixagest Rendimento" coming 7th.

Unit Trust Funds under Management

(EUR thousand)

	2005	2006
Bond funds	1 767 018	1 715 342
Equities funds	491 355	612 513
Treasury funds	2 208 483	2 367 389
Funds of funds	125 060	139 868
Mixed funds	30 332	29 603
Share savings funds	95 485	95 996
Special investment funds - open-ended	59 283	640 889
Special investment funds - closed end	350 110	459 921
Closed End Guaranteed Capital Funds	337 448	319 283
Total	**5 464 575**	**6 380 805**

Assets under discretionary portfolio management were up 266% to EUR 14.9 billion. Reference should be made, based on rationalisation plans, to the integration of CGD Group assets formerly classified under advisory services into the portfolio under management.

Caixagest's market share in terms of individual asset management, at end 2006, was 25.1%[(a)], against the year 2005 figure of 11.4%[(a)], coming 2nd in the domestic ranking (source: CMVM).

In the remaining portfolio under management, reference should be made to the performance of individual customers' portfolios with growth over the preceding year of around 35% to almost EUR 83 million, whereas the institutional customers portfolio was 6% down to EUR 3.8 billion, owing to pensions payment out of portfolio funds.

There was a 14.5% increase, over last year, in amounts held by Caixagest under fund advisory management, excluding the effect of the transition of group insurance companies' portfolios to advisory management. The portfolio's value totalled EUR 278 million.

Discretionary Portfolio Management

(EUR thousand)

	2005	2006
Assets under management	**4 075 578**	**14 904 297**
Institutional	4 011 375	3 766 110
Corporate	2 848	6 982
CGD Group insurance portfolios	-	11 048 276
Individual customers	61 355	82 928
Advisory management	**10 476 044**	**277 695**
CGD Group insurance portfolios	10 233 481	-
Other institutional funds	242 563	277 695
Total	**14 551 622**	**15 181 992**

Growth of fund portfolios, particularly unit trust funds and consequent increase in income from commissions, generated a 5% increase over 2005 in the fund manager's net income to EUR 4.5 million.

Fund Manager

(EUR thousand)

	2005	2006
Net assets	30 306	35 069
Shareholders' equity	24 623	28 173
Net income	4 308	4 534
Share capital	9 300	9 300
CGD Group %	100.0%	100.0%

Fundimo
Sociedade Gestora de Fundos de Investimento Imobiliário

Property investment funds continued to represent an alternative to more risk averse investors, in 2006, providing returns higher than inflation and on deposit accounts, in spite of interest rate increases.

Notwithstanding strong competition from the stock market and, to a lesser extent bank deposits, there continued to be major demand for this type of product from investors. Performance is exemplified by the Fundimo fund with a record 77% increase in subscription volumes over 2005, the year in which it had already recorded a record number of subscriptions, with more than 105 million investment units in circulation against the preceding year's 87 million.

The Fundimo fund's global worth was up 21% over the preceding year to EUR 826 million, having generated a 4.07% return on each investment unit. Fundimo increased its share of the open-ended property funds market operating in Portugal from 15.3% in 2005 to 17.6% in 2006.

Reference should be made to the launch of 8 new closed end funds, in 2006 – Estamo, Fundolis, Lisfundo, Sete Colinas, Bonança I, Multinvest, Imocentro and Imoplanus. The fund manager now has one open-ended fund and eighteen closed end funds under management.

Fundimo increased its total amount under management by 32% to EUR 1.3 billion at end 2006. This comprised a

(a) Non-adjusted share owing to a double accounting problem in other management companies, as referred to in CMVM Asset Management reports.

Group Business Activities Abroad

Branches and Banking Subsidiaries

CGD Group has 9 bank branches – New York, London, France, Luxembourg, Zhuhai (People's Republic of China), East Timor, Grand Cayman, Monaco and Madeira Offshore Branch – and 7 subsidiaries – Banco Caixa Geral (Spain), Banco Comercial e de Investimentos (Mozambique), Banco Comercial do Atlântico (Cape Verde), Banco Interatlântico (Cape Verde), Banco Nacional Ultramarino (Macau), Mercantile Bank (South Africa) and Caixa Geral de Depósitos Macau Offshore Branch. CGD's branch office network provides services to resident Portuguese communities and support for the operations of Portuguese companies abroad.

Spain

The Spanish economy, in 2006, reinforced its sustained growth trend of the last few years with GDP of 3.8%, in comparison to the 3.5% achieved in 2005 and 2.6% Eurozone average. The evolution was, once again, based on domestic demand, investment in capital equipment and the dynamism of the construction and services sectors.

Inflation, influenced by lower energy prices, was 3.6%, against the preceding year's 3.4%. Unemployment continued to fall, hitting its lowest level since the start of the 80's, at 8.6%.

As regards banking operations, reference should be made to long term corporate loans and mortgage lending. Spanish families' debt levels and their financial liabilities reached new highs of 120% and 15% of gross disposable income, respectively. The savings rate continued to fall.

Branches and Banking Subsidiaries (a)

(EUR million)

	Branches		Subsidiaries		Total	
	2005	2006	2005	2006	2005	2006
Loans and advances to credit institutions	18 690	21 406	1 772	3 632	20 462	25 038
Loans and advances to customers	2 403	4 556	3 113	4 416	5 516	8 972
Credit institutions' resources	11 008	15 670	674	2 051	11 682	17 721
Customer resources	2 896	2 946	4 155	5 784	7 051	8 730

(a) Including intra-Group relationships.

CGD Group banking entities abroad recorded a balance of around EUR 9 billion on loans and advances to customers, in 2006, while taking in savings of more than EUR 8.7 billion. Reference should be made to branch offices' role in operations with credit institutions, involving more than EUR 21.4 billion, largely resulting from their intermediation function between CGD (Portugal) and major financial institutions and international investors, in a context of capital market operations and adequate group liquidity management.

Branch offices had total net assets (after intra-group relationships) of EUR 8.6 billion, at the end of 2006, with banking subsidiaries having EUR 6 billion, i.e. 8.9% and 6.2% of the CGD Group total, respectively.

Stock market performance, in 2006, was highly positive with a 31.8% increase in share prices on the IBEX 35, the highest of the last seven years, in comparison to 18.2% in 2005.

Banco Caixa Geral

2006 was an important milestone in terms of Banco Caixa Geral's market relaunch and strategic repositioning plan in Spain, with the implementation of a series of decisive initiatives, particularly including a name change and corporate revamp and change of central buildings in Madrid.

In a highly competitive environment characterised by intense pressure on prices and products by a large number of financial institutions, the bank succeeded in achieving important growth levels at year end, above the sector average, in terms of volume, penetration rates, commissions and non-interest income. Its commercial coverage grew with the opening of 13 new branch offices in 2006, new corporate centres, corporate banking, wealth banking and upgraded e-banking services.

Improved commercial performance was sustained by several measures, including customer portfolio segment operations, creation of value proposals for each segment, launch of new products, development of various promotional and image campaigns and the strengthening of business relations with other CGD Group companies, notably CGD, CaixaBI and Fidelidade.

Various financial restructuring operations were performed in the organisational domain and work began on a major revamp of the computer network and development of new projects and services, in conjunction with benchmark technological partners. Special attention was paid to the control of conversion costs through the renegotiation of contracts with suppliers, revision of contract regulations on products and services and redimensioning of the employee complement.

Banco Caixa Geral

(EUR thousand)

	2005	2006
Net assets	2 784 784	4 218 741
Loans and advances to credit institutions	473 132	905 367
Loans and advances to customers	1 984 777	3 069 239
Securities portfolios	40 535	12 622
Credit institutions' resources	579 741	1 844 403
Customer deposits	1 721 355	1 856 181
Shareholders' equity	397 579	397 829
Net income	-31 154	584
Share capital	442 792	442 792
CGD Group %	99.8%	99.8%
Employees	899	955
Branch offices	175	188

The bank's total assets were up 51.3% during the year owing to the 54.3% improvement in credit portfolios, particularly the corporate segment (up EUR 685 million), mortgage lending (up EUR 307 million) and money market operations (up 91.4%). This activity was financed by the 7.8% increase in customer deposits and 218.1% increase in resources taken from the group.

Net income was EUR 584 thousand (against losses of EUR 31.2 million in 2005), reflecting an across-the-board expansion of business volumes and implementation of various organisational rationalisation initiatives.

The second and penultimate instalment of EUR 82.5 million, in respect of the share capital increase of EUR 275 million approved in 2005, was paid last year.

France

France's economy reinforced its sustained growth trend of latter years, in 2006, achieving GDP growth of 2.2%, against the year 2005 figure of 1.2%, although lower than the Eurozone average of 2.6%. Performance was once again based on domestic demand, investment in capital equipment and the dynamic construction and services sectors.

Inflation at 1.9%, was identical to last year's, influenced by lower energy costs. Unemployment, in turn, continued to drop to a level of 9%, in 2006, a reduction of 0.7 p.p. over 2005.

As regards banking operations, reference should be made to long term corporate loans and mortgage lending. French families' debt levels appear to have reached new highs at year end, from 65.2% of gross disposable income in 4th quarter 2005 to 67.7% in 3rd quarter 2006.

Stock market performance was highly positive, in 2006, with the principal share index having appreciated by 13.2% between the start of the year and end November.

France Branch

The France branch's net assets were up 24.4% to EUR 15.7 billion, over the preceding year. Special reference should be made to the EUR 1.5 billion or 86% increase in loans and advances to customers. Customer deposits were up 3.1%, particularly so in the case of residents with 7.3%.

The 5.1% increase in net operating income mainly derived from the 7.3% increase in net interest income which, in light of the 4.2% increase in operating costs and provisions and tax appropriations generated a 41.9% increase in net income over the preceding year to EUR 6.1 million.

France Branch

(EUR thousand)

	2005	2006
Net assets	12 619 682	15 703 521
Loans and advances to credit institutions	9 938 563	11 400 569
Loans and advances to customers	1 709 688	3 180 141
Securities portfolio	752 305	855 827
Credit institutions' resources	4 409 300	6 803 133
Customer deposits	1 316 918	1 357 945
Net income	4 320	6 130
Employees	492	507
Branch offices	45	45

In branch operating terms, special reference should be made to its operations as a funding channel to bank headquarters, through the use of MTN and commercial paper programmes, placing debt on the international market as a contributory factor to the group's liquidity.

The branch acquired premises for its new Paris headquters during the year, at 38, rue de Provence, in the 9th district, allowing all central services to operate from the main building.

Luxembourg

Luxembourg's GDP grew 5.5%, in 2006, confirming a sustained evolution of the economy, largely resulting from the dynamism of the financial, transport and communications sectors.

Unemployment, at 4.6%, was unchanged from 2005. Inflation, however, increased from 2.2% in 2005, to 2.7% in 2006, particularly in the transport and distribution of goods and services sectors.

Luxembourg Branch

2006 was characterised by a significant growth in retail activity, partly deriving from branch network expansion at end 2005.

There was a 96% increase in mortgage lending to individual customers, accompanied by a 20% increase in residents´ deposits. Total resources taken were, however, down 16% owing to the impact of the European Savings Directive.

Reference should also be made to the 38% growth in remittances from Portuguese residents in Luxembourg to EUR 40 million.

Luxembourg Branch

(EUR thousand)

	2005	2006
Net assets	197 691	169 613
Loans and advances to credit institutions	27 796	9 361
Loans and advances to customers	41 172	80 820
Securities portfolio	122 480	72 555
Credit institutions' resources	86 773	74 742
Customer deposits	104 872	87 678
Net income	829	830
Employees	20	23
Branch offices	2	2

2006 saw the launch of a new investment product in the form of "Caixa Investimento Seguro", in collaboration with Império Bonança, promoting cross-selling of insurance products with CGD Group.

Notwithstanding the fact that net income, in 2006 was similar to the year 2005 figure (EUR 830 thousand), reference should be made to the 8.9% growth in net interest income, 48.5% growth in non-interest income and a 19.3% increase in total cash flow, reflecting the proportion of operating costs, originated by the expansion of the structure and commercial network.

The Luxembourg branch's mediatheque, which opened in 2005, is currently a benchmark operation in terms of the Portugal-Luxembourg cultural scene, having logged around 7 000 visits. Painting, and photography exhibitions and debates on current political, social and economic issues have been organised, in addition to the consultation services normally available, as a complement to the banking services provided to the resident community.

United Kingdom

Economic performance in the United Kingdom, in 2006, was highly positive with a 2.7% increase in GDP in comparison to the preceding year's 1.9%. Performance benefited from investment growth, incentivised by low capital costs and the good financial status of private companies and sustained increase in private consumption. Inflation rose from 2.1% to 2.3%, owing to higher energy prices.

Economic performance, however, did not prevent unemployment from increasing to 5.3% against the year 2005 figure of 4.7%.

London Branch

The London branch's activity is geared to the structuring of value added products for CGD Group network customers and dynamic group volatility risk management involving the intensive use of derivatives. Structured products are associated with a vast range of CGD Group assets and liabilities such as deposits, bond issues, investment funds and special investment funds, insurance and fixed-rate credit products. The branch also provides services to the Portuguese emigrant community in the United Kingdom and British citizens with interests in Portugal.

Assets under London branch management continued to be in the region of EUR 2.9 billion at end 2006. Special reference should be made to resources of EUR 2.1 billion taken from the Euro Commercial Paper programme, channelled to CGD headquarters in Portugal.

London Branch

(EUR thousand)

	2005	2006
Net assets	2 500 987	2 940 386
Loans and advances to credit institutions	2 109 159	2 102 718
Securities portfolio	348 778	435 442
Credit institutions' resources	200 395	513 181
Customer deposits	127 592	61 596
Debt securities	2 022 633	2 143 583
Net income	2 116	5 889
Employees	27	29
Branch offices	1	1

The evolution of net income to EUR 5.9 million, against EUR 2.1 million in 2005, is related with the growing volume of structured product issues.

United States

Global growth of GDP of 3.3%, in 2006, was very similar to the 3.2% recorded in 2005, confirming the dynamism of the US economy. The year was characterised by a lower housing investment, deriving from a combination of higher interest rates and oil prices, whose impact on GDP was compensated by huge increases in private consumption and public expenditure, in addition to the improvement in foreign trade.

Inflation at 3.3%, against the preceding year's 3.4%, was within the FED's forecasts. Relative price stability was a contributory factor to the interruption of the scheduled interest rate increases in August 2006.

Stock market growth was significant, translating economic dynamism, return of petrodollar investment and substantial increase in mergers and acquisitions.

In financial markets, more specifically in the wholesale banking segment, the year was characterised by a continued trend towards a strong level of demand for corporate credit, already in evidence in the last half of the preceding year. There was also a greater degree of stability in interest rates, allowing the branch to achieve a certain level of recovery of its intermediation margin.

New York Branch

The New York branch operates in the wholesale banking market, particularly concentrating on syndicated operations and also intervening in the fixed-income capital markets and management of the US Commercial Paper programme for CGD Group.

Dollar assets in respect of the branch's operations were up by around 27%, particularly loans and advances to credit institutions (up 18%), loans and advances to customers (up 50%) and ecurities portfolios (up 34%), as the branch's principal business areas. Reference should be made to the securing of several high value operations with major US financial groups.

New York Branch

	2005		2006	
	USD thousand	EUR thousand	USD thousand	EUR thousand
Net assets	1 956 208	1 658 225	2 481 121	1 883 919
Loans and advances to credit institutions	1 226 913	1 040 021	1 448 471	1 099 826
Loans and advances to customers	275 681	233 688	414 436	314 682
Securities portfolio	447 459	379 299	598 260	454 260
Credit institutions' resources	1 644 271	1 393 805	1 916 677	1 455 336
Customer deposits	151 246	128 207	166 621	126 516
Net income	2 732	2 195	2 217	1 766
Employees	16	-	16	-
Branch offices	1	-	1	-

Note: EUR/USD exchange rate: Balance sheet 1.1797 in 2005 and 1.317 in 2006; Income Statement 1.2448 in 2005 and 1.2557 in 2006.

The branch's level of net interest income was up by around 32%, benefiting from the increase in interest-earning assets and stabilisation of intermediation margins in August, generating a 13% growth in operating cash flow. Net income, however, owing to tax increases, was lower than in 2005, at EUR 1.8 million.

Cape Verde

GDP growth in Cape Verde, in 2006, was around 5.5%, fuelled by investment, mainly private sector.

Foreign exchange reserves continued to increase, particularly on the basis of foreign direct investment and budget aid but also higher levels of emigrants' remittances. The Bank of Cape Verde's international reserves (net) were up by around 26%, guaranteeing 3.6 import months.

The evolution of general lending, at around 13% up over December 2005, was very positive, translating dynamic private investment levels, particularly in housing, mortgage lending (13.9%), manufacturing (24%) and services (21%).

Banco Comercial do Atlântico

BCA is the leading bank in the Cape Verde market and the benchmark operator for Cape Verde emigrants, channelling a large part of the remittances sent to Cape Verde.

2006 was characterised by the alteration of BCA's organic and functional structure, with the creation of business support and risk management departments, releasing commercial areas for the task of securing and performing new business operations and spinning off its risk area.

There was an increase of around 13% in the bank's local currency net assets, particularly loans and advances to customers (up 41%) and deposits (up 14%).

Special reference should be made to this year's 107% increase in loans and advances to companies largely owing to BCA' s acquisition of Electra - Empresa Cabo-Verdiana de Produção e Distribuição de Energia e Água's liabilities to the EDP/AdP group.

Gross operating income, owing to the growth of operations was up 24% to EUR 6.2 million. A provision for the amount of EUR 5 million was set up, at year end, for healthcare benefit liabilities which, together with several corrections to income for 2005, explains the negative net income figure. The said provision had not been considered at the time of the preparation of the first IAS accounts (at 01 January 2005).

In terms of automatic payment media, BCA expanded its ATM network from 17 to 25 units, achieving a 29% increase in its number of debit cards with a further 18 thousand new cards in 2006 providing BCA with a system share of around 50%. Reference should also be made to the launch of VISA CLASSIC and VISA GOLD credit cards in September 2006.

Banco Comercial do Atlântico

	2005		2006	
	CVE thousand	EUR thousand	CVE thousand	EUR thousand
Net assets	49 395 814	447 974	56 032 921	508 166
Loans and advances to credit institutions	4 242 122	38 472	4 800 479	43 536
Loans and advances to customers	15 846 748	143 715	22 323 349	202 452
Securities portfolio	17 444 287	158 203	17 125 156	155 309
Credit institutions' resources	715 130	6 486	476 667	4 323
Customer deposits	43 377 327	393 392	49 639 324	450 182
Shareholders' equity	1 546 218	14 023	1 250 713	11 343
Net income	346 242	3 140	-90 704	-823
Share capital	1 000 000	9 069	1 000 000	9 069
CGD Group %	59.2%	-	59.2%	-
Employees	399	-	405	-
Branch offices	24	-	25	-

Note: EUR/CVE exchange rate: 110.265 in 2005 and 2006.

Banco Interatlântico

Banco Interatlântico's assets were up 27.9%. This particularly derived from loans and advances to customers (up 28.4%), customer deposits (up 25.9%) and loans and advances to credit institutions (up 82.4%).

Net operating income was 40% up to EUR 4.6 million generating a 103.2% increase in net income to EUR 1 017 thousand.

The bank expanded its ATM network from six to twelve machines and installed 97 items of POS equipment during the year. It also achieved a 36% increase in its issue of debit cards to more than ten thousand.

Banco Interatlântico

	2005		2006	
	CVE thousand	EUR thousand	CVE thousand	EUR thousand
Net assets	8 622 555	78 198	11 027 211	100 006
Loans and advances to credit institutions	1 852 929	16 804	3 378 838	30 643
Loans and advances to customers	2 553 561	23 158	3 279 550	29 742
Securities portfolio	2 249 591	20 402	2 174 274	19 719
Credit institutions' resources	535 538	4 857	644 346	5 844
Customer deposits	6 124 266	55 541	7 712 709	69 947
Shareholders' equity	772 430	7 005	812 164	7 366
Net income	55 201	501	112 152	1 017
Share capital	600 000	5 441	600 000	5 441
CGD Group %	70.0%		70.0%	
Employees	55		59	
Branch offices	5		5	

Note: EUR/CVE exchange rate: 110.265 in 2005 and 2006.

GARANTIA - Companhia de Seguros de Cabo Verde

Garantia is one of the two insurance companies operating in Cape Verde and was the sector leader with a market share of around 66.3% in 2006. Most insurance operations in Cape Verde are in non-life insurance.

Cape Verde's insurance sector performed well, with an increase in insurance premiums and better results, slightly increasing the insurance sector's contribution of GDP to 1.54%. There was a 69.8% increase in direct insurance premiums to EUR 14.1 million over the preceding year.

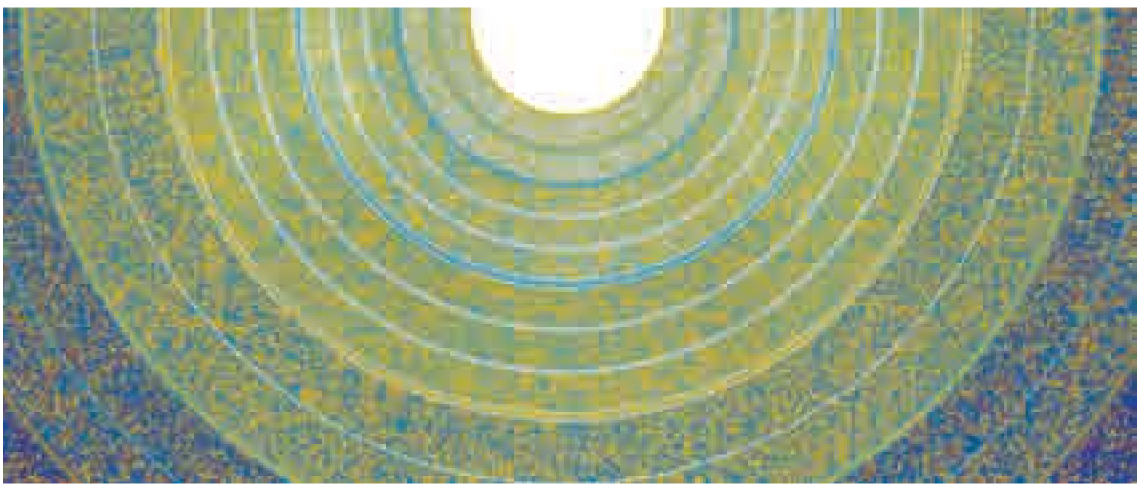
Garantia achieved a volume of direct insurance premiums of EUR 9.4 million, comprising a growth rate of 12.2% against the 2005 figure of 9.7%. The claims rate, in turn, fell from 57% to 51.4% in 2005. The technical provisions cover ratio remained unaltered over the year 2005 figure of 112%.

Although the insurance company's level of net assets was identical to last year's, there was a 58% increase in the size of its investments portfolio and a 12% decrease in technical provisions. Net income was 42% up over the preceding year to EUR 564 thousand.

Garantia - Companhia de Seguros de Cabo Verde

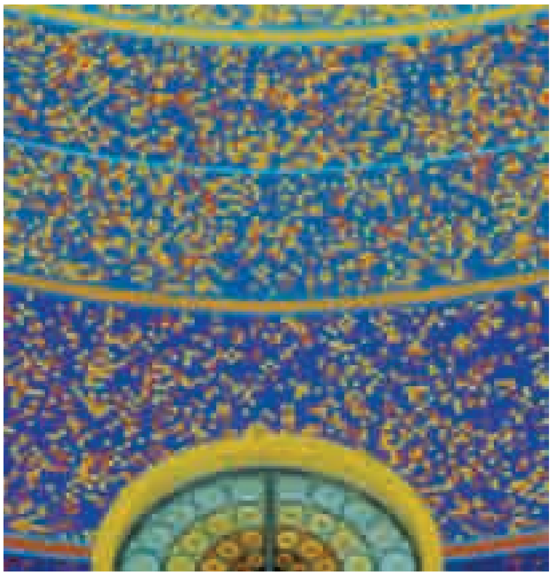
	2005		2006	
	CVE thousand	EUR thousand	CVE thousand	EUR thousand
Net assets	1 529 667	13 873	1 508 645	13 685
Investments representing technical assets	630 167	5 715	997 525	9 047
Technical provisions for insurance contracts	730 084	6 621	648 629	5 882
Direct insurance premiums for year	920 105	8 344	1 032 623	9 365
Net income	43 798	397	62 165	564
Share capital	200 000	1 814	200 000	1 814
Shareholders' equity	432 684	3 924	488 182	4 427
CGD Group %	65.3%		65.3%	
Employees	65		67	
Branch offices	6		6	

Note: EUR/CVE Exchange rate: 110.265 in 2005 and 2006.



Mozambique

According to IMF data, Mozambique's economy grew 7.9% in 2006. Particular reference should be made to the importance of the construction, mining, transport, communications and agro-cattle sectors. Inflation of 9.4%, is close to the government's objectives of keeping inflation below 7.5%.



BCI Fomento

The bank's net assets of EUR 407 million, comprised growth of 6.4% associated with a 22% growth in credit and 15% growth in customer deposits.

Net income was up 96% to EUR 15.9 million, owing to significant growth of activity levels.

BCI Fomento

	2005		2006	
	MZM thousand	**EUR thousand**	**MZM thousand**	**EUR thousand**
Net assets	10 724 965	382 701	14 040 478	407 325
Loans and advances to credit institutions	1 430 680	51 051	1 413 704	41 013
Loans and advances to customers	5 313 046	189 586	7 964 698	231 062
Securities portfolio	1 896 040	67 657	1 179 875	34 229
Credit institutions' resources	369 957	13 201	147 116	4 268
Customer deposits	7 973 685	284 527	11 285 496	327 401
Shareholders' equity	922 277	32 910	1 348 452	39 120
Net income	230 773	8 106	512 003	15 912
Share capital	321 580	11 475	321 429	9 325
CGD Group %	42.0%		42.0%	
Employees	549		637	
Branch offices	35		38	

Note: Exchange rate: EUR/MZM: Balance sheet 28.0244 in 2005 and 34.47 in 2006; Income Statement 28.4697 in 2005 and 32.1779 in 2006.

Three new branch offices were opened in 2006, one in Nampula province and two in Maputo province, totalling 38 branch offices in Mozambique.

China - Macau

Macau's gross domestic product was up by around 15%, in 2006, in comparison to the preceding year's 7%. Contributory factors were the tourism and gambling sectors, whose principal indicators were much better than expected at the beginning of the year, in addition to increased public and private investment.

The significant 10.7% expansion of mainland China's economy, in 2006, was the fourth consecutive year of, growth of more than 10% and was a decisive factor behind the development of Macau's economy.

The number of visitors to the territory increased by 17.6% of around 22 million, with a 14.5% increase in visitors from mainland China comprising 54.5% of the total. There was a 23.6% increase in the number of tourists from Hong Kong in comparison to the year 2005 figure of 9.8%.

Investment in hotels and casinos by gambling sector operators, in addition to public investment and investment by companies providing public services, continue to record very high growth rates, accompanying the expansion of the tourism industry.

There has been significant pressure on wages increases in the labour market, particularly owing to demand from the construction, hotel and gambling sectors and unemployment has fallen to one of its lowest ever levels at 3.6%. There has, at the same time, been an increase in inflationary pressures, fuelling an increase in the Price Index to 5.2% in 2006, against the preceding year's 4.4%.

Good economic performance and economic operators' consequent high confidence levels, have led to an increase in loans and advances to individual customers and companies, in the banking sector, with a simultaneous, highly significant growth in customer deposits.

BNU - Banco Nacional Ultramarino, SA

The bank's strategy continued to prioritise loans and advances to companies in the tourism, civil construction and public works and foreign trade sectors through its involvement in major financing operations.

Priority was also given to the development of retail banking, with three new branches having been opened in 2006 together with an expansion of the ATM and payment terminals network.

New distribution channels saw a significant increase in the number of users of the individual customers internet banking service, in addition to the volume of online operations. The launch of an internet banking service specifically geared to companies is at its final stage.

The bank's net assets, at year end, were up 40% over the preceding year to 23.8 billion patacas. This particularly derived from the 36% growth in credit, 38% growth in deposits and 46% growth in loans and advances to credit institutions.

There continues to be a highly positive evolution in terms of loans and advances to individual customers, notably mortgage lending, vehicles purchases and personal loans.

Banco Nacional Ultramarino (Macau)

	2005		2006	
	MOP thousand	**EUR thousand**	**MOP thousand**	**EUR thousand**
Net assets	17 095 276	1 814 438	23 760 444	2 252 580
Loans and advances to credit institutions	9 772 412	1 037 213	14 245 701	1 350 547
Loans and advances to customers	4 458 893	473 253	6 068 908	575 356
Securities portfolio	1 741 849	184 874	229 316	21 740
Credit institutions' resources	652 660	69 271	1 306 981	123 907
Customer deposits	13 917 982	1 477 211	19 246 166	1 824 610
Shareholders' equity	856 499	90 906	1 149 632	108 990
Net income	205 767	20 720	266 349	26 509
Share capital	400 000	42 455	400 000	37 922
CGD Group %	100.0%		100.0%	
Employees	309		345	
Branch offices	10		13	

Note: EUR/MOP exchange rate: Balance sheet 9.4218 in 2005 and 10.5481 in 2006; Income Statement 9.9308 in 2005 and 10.0475 in 2006.

There has also been a significant increase in the volume of operations with credit cards issued by the bank.

Net income over the same period last year was up 29% to 266 349 thousand patacas. Contributory factors to this good performance were principally the strong growth of 37.2% in net operating income, determined both by the positive evolution of net-interest income and non-interest income, owing to the significant increase in revenues earned on financial services.

The solvency ratio, calculated under AMCM rules, was 15.5%.

East Timor

Political and social instability, in 2006, produced irreversible constraints on the performance of the Timorese economy during the year.

Growth of non-oil GDP, expected at the end of the first quarter to be more than 5%, was much lower than this target. At the same time, the growth trend in the domestic economy (excluding energy resource exploitation) which, in 2005, had reached its highest level since independence (up 1.8%), was inverted. In turn, the state budget, which had been prepared for the fiscal year starting July and which was markedly expansionary, has also failed to be implemented as scheduled.

There was no change to the composition of East Timor's banking system in 2006, either in the number of banks operating in the market or branch offices over the country as a whole. CGD maintained its presence in 7 of the country's 13 districts.

During the crisis's most disruptive period, CGD, for a period of at least two weeks, was the only bank to provide services in Timor.

East Timor Branch

Commercial activity as a whole was profoundly conditioned by the above referred to situation, in which the branch's objective was to provide the best service possible in terms of its response capacity and debt recovery actions. Owing to the crisis, most borrowers moved to unknown addresses. It has been estimated that, in addition to people fleeing Dili, around 45 thousand people were displaced to transit camps, under the aegis of the United Nations or non--government organisations.

This being such an unusual year, all indicators were affected by significant alterations. The size of the customer deposits portfolio, however, continued to increase, which is not unconnected with the population's trust in CGD. Credit saw an exponential increase in defaults owing to the above described situation. Additional provisions to provide for the existing risk were set up on a prudential basis. Net income was therefore greatly affected by the creation of extraordinary provisions.

East Timor Branch

	2005		2006	
	USD thousand	EUR thousand	USD thousand	EUR thousand
Net assets	86 296	73 151	49 562	37 633
Loans and advances to credit institutions	14 858	12 595	10 272	7 800
Loans and advances to customers	71 448	60 564	33 969	25 793
Credit institutions' resources	26 165	22 179	14 912	11 323
Customer deposits	50 365	42 693	64 377	48 882
Net income	3 795	3 048	-30 631	-24 394
Employees	78		78	
Branch offices	8		8	

Note: EUR/USD exchange rate: Balance sheet 1.1797 in 2005 and 1.317 in 2006; Income Statement 1.2448 in 2005 and 1.2557 in 2006.

South Africa

Political stability remained the basis for sustaining positive economic and social performance aspects in South Africa. Although South Africa was affected by the drastic increase in international oil prices, the performance of the international prices of precious metals such as gold, platinum and palladium, on the other hand, favoured the country as a large worldwide producer and exporter of these and other raw materials.

Although National BEE – Black Economic Empowerment policy has provided the market with the dynamics of growth, it has also helped to continue to fuel demand reflected in an appetite for consumption, translating into a huge increase in imports. This has led, since mid 2002, to higher than GDP growth of domestic expenditure.

Over a twelve month period, after the completion of last quarter 2006, domestic expenditure had increased by 7.4%, private consumption by 7.3% and public expenditure by 5.5%, as opposed to an increase of no more than 4.8% in GDP. The annual period ending September, also saw a 12.4% increase in imports against export growth no more than 3.7%. Financial and foreign exchange volatility is also illustrated by the sudden weakening of the rand which fell from 7.5748 ZAR/EUR at end April 2006 to 9.2372 in December 2006.

The central bank increased interest rates on four occasions to a total of 2% to counteract the imbalance created by intense demand and growing imports.

Mercantile Lisbon Bank Holdings Limited

The bank continued to re-establish its good image and market position, in 2006, in respect of which its association with CGD was a factor of consideration in terms of the Portuguese community segment. The bank's endeavours have permitted an expansion of activities in all core segments in terms of income generation, with special reference being made to the creation of the *Alliance Banking* and *Commercial Suite* department in early 2005, particularly geared to medium sized companies and already accounting for around 40% of the net credit balance.

Reference should also be made to major improvements in terms of credit recovery, in which, in addition to direct recoveries, of major importance was the sale of a large proportion of old debts at the end of 2006 enabling significant savings to be made in on legal and employee costs in 2007 and future years.

Mercantile Lisbon Bank Holdings

	2005		2006	
	ZAR thousand	EUR thousand	ZAR thousand	EUR thousand
Net assets	3 397 767	455 209	4 417 767	479 546
Loans and advances to credit institutions	1 163 524	155 881	1 467 438	159 289
Loans and advances to customers	1 329 386	178 102	1 952 227	211 913
Securities portfolio	362 975	48 629	337 053	36 587
Credit institutions' resources	-	-	25 131	2 728
Customer deposits	1 664 783	223 036	2 387 235	259 133
Shareholders' equity	542 004	72 614	659 901	71 632
Net income	67 012	8 465	101 300	11 886
Share capital	1 210 143	162 126	1 210 143	131 360
CGD Group %	91.75%		91.75%	
Employees	415		415	
Branch offices	15		15	

Note: EUR/ZAR exchange rate: Balance sheet 7.4642 in 2005; Income Statement 7.9168 in 2005 and Balance sheet 9.2124 in 2006; Income Statement 8.5223 in 2006.

Restructuring operations continued to be performed on Mercantile Group, in 2006. This was particularly so in the case of Mercantile Bank Limited, a wholly owned MBHL subsidiary. Several companies were either deactivated or liquidated owing to the fact that they were not part of the group's core business area. Emphasis was placed on departmental rationalisations and reduction of non essential costs.

Other Branches

CGD Group has two other branches, one in the People's Republic of China – Zhuhai – and another in the Cayman Islands.

Grand Cayman Branch

The Cayman Islands branch is the CGD Group business unit specialising in South American risk and other emerging markets, particularly trade finance operations. It has a lightweight operating structure with an effective physical presence in Grand Cayman and also operates as the CGD Group's distribution unit for funds taken under the USCP programme.

Zhuhai Branch

CGD's Zhuhai branch is geared to CGD Group customers operating in the region's industrial and commercial sectors. Most of them are associated with the Special Autonomous Region of Macau.

The Zhuhai branch's operations continue to be subject to the constraints of Chinese law under which it is not allowed to make loans in local (renmimbi) currency, therefore being restricted solely to foreign currency operations.

Other International Activities

CGD's international activity, in 2006, remained focused on support to the internationalisation of its customer base, with the development and reinforcement of foreign trade support services.

CGD Group, therefore, continued to set up and manage trade finance lines of credit with partner and multilateral development banks, targeted at markets in Africa (Angola, Morocco, Egypt, Tunisia, Mozambique, South Africa, etc.), Asia (China, Macau, Hong Kong, India, Saudi Arabia, etc.), South America (Brazil, Mexico, Venezuela, etc.), Central and Eastern Europe and Eastern Asia (Bulgaria, Hungary, Poland, Romania, Russia, Kazakhstan, etc). In the case of multilateral institutions, reference should be made to collaboration with EBRD – European Bank for Reconstruction and Development and the Inter-American Development Bank.

Among the operations carried out in Africa, in 2006, reference should be made to funding for the Angola Ministry of Health, for the rehabilitation of a maternity unit in Luanda and the entry into force of a EUR 100 million line of credit to support infrastructure development projects in the Kingdom of Morocco.

Primary market operations were realised in the international wholesale business area, in the form of syndicated operations totalling around EUR 929 million, in several countries on four continents.

CGD Group began work on several initiatives designed to update the internal procedures in its overseas business units – in terms of corporate governance, compliance and internal control – guaranteeing their compliance with best international market practice. The aims of such endeavours are to adjust CGD Group's performance to the nature, risk and dimension of overseas activities, particularly operating risk (Basel II Agreement) and internal control (Sarbanes-Oxley Act).

In terms of commercial activity, the 1st Iberian Business Forum was held in Guarda, in September, as a meeting point for CGD and Banco Caixa Geral directors and principal officers.

The 4th CGD International Forum was also held in April, in Santiago de Compostela. It was attended by the principal directors and officers from CGD Group business units overseas and Portugal with the aim of sharing their experience and promoting business and providing more information on overseas activity.

Human Resources

Staff Developments

CGD Group had 20 030 employees at end 2006. This represented a reduction of 748 employees, mainly accounted for by the group's insurance companies with a reduction of 429 and its banking operations with a reduction of 189.

Group Employees (a)

	2005	2006
Consolidated banking operations	**13 646**	**13 457**
CGD (separate operations)	**10 832**	**10 442**
CGD (Portuguese operations) (b)	10 161	9 759
CGD branches	661	673
CGD representative offices	10	10
CGD subsidiaries	**2 814**	**3 015**
Caixa-Banco de Investimento	173	184
Banco Caixa Geral (Spain)	899	955
Banco Nacional Ultramarino (Macau)	309	345
Banco Comercial e de Investimentos (Mozambique)	549	637
Banco Interatlântico (Cape Verde)	55	59
Banco Comercial Atlântico (Cape Verde)	399	405
Mercantile Lisbon Bank Holdings	415	415
Other and subsidiaries' representative offices	15	15
Non-banking operations	**7 132**	**6 573**
Insurance	**3 822**	**3 441**
Fidelidade Mundial	2 136	1 889
Império Bonança	1 420	1 278
Via Directa	78	79
Cares	123	128
Garantia	65	67
Financial companies	**308**	**332**
Other	**3 002**	**2 800**
Sogrupo (EIG) (c)	976	893
Insurance company associates	827	779
Esegur (d)	964	908
CGD Social Services	72	71
Other	163	149
Consolidated Total	**20 778**	**20 030**

(a))This table does not include the 311 CGD employees employed in the Caixa Geral de Aposentações Support Department or the 100 employees engaged on public service secondment or in other situations; neither is the Compal complement of 642 employees in 2006, included.

(b) The CGD figure includes only banking operation employees and does not include Economic Interest Groupings (EIGs).

(c) Refers to Sogrupo-Serviços Administrativos, Sogrupo-Serviços de Informação, Sogrupo-Gestão de Activos and Sogrupo-Gestão de Imóveis.

(d) This number refers to 50% of Esegur's total staff complement.

The latter area, comprising 13 457 employees, witnessed a reduction of 402 employees in CGD (Portugal), partly offset by an increase of 201 employees on the foreign subsidiaries network comprising 88 employees in BCI Fomento (Mozambique) and 56 in Banco Caixa Geral (Spain).

Caixa's banking operations, in Portugal, had an employee complement of 9 759. Reference should be made to the departure of 289 employees comprising retirees and staff agreeing to the termination of work contracts during the year. Fresh recruitment, on the other hand, concentrated on younger, better qualified staff *vis-à-vis* the average employee complement, as part of a policy directed at not only rejuvenating and reinforcing the company's human potential but also enabling the bank to improve its capacity to meet current and future challenge.

The number of employees in the insurance and associated activities area fell from 4 649 to 4 220, mainly deriving from Fidelidade Mundial (reduction of 247) and Império Bonança (reduction of 142).

The group had 2 021 employees engaged in other non-banking operations (down 154 over 2005). 908 such employees worked in Esegur-Empresa de Segurança, 208 in Caixa Leasing e Factoring, 514 in Sogrupo-Sistemas de Informação, 222 in Sogrupo-Serviços Administrativos, 157 in Sogrupo-Gestão de Imóveis and 93 in Caixanet.

Characterisation of Employees in Portugal

The highest percentage of employees in terms of operations in Portugal is concentrated in commercial areas, branch offices and corporate offices (branch networks), comprising 82% of the total, with 12% in operating and 6% in support areas.

Average staff age remains close to last year's figure of 42 with average seniority of 17.5 years. The number of women employees continues to grow and currently comprises 52% of Caixa's total staff complement, as most retirements have been taken by men.

Higher level academic qualifications continue to increase and now account for 36.5% of the total as opposed to full secondary and primary educational qualifications which account for 40.3% and 23.2%, respectively. The preference given to applications with higher educational qualifications and investment in employees' academic qualifications continue to contribute to a sustained improvement in the company's qualifications profile.

The trend towards a relative increase in the number of technical staff members is still in evidence, both in commercial areas as in other departments, notably those most directly associated with business. General management functions, accordingly comprised 1.1% of the total, line management with 16.7% and technical and specific functions with 21.1%. Employees with administrative functions in central departments comprised around 9.9%, with commercial enquiries at branch and corporate offices accounting for 48.9%. The number of auxiliary employees continued to be relatively insignificant at around 2.3% of the total.

Absenteeism was, at 5.7%, slightly better than the 2005 figure of 5.8% and was heavily influenced by several situations involving long term absences, particularly related with health problems and maternity leave.

2 191 employees (22.5%) were promoted on merit in 2006.

Training

Pursuant to the strategic objectives defined for Caixa, training is a priority area in terms of human resources management. Consideration was given to fresh thinking on intervention approaches, in 2006, leading to several alterations to approach models and methodologies, re-centring training activities in areas of greater functional specialisation, focusing on harmonising banking practice, internal organisation, processes and procedures, business approach, development of customer relations and team management.

Training activity comprised 66 051 employee attendances on 2 214 courses and training actions totalling 436 193 hours. 38% of registered attendances were classroom and 62% distance and e-learning training. Distribution, in terms of numbers of training hours, comprised 81% classroom attendances and 19% on the e-learning platform.

The following projects made the most significant contribution to training activities, both in terms of the involvement of a larger number of employees and their relevance:

• Development of skills for employees with management functions, as a vital function for the success of commercial actions on the individual customers' branch network, in which special reference should be made to interventions designed to increase integrated management capacity for customer relations, notably segmentation, CRM, Siebel 7.7 and negotiating skills. Reference should also be made to the inception of the banking practices project, whose first stage involved deputy managers and the inception of the induction programme for recent management appointees;

• The development of skills for employees with customer management functions, whose activity has been progressively assuming a fundamental role in the affirmation of a personalised relationship with customers in a particularly important segment, in which special reference should be made to interventions in terms of segmentation and commercial scenarios and Siebel 7.7, affirming this instrument's importance as an indispensable portfolio management work and commercial negotiations tool;

• The integrated training programme for the corporate area, to support endeavours to boost and grow this segment, reinforcing team management and leadership negotiating skills, notably with interventions in the sphere of negotiating strategies and tactics;

• Departmental projects consisting of transversal training intervention, supporting projects for change, incorporating organisational and environmental diagnostics, workshops, technical and behavioural training actions and, in several cases, outdoor activities;

• Advanced programmes for senior employees particularly targeted at high fliers, allying a high level training component with specific skills development. Reference should also be made to the management and leadership programmes involving Portuguese and foreign universities, notably the Porto College of Management and London Business School. Reference should also be made to investment in the development of new skills in supporting the organisation of several specialised courses, postgraduate and MA qualifications which also comprise an important component part of CGD training;

• Continued training support for the SIG project, actions associated with the launch of new products and services and commercial campaigns, working closely with the originating departments and investment in the e-learning area, including the realisation of new courses, with the availability of a total of 88 courses up to the end of 2006.

Placement programmes for young graduates and higher education finalists, provided them with contact with the business world, enhancing their future employment prospects. Support was given to 324 placements, in 2006, of which 95 were curricular, 187 involving on-the-job training and 42 involving professional development.

Information on the bank's activity is summarised in the following table:

Activity Indicators

(Units)

	Participants	Hours	Actions	Hours
TRAINING LEVEL				
Pre-professional	**182**	**2 548**	**10**	**140**
Professional	**65 869**	**433 645**	**2 204**	**52 415**
Initial				
General	318	3 108	16	154
Specific	325	9 503	9	895
Subtotal	**643**	**12 611**	**25**	**1 049**
Continuous				
Refresher	47 903	228 780	1 036	12 041
Professional advancement	2 415	32 088	177	2 394
Specialisation	9 830	56 945	457	7 758
Development	110	18 377	47	10 385
New skills	4 968	84 844	462	18 788
Subtotal	**65 226**	**421 034**	**2 179**	**51 366**
Total	**66 051**	**436 193**	**2 214**	**52 555**
TRAINING ACTIVITY				
Internal	64 396	353 984	1 608	19 174
External	1 655	82 209	606	33 381
Total	**66 051**	**436 193**	**2 214**	**52 555**
Classroom	25 107	356 493	2 137	51 274
Distance	9	2 160	2	480
E-learning	40 935	77 540	75	801
Total	**66 051**	**436 193**	**2 214**	**52 555**

CGD Employees' Pension Fund and Healthcare Plan

CGD set up its employees pension fund on 31.12.1991, to cover the retirement costs of CGD employees, in addition to survivors' pensions for employees engaged after the said date. Survivors' pensions of employees engaged prior to the said date are the responsibility of Caixa Geral de Aposentações.

At end 2004, with the publication of Decree Laws nos. 240-A/2004 of 29 December and 241-A/2004 of 30 December, CGD employee retirement and survivors' pensions liabilities for the length of service provided up to 31 December 2000, were transferred to Caixa Geral de Aposentações (CGA). The CGD Pension Fund, by way of compensation, transferred the provisions set up to cover the referred to liabilities to CGA.

Starting 2004, the pension fund also included liability for death grants, if occurring during retirement. Death grants are lump sum payments of six times the amount of the gross monthly pension. They have, since the said date, been paid out of the pension fund.

CGD, in calculating pension fund and healthcare liabilities, has maintained the presuppositions used in 2005, complying with the requirements of the International Accounting Standards, as follows:

- discount rate	4.75%
- wages and salaries growth rate	3.00%
- pensions growth rate	2.00%
- mortality table (men)	TV 73/77
- mortality table (women)	TV 88/90
- average retirement age	60

The following table shows an increase of EUR 130 726 thousand in the value of the pension fund:

Pension Fund in 2006

Fund movements

	(EUR thousand)
Value of Fund at 31.12.05	**824 576**
Employee contributions	27 672
CGD contribution	57 211
Extraordinary CGD contributions	9 482
Amounts transferred from other institutions	486
Pensions paid	21 518
Net income of fund	57 393
Value of Fund at 31.12.06	**955 302**

The fund, at year end, fully covered its share of liabilities for current pension payments and the past services of current employees.

An amount of EUR 59 029 thousand in costs and EUR 31 907 thousand for the depreciation of deferred costs was recognised during the year as a charge to reserves. The year end deferred costs balance totalled EUR 95 721 with a corridor of EUR 67 954 thousand.

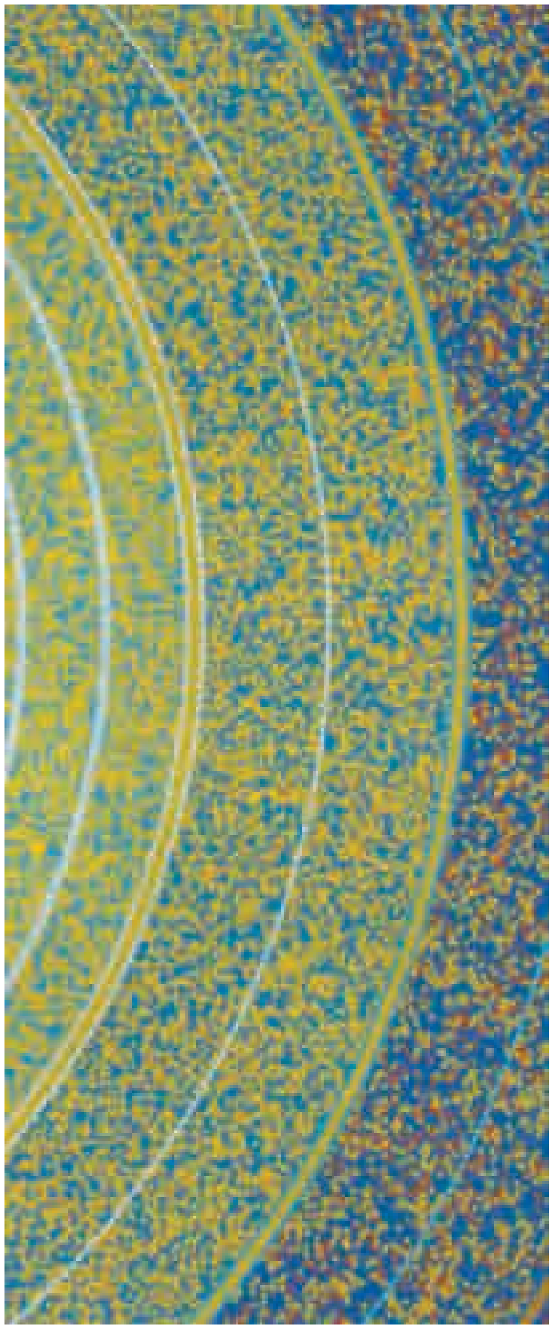
Liabilities associated with CGD employees' post employment healthcare benefits in the form of the medical scheme were calculated under the International Accounting Standards, totalling EUR 419 195 thousand, as set out in the following table, were fully provisioned:

Healthcare Plan in 2006

Evolution of provision

	(EUR thousand)
Value of provision at 31.12.05	**399 586**
Current cost for year	26 727
Contributions for healthcare services (SS and SAMS)	16 495
Actuarial and financial losses included in corridor	1 961
Actuarial and financial losses recognised in corridor surplus	7 416
Value of provision at 31.12.06	**419 195**

The actuarial losses referred to in the table were essentially due to deviations between the presuppositions used and the amounts actually verified. The accumulated balance on these losses totalled EUR 105 994 thousand at 31 December, with an amount of EUR 3 679 thousand having been amortised during the year, on the basis of occupied employees' future length of service.



Organisation and Information Systems

Information systems area guidelines remain targeted at increasing operational efficiency through cost reduction and new computer applications to facilitate commercial operations, pursuant to which a series of projects were developed, particularly including:

Under the "SIG Programme" (CGD Information System), the coming into service of the new SGOA (Loans Management System) encompassing almost all of CGD's credit offer (corporate, mortgage and consumer credit) on new operations; in the case of *Base Banca*, accounts and cheques, transfers, credits and collections modules; SGOE (Foreign Loans Management System) cash letters for exports and imports and issue of cheques, orders issued and received; SGMP (Payment Media Management), implementation of new products and functionalities, notably, on a level of Caixazul and Caixa Fã deferred debit cards. Indispensable changes have been made to the current production modules for the management of Programme Leader in addition to the introduction of new functionalities. New data were entered into the datawarehouse and associated with Programme SIG systems.

In CRM terms, improvements were made to the technological platform and supply of new applications. Reference should be made, in this case, to the support of Siebel Marketing and Analytics, in terms of marketing campaigns and the management of credit supervisory functions for the introduction of alert mechanisms in terms of financial relations with customers, in addition to global management reports on different channels.

New CaixaDirecta *on-line* services were introduced in the electronic banking channels area, particularly "My Manager", available on mortgage lending and property management portals. The "Caixa Contact Center" was also expanded for new outbound call campaigns.

Mortgage lending support structuring workflows and business operational support workflows were introduced to increase operational efficiency, concentrating on the control of fraud and chargebacks. Centralised ATM and ATS management applications were also improved.

Pursuant to various legal contexts currently in progress, reference should be made to credit institutions' shareholders' equity adjustments under Basel II, the first stage of the Risk Datamart project, large enterprises' rating projects, SMEs, financial institutions and municipalities, in addition to the integrated risk management and control system. The GL-Expert/MSA was fully replaced by GL-Millennium in general accounting and International Accounting Standards terms.

Real time and batch components came into production in the external payments area - Management System for Operations with SIBS (SGOS). Work was performed on SEPA (Single Euro Payments Area) implementation.

In the technological renewal area for central buildings, workstations in all structural bodies were replaced and the respective operating system upgraded with the standardisation of installed software through the creation of standard images.

Several teams were engaged on various infrastructures area projects, either pertaining to the bank or on an outsourcing basis, particularly:

• Infrastructures management efficiency programme – 28 initiatives designed to reduce infrastructure costs and installed capacity, via their optimisation, rationalisation and replacement by other technologies are currently in progress;
• Disaster Recovery – Implementation of solutions based on distributed systems and "lightning fast" XRC replication mechanisms on CGD's central systems' production data;
• Central systems – Integration of Fidelidade Mundial's and Império Bonança's central infrastructure;
• Distributed systems operation – Diverse initiatives for increasing the efficiency of systems and platforms management, permitting transversal management and reduction of the number of servers, improvement in capacity planning and production of performance reports and use of processing resources;
• Communications – Restructuring of communications centre and the creation of the new redundant head office backbone, integration of insurance companies' communications with CGD's computer structure (SOGRUPO, SI) and preparation of an IP telephony solution for CGD Group branch offices;
• Data protection – Participation in Fidelidade Mundial's and

Império Bonança's central infrastructure merger process, notably, unification of various systems' security databases, implementation of strong certification and provision of security incidents analysis tools.

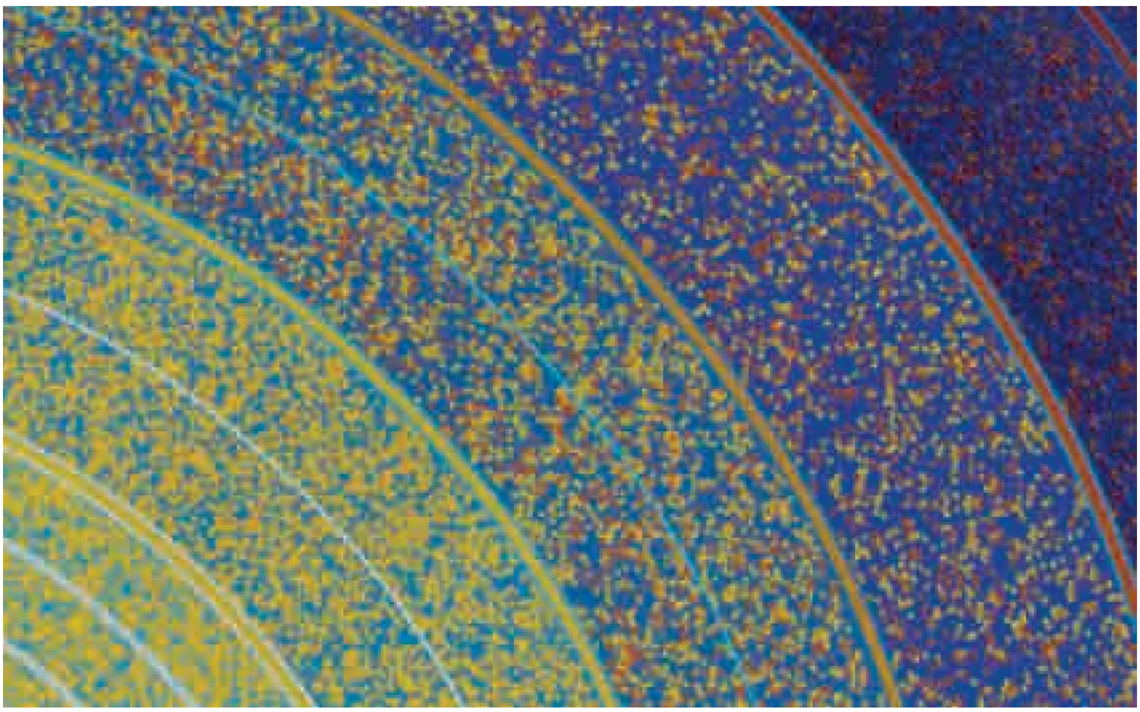
Reference should be made to the following actions designed to enhance performance in terms of organisational and employee development in the SOGRUPO, SI area:

• Company's quality management system – standardisation and definition of work processes, procedures and standards and monitoring thereof through an analysis of performance indicators;
• Project management – development of control processes and project monitoring and consolidation of planning support;
• Communication – boosting of internal communication through a dedicated portal, in addition to external communication in department-customers relationship management terms ;
• Cost efficiency and cost – implementation of a communication costs control system;
• Human capital – a survey of areas of technical competence and identification of training needs.

Information on several activity indicators in this CGD (Portugal) area is provided in the following table:

Activity Indicators

	Units	2005	2006	Change (%)
Efficiency and performance				
Global number of operations	Million	2 357	2 484	5.4
Number of PCs	Un.	15 500	14 679	-5.3
Number of servers	Un.	2 055	2 052	-0.1
Number of completed processes	Un.	19 517	22 461	15.1



Administration and Procurement

Sogrupo, Serviços Administrativos, Agrupamento Complementar de Empresas is the CGD Group company responsible for shared and general services and procurement.

The following table provides information on several indicators covering the performance of the EIG's activity related with group member CGD:

	Units	2005	2006	Change (%)
Requisitions processed	Un.	23 786	20 703	-13.0%
Electronically	%	54.6%	66.2%	21.2%
Orders placed	Un.	4 755	7 300	53.5%
Contracts	Un.	1 706	1 760	3.2%
Invoices processed	Un.	35 189	36 744	4.4%
Digitised	%	65%	91%	39.5%
Suppliers	Un.	1 247	1 806	44.8%
Fixed assets	Un.	324 329	308 653	-4.8%

Following the implementation and consolidation of a series of activity support organisational and IT infrastructures in the preceding year, this EIGG, intensified its provision of services to group member CGD, in 2006, particularly:

• Negotiation of supply contracts for goods and services, with a reduction of unit costs and/or increase in the quality of supplied goods and/or levels of service and communications area support in terms of negotiations and orders of goods and services;

• Centralised processing of all invoices sent to CGD, with the exception of invoices related with property management and real estate promotion, with increased digitisation of invoices for electronic conferral;

• Management of process involving increases and deferrals of CGD costs, with the objective of guaranteeing the correct time band of operating costs and, consequently greater linearity and predictability;

• Processing of the depreciation of CGD's fixed assets and adjustments to records;

• Supply of management information on consumption in cost areas related with office supplies, mobile communications and vehicles.

CGD's Social Responsibility

CGD and Social Responsibility

Conscious of our role in society, we endeavour to conciliate the advance and growth of our financial activity with constant support and promotion of education, culture, conservation of the environment and well-being of the communities in which we operate.

Caixa's operations have, for more than 130 years, respected corporate values and employees' and customers' rights, contributing to Portugal's economic, cultural and social development. Our concern with social issues and transparency in performing our activities have been a constant factor during the course of our history, legitimising CGD's position as a benchmark operator in the financial sector and in communities in Portugal and abroad.

• 1880 saw the creation of the "Caixa Económica Portuguesa" "with the aim of diffusing, promoting and incentivising a savings ethos, in the poorer classes of society".

• This was followed by the creation of the "Caixa de Aposentações" and the "Monte de Piedade Nacional" with the objective of providing financial support to workers and retired employees.

• CGD was restructured, in 1909, and the type of operations it performed was expanded. It began to organise and set up branches over the whole of mainland Portugal and its islands with the objective of achieving closer proximity with customers and establishing an employees' profit sharing scheme which was truly innovative for the period in question.

As a financial institution of longstanding tradition in the social action sphere and an influential driving force in social terms, we continue to perform activities, within the sphere of our responsibility, with the principal aim of making an effective, real contribution to the development and generation of value for all CGD stakeholders.

CGD's Values

Solidity

We are committed to long term relationships. Our solid knowledge and coherent trajectory guarantee the success of our activity.

Rigour

Our operations are rigorously managed by excellent employee teams. This is the best guarantee of our growth and comprises a value generating factor for CGD, its customers and society.

Transparency

We believe that a transparent, ethical and efficient financial system is a *sine qua non* for Portugal's economic and social development.

Experience

More than 130 years developing what we believe to be the best financial solutions for our customers.

We have implemented new products in Portugal and worldwide, made dreams come true, competently managed our achievements and are committed to the challenge of new opportunities.

Responsibility

Our performance in Portuguese society is based on ethical and business responsibility values that we consider indissoluble from our business strategy.

Our Brand

The Portuguese consider us to be the most trusted bank.

The Portuguese consider Caixa Geral de Depósitos to be one of the strongest brands. We are a financial market benchmark operator with an unrivalled reputation in terms of trust, solidity and quality.

Our history is full of international prizes for our operating excellence.

The Portuguese have chosen us as the most trusted brand leader in the banking area, for six consecutive years.

We are proud to have received these distinctions which reward our ethical and social conduct and generate reputational value.

We believe that companies and communities, united as a unique and integrated whole can achieve higher standards of balance, solidarity and cohesion within the community.

We therefore take our responsibilities seriously, together with a constant commitment to contribute to a prosperous, healthy, consolidated society for and on behalf of our customers, employees, partners and all citizens.

The capacity to meet expectations, in a relationship based on renewed trust on each new day, is a clearly assumed strategic commitment and a factor that makes us even stronger.

The above explains why CGD lives the present with confidence and envisages the future with optimism.

Business Ethics

We constantly endeavour to perfect our products, services and procedures, adjust them to social reality, invest in sustainable relationships with all stakeholders, be ethical and transparent to ensure that CGD will continue to perform its role as a driving force for good practice, working to ensure the sustainability of our activity, environment and communities in which we operate.

More than principles and standards upon which the performance of companies in the world of business is based, business ethics are an issue of management and particularly one of attitude.

In CGD we defend and implement a clear, fair and equalitarian policy on information which may be of interest to anyone directly involved in our projects, businesses or operations.

Voluntary Code of Conduct for Home Loans

Caixa Geral de Depósitos adopted the European Commission's recommendations on the European Agreement on a Voluntary Code of Conduct for Home Loans, in 2002.

The European Agreement on a Voluntary Code of Conduct for Home Loans is an agreement between European Consumer Associations and European Mortgage Lending Sector Associations, to provide customers with transparent, comparable information.

Ethics in Advertising

We are members of ICAP – Instituto Civil da Autodisciplina da Publicidade (Institute for Advertising Self-Discipline) whose code of conduct establishes, as an objective, respect for ethics and code of conduct to govern advertising.

The underlying principle is that advertising should be legal, transparent, honest and true (i.e. not misleading) and socially responsible to consumers and society. It should comply with the rules of fair competition. Such practices aim to achieve consumers' trust and confidence.

Social Responsibility

Managers

Human development and environmental conservation are competitiveness elements in companies. It is the responsibility of companies and managers to identify and incorporate new good practices in all functions.

The adopting of such good practice in managing our activity guarantees consistent relationships, meets the expectations of an ever increasingly demanding and involved society and contributes to the improvement of Caixa's performance in all aspects of our activity.

CGD is engaged in providing support to families, companies and domestic institutions, in addition to Portugal's economic and social development, daily meeting new challenges which exceed our operating involvement but which allow us to participate in projects of relevance to the integrated development of communities.

CGD Employees

We consider that all employees should be proud and be fulfilled in working for Caixa Geral de Depósitos and that such feelings should be reflected in our services. We are committed to training, developing and improving our relationship with CGD workers, professional development policies, conciliation between personal and working lives and the establishing of freedom of dialogue between the company's various structures.

Equality of Recruitment Opportunities

We base our recruitment and selection policy guidelines on responsible, non-discriminatory practices, permitting access of all persons to information on needs and choice of applicants based on their real capacities and skills.

Our recruitment and selection processes fully comply with the principle of equal opportunity.

We give preference to internal recruitment processes for qualified or more responsible functions, therefore providing our employees with a multiplicity of professional development and career advancement opportunities.

In terms of e-recruitment, information on opportunities and submission of applications is accessible to everyone on the internet, to which personal and curricular data should be submitted at *www.cgd.pt*.

The choice of applicants for a specific function will always be based on their CVs and skills. There is no discrimination based on gender, race, social class, beliefs or ideologies.

CGD currently employs 179 physically handicapped persons of whom 84 are women and 95 men.

Lifetime Learning

Lifetime learning has become one of management's central themes as we consider persons to be a decisive factor behind the success of any business project and as a strategic resource.

Pursuant to this context we continued to develop the High Potential Employees Management Project, in 2006.

The Project, upon which work began in 2004, aims to reinforce the current skills of employees identified as having professional growth potential within Caixa Geral de Depósitos, in their current functions, in addition to leveraging their future performance in functions involving greater responsibility, by attending a comprehensive nine months' long development programme, with the following objectives:

a) Skills reinforcement through the acquisition of new knowledge and contacts with different perspectives, facilitating innovative approaches to the performance of functions;

b) Broadening knowledge on CGD, improving understanding of various departments' policies and practices, while, at the same time, improving knowledge sharing through the creation of an internal contacts network;

c) Improving behavioural aptitudes through an individually tailored development plan supported by one-on-one coaching;

d) Developing a greater capacity to anticipate and respond to current contexts of change with work performance based on and applicable to CGD's reality.

The project is part of an approach we have been incrementing over the last few years with the aim of "supporting people's learning", comprising masters, postgraduations and other advanced and specialised qualifications.

Access to New Technologies

CGD workers pay significantly lower prices than those charged in the marketplace on acquisitions of computer equipment and software and subscriptions to broadband communications.

We assist our workers and their families who wish to exploit the communication and information access possibilities afforded by the new technologies.

Incentives and Recognition

We have included an additional part to variable remuneration since 2001, to reward employees making more and better contributions to achieving good results.

At its inception, the process only considered compliance with several strategic team level objectives. In the meantime, investment in the domain of management information systems in CGD and the planning and budget process have enabled significant qualitative evolution to be achieved in measuring individual performance on the branch network.

The incentive systems took the following, into consideration, in 2006:

• assessment criteria in achieving pre-defined objectives for business units and individual contributions made in several specific functions.

The system is expected to evolve to gradually include CGD's remaining operating and support areas, to stimulate performance and recognise the achievement of objectives, encouraging greater objectivity in rewarding individual contributions.

Our remunerations policy is concerned with internal equity and endeavours to be better than the average for the respective activity sector.

Transparency in Terms of Assessing Performance

The performance assessment process involves several parties – evaluated and evaluating parties, direct line managers and heads of departments, with well defined roles to ensure the fairness of the respective application.

An integral part of the performance assessment process is the assessment interview, which must be performed at the end of the assessment procedure, with the aim of consolidating the employee-line management relationship, promoting the manager's role in supervising his/her workers, sharing the company's objectives and promoting a culture of individual and collective responsibility in line with management vision.

Although employees are free to express an opinion on their appraisal, 80% express their agreement with the respective results.

Under the terms of this procedure, either line managers or employees have the right to suggest appropriate training or other courses of professional development.

Health and Leisure

Caixa Geral de Depósitos' Social Services are responsible for harmonising our employees' work and family and health and leisure.

CGD's Social Services are a structure with nationwide healthcare facilities all of which have been computerised (with information on appointments being sent by e-mail), cultural centres, sports and leisure time activities, in addition to holiday camps in Portugal and abroad and a library.

Thousands of CGD workers are involved in a large number of nationwide sporting activities, including gymnastics, athletics, swimming, eleven-a-side football, fishing, volleyball, etc..

Social Action

We provide social support services to CGD employees and retirees, implementing the company's social responsibility policy, in due respect for CGD's values and culture.

Our Social Affairs Office has developed an Integrated Prevention Project in the health and addiction areas, providing adequate treatment methods through agreements with specific therapeutic institutions, constantly supervising and assessing the process. We also support line management in respect of specific skills involving early diagnoses and support for social re-inclusion.
We actively cooperate with Management and Medicine in the Workplace, on interdisciplinary projects, namely the joint analysis of long term absenteeism, both in terms of prevention and social support and mobility, always favouring the possibility of conciliation between work and family.

In conclusion, our social affairs activities, in 2006, continued to focus on supporting the permanent integration of workers and promotion of good practice, encouraging a culture of social responsibility, endeavouring to provide constant, adequate, integrated responses to CGD employees' social problems, nationwide, in confidence and with due respect for personal dignity and people's self esteem with a permanently open attitude and a hands-on approach.

Medicine in the Workplace

Together with regular advice to employees, in 2006, we took the following specific actions:

• Prevention of Cardiovascular Disease
Cardiovascular disease (strokes and myocardial infarctions) is the primary cause of death and disability in Portugal.

CGD, in Medicine in the Workplace terms, implemented a cardiovascular disease prevention project, in 2004, running through 2005 and 2006.

Under the scope of this project, we arrange for all employees over 45 with at least two risk factors to be screened by physical exertion electrocardiography.

• Prevention of Cancer of the Colon/Rectum
Colon/rectum cancer is the malignant disease originating the greatest number of deaths in Portugal, with 6% of the general population expected to develop this pathology.

In light of the above, we implemented a warning, advisory and testing service, in 2006, to detect workers with a family history suggestive of colon/rectum cancer or who develop suspicious symptoms in addition to everyone over the age of 50.

• Consultations on How to Stop Smoking
Consultations have been given by specialist physicians in this area, since 2006, and work continues on this advisory and monitoring service.

• Nutritional Advice
The fact that obesity is a very important risk factor in cardiovascular disease explains the need for preventive and/or corrective measures.

Specialist Medicine in the Workplace medical staff have been providing nutritional support services since June 2004.

• Breast Examinations
We organised training and awareness campaigns for our employees and continued to operate a breast cancer detection service, in 2006.

• European "Enterprise for Health" (EfH) Network
This is an involvement-based health promotion culture and is a crucial investment for the future of any company. This fundamental principal has led to the creation and development of a European healthy companies network (EfH), of which we are a founding member.

EfH, founded in 2000, comprises 19 major companies from 13 European countries, united in a single objective: to safeguard long term competitiveness and its member organisations' cost/benefit ratios. This is only possible with a motivated, efficient, committed workforce.

• Flu Jabs
In 2006, as in previous years, we provided all of our workers with the possibility of receiving flu jabs free of charge.

Prevention and Safety

With the objective of providing our employees with the best working conditions, in 2006, we furthered a prevention and safety policy defined as a concern for permanent monitoring in areas such as, *inter alia*, accessibility, workstation ergonomics, heating, air quality, lighting and noise levels.

Reference should also be made to:

• Emergency simulations in buildings to familiarise users (employees, outsourced staff and visitors) with safety procedures;
• Specific training for outsourced staff performing hazardous works;
• Training of workers who volunteer to be members of first aid and fire fighting teams:
  - "Fire fighting instructions" given to 223 workers by the National Firemen's College;
  - "First aid course", given to 266 workers by the National Firemen's College.

Certificates were given to participants in awareness and fire fighting courses involving the use of fire extinguishers. First aid provider cards, in addition to the respective certificates, were given to participants in first aid courses.

We arranged for access ramps for persons suffering from mobility disabilities to be fitted to our branch offices.

Retired Workers

We also pay particular attention to all persons who have actively worked with Caixa Geral de Depósitos Group.

With the objective of accompanying retirement from active service and preventing post retirement social exclusion, with the support of the Retirement Associations, we provided premises and some logistical and administrative support and subsidies for the most significant projects.

ANAC – National Association of CGD Retirees

This association was created in 1985 and comprises around 2100 members out of the total number of 5000 CGD retirees plus and 1100 auxiliary members recruited from among our human assets.

2006 saw the development of a significant recreational and cultural programme, for the series of *Tertúlias* (gatherings) that, benefiting from the technical support of Social Affairs Office trainees and involvement of an associated voluntary cultural group, established themes and significant dates for members, concentrating on how to prevent age-related problems and animating lifestyle projects (such as "Women and Equal opportunity", "Healthcare for Senior Citizens", poetry readings and cultural visits).

Reference should be made, to computer training monitored by other retirees, in 2006.

2006 also saw the furtherance of the Project for Welcoming New Retirees, comprising a further action on the theme "A life with lifelong planning", geared to new retirees.

The association's most representative moment was its 10th National Members' meeting which was subsidised by CGD, providing more than 600 participants, from all over the country with a day of companionship culminating with a quality event held in Culturgest's Grand Auditorium.

AAEBNU – Association of Former BNU Employees

The association was created in 1990, as a point of contact between retirees and occupied personnel providing their services in the former Banco Nacional Ultramarino (assimilated by CGD in July 2001). It has around 3000 effective members.

The association organises an intense socio-cultural animation programme, particularly including escorted cultural visits and other social gatherings.

Customers and Community

Customer First

Caixa's central concerns are its customer-first-approach and quality.

We create products and services to meet our customers' expectations and needs, committed to quality in terms of answering personal enquiries, adopting a proactive approach, based on a relationship of proximity and trust established with our customers, in due respect for their privacy and ethical standards.

Another of our concerns, in CGD, is nationwide geographical coverage, in addition to providing institutional support to the population and regional development, with branch offices from Minho up to the island of Corvo in the Azores.

At the request of associations or various institutions, we provide space on our premises for meetings or cultural events and also collaborate with local communities.

Caixa considers complaints to be an excellent means of improving the quality of its service, from a twofold approach: providing customers with substantive replies and endeavouring to resolve issues raised, adopting more adequate procedures for the future.

Complaints, enquiries and customers' suggestions are processed and accompanied with the maximum level of rigour, commitment and speed by all CGD Departments.

We have also adopted a series of pertinent measures designed to combat fraud and money laundering, in addition to effective anti-corruption procedures.

Unrestricted Access to CGD

We provide our customers with every possible means to facilitate access to the bank, on:

• *www.cgd.pt* with two principal perspectives: institutional and business. The institutional area provides information on Caixa Group and its addresses, the bank's statutory bodies, press releases, corporate mission, history and financial information. Information is also provided on solidarity accounts and employee recruitment;

• Caixadirecta and our Call Centre are also excellent means of communicating with customers and vice versa.

Transparency

Ethics in advertising. CGD is an active member of ICAP – Instituto Civil da Autodisciplina da Publicidade (Institute for Advertising Self-Discipline) whose objective, as set out in its code of conduct, is to promote respect for ethics and the high standards to be complied with in advertising.

The underlying principal is that advertising should be legal, decent, honest and true and socially responsible to consumers and society, in due respect for the rules of fair competition. The objective is to earn consumers' trust.

We perform our activity on the basis of a Voluntary Code of Ethics, adopting the European Commission's recommendations on mortgage lending.

This is an agreement between European consumers' organisations and European Mortgage Lending associations, on the information to be supplied prior to the exchange of contracts, to ensure a series of good practices to be complied with by subscribing banks.

Protocols

Protocols entered into between CGD and business entities, either institutions or associations, to develop and broaden customer segments, promoting their activities in various sectors and intensifying the level of business confidence between bank and customer.

Caixa maintains a large number of agreements and protocols with establishments of higher education, providing special terms on banking products and services to university students, together with the issue of its "Caixa Universidade Politécnico" card.

Community

Caixa Geral de Depósitos, given its status as a fully state-owned public limited company has always been concerned over societal matters, long before the issue became commonplace, intervening in projects of relevance to the communities in which it operates, contributing to their integrated development. Association with causes designed to preserve social values is therefore one of our objectives and their defence is one of our concerns.

We have developed a support policy in different intervention areas of which special reference should be made to cultural, associative, educational, scientific, social and sports cultures, in which we have associated our institutional values of rigour, transparency and solidity with *bona fide* entities involved in public interest initiatives notably when leading to the full development of individual citizens as social beings, helping to perform projects that could not otherwise have been achieved.

The group includes initiatives designed to alleviate the problems of the less privileged strata of Portuguese society, who have benefited from special attention.

In addition to providing support for several one-off situations, involving several entities and institutions, nationwide, in which we operate commercially through a vast range of branch offices, in all municipal districts in Portugal, we have also been involved in humanitarian support and development projects promoted by various organisations and specialised NGOs.

In the field of public responsibility, we have particularly been involved in the human rights and social solidarity areas, both in Portugal and abroad.

CGD provided EUR 4.9 million worth of sponsorship during the year to state institutions, foundations, cooperatives, private welfare institutions and for other social, environmental, cultural and scientific actions.

Culture

CULTURGEST - A House of the World

Culturgest – Gestão de Espaços Culturais, SA, created in 1992, continued, in 2006, to be one of the most relevant instruments for CGD's intervention in the cultural domain, for the benefit of the Portuguese public and national and foreign creators and performers.

Nine exhibitions were organised in the areas managed by Culturgest in Lisbon and the Porto Gallery, attended by a total number of around 22 400 visitors (up 14% over the preceding year), several of which were referred to by critics as having been the most important in Portugal in 2006 in their annual summaries.

Under an agreement with Fidelidade Mundial, Culturgest scheduled and staged four exhibitions in the "Chiado 8" area two of which were also referred to in critics' annual surveys.

The Education Service, now in its second year, organised 537 visits to exhibitions, for public of all ages, particularly school pupils. Nineteen escorted visits were also organised for CGD workers.

The Education Service also organised 34 workshops for young people on holiday, 2 for adults and 4 for older people. The Education Service was also involved in several dance and theatre events and a new cycle of general Culturgest programming which was considered of possible interest to young people of school age. At the department's initiative, the events were attended by more than a thousand young people and dossiers were produced and provided to teachers, including suggestions for pedagogical works on the events attended. It should also be noted that the year 2006 witnessed the introduction of a first time measure, in Portugal: the supply of audio guides to all exhibition visitors. The initiative was welcomed by the public which replied enthusiastically to the questionnaire. All of this work, ranging from the production of the texts to voices and recording procedures on all items of equipment was performed by Culturgest. Culturgest via CGD's Education Service, was responsible for the visits of around 10 700 people the overwhelming majority of whom young.

Re-emphasising the importance attached to younger spectators, ticket prices were maintained at EUR 5. As in the preceding year, around 50% of the spectators benefited from this special price.

The year 2006 schedule, included 102 performances of 49 different national and international events comprising theatre, dance and music (including opera, contemporary music, jazz, and world music) and 98 cinema sessions (including the Doclisboa-Festival), in addition to 30 conferences and other initiatives. During the course of these events, Culturgest was visited by 53 710 people (of whom more than 21 000 were Doclisboa spectators). Adding exhibition visitors, the total number of members of the public attending Culturgest cultural initiatives this year was 76 131 (against the preceding year's 68 216). The average event occupancy rate was 78% (against the preceding year's 70%).

Culturgest was involved in co-productions and co-presentations with a large number of entities in the domain of culture, such as the Teatro Nacional de São Carlos, Casa da Música, Apordoc, Guimarães Jazz Festival, Almada Festival, Alkantara Festival, Temps d'Images Festival, Cinanima, Oriente Foundation, Friends of São Carlos, in addition to theatres and other structures from outside Lisbon such as Viseu's Teatro Viriato, Montemor-o--Novo's Espaço do Tempo, Teatro Rivoli, Casa das Artes de Famalicão, contributing to strengthening the cultural scene in Portugal.

Culturgest, in addition to having provided its installations, free of charge for several cultural initiatives, such as debates and roundtables, book launches and rehearsals, also rented out spaces for a further 25 events, or at CGD's request and provided facilities for another 50 events (including performances, congresses, meetings and corporate conventions, colloquia, special promotions), in addition to 66 internal CGD meetings.

One of the objectives for 2006, upon which work was performed in previous years, was directed at CGD's "internal public", reinforcing the idea that Culturgest is also the "common heritage" of CGD workers, with particular reference being made to the special access conditions to events and exhibitions, escorted visits for employees and participation of employees' children at holiday workshops.

In conclusion, Culturgest furthered its corporate objectives, in 2006, characterised by a modern cultural management in line with CGD's humanist sponsorship, thus helping to strengthen the Portuguese cultural scene and create new audiences.

CGD's activities in the cultural activities domain comprises institutional and commercial relationships with a wide range of social operatives, in its furtherance, in many cases, of continued collaboration with local municipalities, foundations and cultural associations in the areas described below.

Music

Caixa Geral de Depósitos' "Orchestras Project" upon which work began in 2001, in collaboration with AMEC (Lisbon Metropolitan Orchestra), Northern Cultural Association / Northern Orchestra and the Orchestra of the Algarve, with the Classical Orchestra of Central Portugal and Os Violinhos, has been responsible for more than 120 nationwide CGD concerts, encompassing the Autonomous Regions of the Azores and Madeira, in a clear commitment to bringing music to the whole of the country, providing all Portuguese citizens with access to classical and contemporary music.

Concerts were held in Aveiro, Faro, Coimbra, Vila Real, Guarda, Guimarães, Portalegre, Viseu, Sardoal, Beja, Pombal, Bragança, Almada, Santarém and Lisbon, in 2006. The first edition of the Caixa Geral de Depósitos Music Festival – an event including, in addition to the usual concerts, didactical school activities, was held over a three day period in Silves.

CGD also sponsored:

• The annual activity of the Lisbon Metropolitan Orchestra (starting 2001);

• The annual activity of the Algarve Orchestra (starting 2005);

• The annual activity of the Classical Orchestra of Central Portugal (starting 2006);

• Os Violinhos – Sponsorship of the "Os Violinhos" Paganini Cycle concerts;

• Porto Stock Exchange Building Music Festival, starting 1997;

• Santo Tirso International Guitar Festival, starting 2000;

• Cistermúsica - Alcobaça Music Festival, starting 1996;

• Leiria Music Festival, starting 1992;

• Viana do Castelo-Portugal/USA International Music Festival (starting 2005);

• Sponsorship of the Lagos Music Academy Annual Concerts Cycle, starting 2000;

• Sintra Festival, starting 1995;

• "Maré de Agosto" Music Festival – Azores, starting 2000;

• Guimarães, starting 1998;

• Matosinhos Jazz Festival, starting 1998;

• Portalegre International Jazz Festival (starting 2006);

• S. Roque (Santa Casa da Misericórdia) Music Festival, starting 2005.

Plastic Arts

Contemporary art support comprised the following regular sponsorships:

• Serralves Foundation – Pluriannual exhibition support (starting 2001);

• Latin Union Plastic Arts Prize (co-sponsored by the Calouste Gulbenkian Foundation, since 1992);

• Júlio Pomar Foundation – Institutional Support (starting 2005);

• Arpad Szenes Foundation – Institutional Support – (in 2006).

Significant occasional support in 2006:

• Pintor Robot Project – RAP by Leonel Moura;

• Exhibition of Portalegre Tapestries - 4th Portuguese Offer in Madrid.

Literature and Journalism

Regular Support:

• "Gazeta de Jornalismo" prize and annual support for the activities of the Clube de Jornalistas (2006);

• D. Diniz literary prize from the Casa de Mateus Foundation (principal sponsor since 1990);

• Critics Prize of the Portuguese Centre of the International Literary Critics Association (since 1992);

• "Vida Literária" prize from the Portuguese Writers' Association (since 1993);

• Livraria Moraes Exhibition - Centro Nacional de Cultura;

• Participation in Lisbon and Porto book fairs;

• Institutional Support – Eça de Queiroz Foundation (starting 1996);

• Mário Soares Foundation – "Memory of Timorese Resistance Project and Creation of Oral History Unit";

• Support for the activities of the Portuguese Press Club (starting 2006).

Significant occasional support in 2006:

• "Mensageiro de Bragança" Foundation – Digitisation of "Mensageiro de Bragança" historical collection;

• "Memory of Africa" project – Virtual Library;

• "Cuidar o Futuro" Foundation – Digitisation of documentary collection of Maria de Lourdes Pintasilgo.

Visual Arts

• AR.CO (Art and Visual Communication Centre) - grant, starting 1995;

• Espinho International Animation Cinema Festival - Cinanima/CGD Grand Prix, starting 1998, of which several films, including the Grand Prix were later shown in Culturgest;

• International Young People's Cinema Festival – IMAGO-Fundão (pluriannual support starting 2005);

• Ovar National Video Festival, starting 2002;

• Amadora International Cartoon Festival, starting 1995, with direct sponsorship of the exhibition of young artist André Carrilho;
• Porto Cartoon and Temporary Exhibitions of the National Press Museum (starting 2006);
• World Press Photo Exhibition at the Maia Municipal Forum, starting 2002.

Mediatheque

The Mediatheque has been operating in CGD's headquarter office building for 12 years. It is a benchmark domain in terms of information and knowledge access, particularly in technical areas associated with financial activity, for use by CGD Group employees and the general public and the academic community, in particular.

The Mediatheque's document collection comprises more than 23 thousand book titles and more than 500 magazines, on specific thematic areas, particularly economic and financial, in addition to optical disks, videos, educational software and access to major databases of which special reference should be made to ESBCO's online magazine databases enabling more than 5000 magazines to be consulted, most of which in full text mode and encompassing all knowledge areas.

The mediatheque also houses an internet zone, referred to as the "Didatheque, comprising 20 PCs, whose use is free of charge and whose users can not only search the web but also create their own homepages and communicate with each other in cyberspace. It was used by more than 18 000 cybernauts in 2006.

It also has a state-of-the-art visually impaired persons' enquiries service with Braille transcription facilities and a voice synthesiser for all types of documents. Around one thousand enquiries were processed in 2006, generating more than 36 thousand pages (in Braille and disquete). More than 2000 books were lent of which more than 60% to external readers.

The mediatheque expanded its activity to the Lusophone area and, in partnership with the Portuguese Development Support Institute, created a mediatheque network designed to provide CGD Group customers and the public in general, in countries in which these structures have been installed, with access to information, knowledge and literature in Portuguese, while, at the same time, promoting and disseminating the use of the Portuguese language. The network is operational in Mozambique (Maputo and Beira), East Timor (Díli), Sao Tomé and Príncipe and Cape Verde (Praia and Mindelo). The Luxembourg Mediatheque, which is the first outside the Lusophone area, is still operating and has an important and highly dynamic Portuguese community together with other Portuguese language speakers.

CGD's Historical Heritage

As a centuries' old institution and having provided our financial and banking operations in various geographical areas and production sectors, we have accumulated a commensurately enviable Historical Heritage, divided up into three levels of knowledge: historical archive, collecting and museological activities.

From a viewpoint of disclosure and in addition to other processes to be adopted at a later stage, the contents and iconographical codes for the creation of an internet page link to Historical Heritage have been created.

The Historical Archive devoted a large proportion of its resources to the production of archival processing handbooks and other guideline documents, in 2005, in addition to the inception of documentary descriptions. In 2006, we provided continuity and completed the descriptive indices on Public Sector Credit related documents.

At the same time, we created a classification framework, establishing the different organic and functional relationships between documents through the creation of different documentary series. The framework is being permanently updated in line with document processing procedures and will only be considered complete when all documents have been fully processed.

In the sphere of BNU's documentary reserves, the documentation on the service referred to as the Inspectorate-General for Overseas – Angola, Cape Verde, Guinea, India, Macau, Mozambique, Sao Tomé and Príncipe and East Timor sections, was processed and inventoried.

We continued to work on the computerisation of the Overseas Library, which is part of the former BNU's documentary reserves, in partnership with the Portugal Africa Foundation.

With this foundation and with CESA (Africa Studies and Development Centre)/Higher Institute of Economics and Management and University of Aveiro, we continued to participate in the "Memory of Africa Project" for the creation of virtual/digital library – Memory of Africa – compiling the bibliographical references existing in archives and libraries on the theme of development and cooperation with Portuguese speaking Africa, in addition to displaying rare, unique or difficult to obtain works online with appropriate text search software.

As an information source, the archive has contributed to several of Caixa's magazine covers such as "130 years", "The Strength of a Brand" and "Social Responsibility", providing historical elements, timelines, textual and iconographical documents, etc.

The historical archives, as repositories of primary information sources, provide researchers with a wealth of documentation, fundamental to their works. Both CGD, BNU and the Overseas Library's documentary reserves forming a part thereof, have, as such, provided several historians with precious information, particularly for the architectonic study of CGD subsidiaries and items of information on works to be published by CGD on the issue of banknotes in Timor in addition to doctorate theses in the area of African studies. Caixa's Historical Archive, as the repository of a vast amount of information is an essential basis for the research of the team of historians engaged on the preparation of the publication of the 2nd volume of the History of CGD.

In due recognition of our interest, over latter years, in safeguarding and processing historical heritage, the European Association for Banking and Financial History (EABH) accepted our invitation to host its annual conference, in Lisbon, in May 2006. EABH, of which CGD has been an associate member since 1994, is an association comprising representatives from most of the European banks, archivists and banking history researchers from various universities. Its current president is Mr. Jean-Claude Trichet (president of the European Central Bank). In this conference and in welcoming CGD's chairman he reminded participants that CGD was celebrating its 130th birthday during the course of which it has accumulated a highly valuable historical archive, unrivalled in Portugal.

As regards collectors' items, reference should be made to the coin, medal and stamp collections, to whose conservation particular care and treatment have been afforded. The inclusion of former BNU medals and coin collections in the CGD collection has particularly enhanced the collection's worth. The integration process has been staged, with the first stage comprising the integration of the medals. This task required an updating of the medals grading system, their prices and display.

Our museological section is made up of a collection of used items, associated with our banking operations in different periods, including world wars. These items, which bear witness to specific activities from a not too distant past, but very different from those of today in procedural terms, have been conserved for an eventual and hypothetical cultural area to be created in CGD. They are often requested for miscellaneous cultural or entertainment-related events (cinema and theatre) and therefore require careful maintenance.

Our museological section collaborates on the "O Testamento" television series, a co-production between RTP – Rádio Televisão Portuguesa and TPA – Televisão Pública de Angola, comprising a total number of 45 episodes, to be shown in both countries, in 2007, and the Portuguese feature film *Dot.Com*, by producer Luís Galvão Teles and produced by Fado Filmes, with the support of the Programme of the European Union Media.

Our collaboration comprised the loan of several items of period furniture, belonging to the Museological Section.

Other participations included the production of the television documentary "The History of Money in Angola" by Carlos Brandão Lucas, commissioned by the National Bank of Angola, to commemorate its 30th birthday in November 2006, through the loan of several documents, items, banknotes and coins from our collections.

We also provided continuity to the organisation and computerisation of this section, having begun work on inventorying the currently existing museological collection and also prepared and taken part in auctions for the sale of furniture and miscellaneous duplicate items.

To fulfil our objective of making Historical Heritage available to the public, we have been forming various partnerships, making progress in terms of documentation, computerisation and cataloguing processes, to facilitate and accelerate the production thereof for interested parties.

Society

Micro credit

Caixa Geral de Depósitos' mission is to support initiatives designed to promote Portugal's socioeconomic development. Micro credit is a positive contribution to the struggle against the social and economic exclusion of citizens who are unemployed, or whose job status is precarious and who would not normally have access to bank credit.

The corresponding lines of micro credit were created, in early 2006, pursuant to the protocols entered into with the National Association for the Right to Credit (ANDC) and the Jesuit Refugee Service (JRS).

The objective of the ANDC protocol comprises citizens' social and economic integration through the creation of self employment or small businesses.

The JRS line of micro credit is to finance small immigrant community projects.

Highly attractive finance terms were provided in both cases.

ANDC and JRS are responsible for promoting the protocols with interested parties, selecting the candidates and respective proposals, monitoring the performance of the proposed initiatives and takings steps to promote the business' feasibility.

After an initial negotiation stage with the said entities (first quarter 2006), to agree correct specific articulation procedures with Caixa Geral de Depósitos in terms of submitting and monitoring the proposals, a considerable number of subscriptions had been received for these micro credit lines at year end (for the first year).

Around 60 applications for micro credit were received and more than 30 contracts have already been entered into, comprising total lending of around EUR 150 000.

Caixa continued to operate a branch office for immigrants, located in the National Immigrants' Support Centre (CNAI), in 2006, under the terms of a protocol entered into with ACIME (High Commissariat for Immigration and Ethnic Minorities). This "point of sale" was also given the responsibility for decisions involving micro credit operations for the immigrants' segment.

Helping the neediest

CGD has responded affirmatively to a large number of applications, providing regular support to diverse *bona fide* institutions, in areas such as health and social solidarity, integration of the handicapped, providing support to those in need and when catastrophe strikes, either in the form of donations or offer of computer equipment and used furniture to a large number of welfare organisations:

- Crinabel;
- CISV Portugal – Aldeias Internacionais de Crianças;
- Sociedade Missionária Boa Nova;
- Entrajuda;
- CADIN – Centro de Apoio ao Desenvolvimento Infantil;
- Centro da Associação Portuguesa de Paralisia Cerebral;
- Associação Portuguesa Contra a Leucemia;
- Associação de Apoio a Doentes Depressivos e Bipolares;
- Fundação Pão de Açúcar – Auchan;
- ABRAÇO;
- TIC Pediátrica;
- Casa dos Pobres de Coimbra.

Continuity was also given to meeting the needs of poorer segments of the population through the services of several entities operating in the welfare field, including:

- Federation of Food Banks against Hunger;
- Espaço T – Associação de Apoio à Integração Social e Comunitária;

• Portuguese Red Cross;
• AMI - Associação Médica Internacional;
• Embassy of the Democratic Republic of East Timor.

Saving Lives

The CGD Blood Donors Group CGD was born from the solidarity of a number of CGD workers, with the objective of saving lives.

It is considered to be the largest corporate group of blood donors and the only group in Portugal associated with a banking institution, comprising occupied and retired workers, social services beneficiaries, family members, friends and Caixa customers between the age of 18 and 65. The scheme currently has 4 600 enrolments.

CGD Blood Donors	Units (2006)
Donors	4 572
District sections	18
Blood donations	1 460
Platelet donations	8
Registered bone marrow donors	75
IPO (CE-AF) Red Corpuscles	2

Voluntary Work

CGD also supported the recently formed Associação Entrajuda (self-help association) which aims to promote the works of private social welfare institutions, stimulating fresh collaborative synergies.

Caixa embraced this innovative project which operates in the "social responsibility" area in a team comprising charity workers, partners and volunteers who provide support to social solidarity institutions in the spheres of organisation and planning, institutional relations, information systems and technologies, financial area, professional and voluntary human resources, legal area and management control.

The volunteer pool is our latest self-help project and is supported by CGD with the objective of establishing a dynamic point of confluence between offer (individual customers and companies providing their time and skills) and demand (Social Solidarity Institutes) in the field of voluntary work in diverse areas of activity nationwide.

CGD is also a member of the Nucleus of Founders of the Solidarity School which is committed to training as a qualitative change factor in respect of institutions.

"Séniamor" is another voluntary initiative supported by Caixa Geral de Depósitos. This comprises CGD retirees who have been helping other CGD retirees, since 1996, with the objective of improving the quality of their lives and preventing exclusion and post retirement social isolation.

This group which has adopted the motto "Leisure for some ... to meet the needs of others" celebrated its tenth birthday, in 2006, comprising its generous and free offer to employees, most of whom are retired, in the struggle against solitude and social isolation.

The Lisbon group, set up at the initiative of Social Support Unit, currently comprises 30 volunteers. The Porto group began on 18 October 2006, and is supervised by a care worker.

These groups regularly visit homes and in-patient institutions, run small errands and accompany patients to appointments. They work hand in hand with the competent entities, notably health subsystem entities, in an endeavour to sensitise them to the adequacy of the services they provide, with the objective of helping to improve the quality of people's lives and helping them to look after themselves.

Volunteers are given training in the area of ageing and assistance. An event was organised in Lisbon, in May 2006, with a specialist guest speaker. Preparation is also underway on a new event in Porto.

Reference should be made to another Christmas campaign, in 2006, which saw the launch of the motto "Let's all lend a hand with Christmas in our hearts" to reinforce the objective of establishing a chain of solidarity between different CGD generations. The message is the basis for the initiative in 4 of the 8 care homes visited, in which a Christmas party is usually organised with symbolic presents being offered by several Caixa Group companies and with the customary participation of volunteers and friends who collaborate in terms of the event's musical animation.

Sport

Socially responsible, Caixa encourages and promotes good sporting relationships, competitiveness, leadership, enthusiasm, popularity, proximity and collective thinking, in addition to a feeling of national pride.

We value team spirit, winning attitudes, respect for opponents, desire to do things properly and high ethical standards.

Education

Support for the training of younger citizens is one of the areas to which CGD has committed more resources, ranging from the youngest to those who are preparing for an active life and who represent one of society's major investments i.e. students enrolled in higher education.

The development of skills in critical learning areas, such as Mathematics and Portuguese, has been the principal motivation for CGD's support over the last few years, notably Caixamat in partnership with the University of Aveiro, a programme based on a computer assisted learning platform to encourage or create a taste for mathematics in school.

CGD as a financial institution has, for more than a decade, maintained a special relationship with establishments of higher education, providing indispensable services to university populations, in addition to supporting the construction of research and academic development infrastructures.

Currently, with almost two hundred protocols entered into with institutions of higher education, CGD is the benchmark operator for students, supporting them at all stages of their academic careers and first employment, endeavouring to meet the needs and expectations of the young professionals of the future.

Universities

Over the last 12 years, Caixa Geral de Depósitos has strengthened its relationship with establishments of higher education in the form of protocols of cooperation. The application principles behind Caixa's sponsorship have been designed for the development of the physical structures on various campuses, innovation projects impacting academic life and civil society, the organisation of seminars and conferences to promote discussion and academic knowledge, support for academic associations, in addition to rewarding the best students in different study areas.

The maintenance of around 120 protocols and investment in actions directly related with higher education bear witness to Caixa's maintenance of a social responsibility policy, owing to its importance in the university market and greater interest in participation in actions generating the necessary intellectual and economic growth dynamics.

The development of financial solutions, exemplified by "Crediformação", with subsidised interest rates, longer repayment periods and no commissions, has exceeded mere interest in securing business, evolving into a solution catering for the characteristics of young people and in facilitating access to credit of students who are interested in completing their studies in terms of their personal development.

The same principle is assumed when the most entrepreneurial decide to set up business on their own account. The "Caixa Jovem Empreendedor" solution epitomises the interest in providing Caixa with solutions to fulfil entrepreneurial-related interests and needs as a critical factor for the development of the Portuguese economy.

Caixa's active participation, in 2006, in the 1st National Entrepreneurship Competition in conjunction with Universidade Nova Lisboa, permitted the presentation of new ideas and new projects for the creation of companies.

Caixa retains a high number of agreements and protocols with bodies in higher education, ensuring the supply of products and services at special rates for the university population, together with the issue of its Caixa Universidade Politécnico card, promoting the inclusion of younger people in society.

We have formed a partnership with AIESEC (international students' association) under which Caixa Universidade Politécnico cardholders may apply for international as well as domestic placements.

The partnership with the University of Aveiro, has resulted, *inter alia*, in the Caixamat Project. This is a major project for

CGD workers and demystifies prejudices against the enjoyment of mathematics. It involves students in 29 schools, nationwide.

We have also provided a "Virtual School" project, comprising a series of courses for customers and descendants of Portuguese citizens living abroad, as we believe in the importance of Portuguese speaking communities and the role to be played by companies in terms of education and the promotion of Portuguese language and culture worldwide.

Members of the Working Community

In fulfilling its social obligations, CGD organises placements for young students from different educational levels, to enable them to finish their courses and for recent graduates who require their first work experience in the labour market, to evaluate their technical knowledge and work capacity, increasing their future employment prospects.

Caixa's participation in the "Programa e-U Universidade Electrónica", has seen a growth in the results from this line of credit to the benefit of all members of the Portuguese academic community interested in acquiring wireless laptops, upon which information is published in leaflet form and the CUP portal.

We also facilitate young people's entry to the world of employment and their autonomy through our mortgage solutions and respective special conditions for young people.

Environment

The principles of citizenship and due respect for the environment and planet are present in our employees' collective consciousness and evidenced in terms of sustainable day-to-day behaviour.

Our environmental and ecological concerns translate not only into concern over the design of our buildings exemplified by our headquarters which is considered to be an "intelligent" building with modern energy and water savings solutions, ecological kitchen etc., but also through our introduction of policies such as used paper and board recycling, as well as printer cartridges and rationalisation of paper consumption and concern over the selection of suppliers who share good social practice with us.

Reference should also be made to the selective design of special "environmental friendly" lines of credit such as:

• Personal loans which can be used for environmental applications - this line of credit is for individual customers who are concerned with the environment and who apply for loans for the acquisition of ecological/environmentally friendly products;

• FEI Caixagest Energias Renováveis (funding of renewable non-polluting energy sources, reduction of CO2 emissions - -responsible for the greenhouse effect and improvement to the quality of the environment) - an innovative domestic market product which also permits small investors to show solidarity and help save the planet;

• Three IFADAP subsidised lines of credit, associated with the drought in 2005, notably, animal foodstuffs, agricultural irrigation projects and fruit and vegetables growing sector support;

• Line of credit for young agricultural sector businessmen in the Autonomous Region of Madeira through the Regional Secretariat for the Environment and Natural Resources and CGD.

We entered into an agreement with QUERCUS, under which both entities, in Portugal, undertake to promote sustainable waste management, particularly in terms of prevention and recycling.

We are committed to urban rehabilitation on the basis of a subsidised line of credit to fund urban rehabilitation projects. This pioneering project in Portugal aims to fund urban recovery and rehabilitation works on buildings or apartments which do not meet adequate health and safety criteria.

To complement projects currently in progress, we have entered into an agreement to finance major ecological projects. Our commitment to renewable energies is a factor of the greatest relevance for the implementation of sustained development policies, not only owing to the economic gains they provide but also and particularly owing to the use and preservation of the natural resources which such clean energies provide.

We also support National Biological Agriculture Week, "BIO", the International Water Association Conference, the International Conference on Healthy Buildings and several fire brigades.

Our workers are also actively engaged in this internal civic consciousness movement, notably in the reforestation of Paredes de Coura and the Tapada de Mafra. In the former case, referred to as the ProNatura Campaign 2006, workers planted some of the 5 000 trees offered by CGD. In the latter case and in the context of the *Verde que te quero Verde* ("Green is beautiful") campaign, CGD workers took the initiative of reforesting the above mentioned area which is so emblematic of Mafra.

Daily and weekly account statements are now issued monthly, owing to the underpinning environmental concerns in addition to the fact that customers have various user-friendly account consultation options such as Caixadirecta and Caixa *e-Banking*.

To reduce paper consumption this year, we have accelerated work on preparing the use of the same support media for statements, announcements and communications which are still printed and sent separately in addition to developing a purely electronic version of the same documents, while also expanding customer information potential.

Corporate Governance Report

Corporate Mission, Objectives and Policies

Mission

CGD Group should aim to be the Portuguese financial market leader, without prejudice to maintaining the characteristics of solidity, trust and security which have always characterised the group in the eyes of the public and markets.

To maintain and consolidate its market position, CGD should aim to operate as a universal financial group and adopt a customer-centric approach. This requires the need to operate with a whole range of customers, have a global offer of products and provide services with adequate standards of quality, in addition to having a branch network permitting it to be the bank of first choice for customers who have adopted internationalisation and notably Iberian strategies.

CGD should, simultaneously, pursue the specific objectives defined by its shareholder, namely regarding the role it should play both in terms of its contribution to economic development and stability and the solidity of the national financial sector and in energising the equity capital market.

Principal Strategic Objectives

Caixa Geral de Depósitos' sustained success in the Portuguese market implies the ever present need to achieve high levels of return while maintaining and strengthening its market shares in the principal financial market business areas.

It is also clearly evident that the achievement of these two strategic principles is contingent upon Caixa's capacity to achieve sustained turnover growth and retain the loyalty of its respective customer base.

However, for Caixa to achieve all of the above referred to objectives, it must achieve a new level in terms of its customer service. This level must be perceived by customers and must increase the respective customers' satisfaction levels.

Such a dynamic approach should be implemented without disregarding the need to maintain CGD's financial solidity at a high level, as measured by its solvency ratio.

As a logical corollary to this line of approach, the existence of rigorous balance between the growth of activity and control of various risks, i.e. credit, is indispensable.

Lastly, in order to ensure balanced performance between return, growth and financial solidity, CGD must also continue to endeavour to significantly improve its operating efficiency standards, by clearly committing to stringent control of its operating costs and investment expenditure.

Retail Banking

Modus operandi

Pursuant to the above, CGD's commercial directives should be based on a strong commitment to cross-selling as one of the best methods of retaining customer loyalty.

This emphasis on product cross-selling requires an approach based on greater market segmentation than that which has been adopted in the recent past (premium customers, average wage earners and university students, ENI's – one person company, SMEs), through the creation of specific value proposals.

a) Resource Taking

The strategy is based on the maintenance of banking market shares, through the sale of medium and long term maturity products and disintermediation.

Resource taking growth continues to be leveraged by asset management and insurance area products, through a specific offer targeted at each segment and consumption profile, without putting volumes of balance sheet products taken, notably term deposits, at risk.

b) Investment

CGD's investment strategy, in comparison to its resource-taking policy, is significantly more transversal and less geared to specific products.

Therefore, on a property financing level, protection of market share centres on the increase in CGD's share of financing property development activities, higher mediation channel sales and price policy adjustments in line with market trends.

CGD Group has reinforced its market shares of the personal loans and credit card business areas, through pricing policy adjustments, new products targeted at specific segments and new forms of sale.

In the corporate financing area, CGD Group has continued to improve procedures and tools with the aim of providing the levels of service required by this type of customer.

Lastly, a strategy designed to increase customers' use of electronic banking channels, in order to reduce costs, improve the quality of service provided and increase commissions charges, has been put into effect.

Investment Banking

In the investment banking area, CGD Group, aims to continue to be a benchmark operator in Portugal, continuing to dispute the lead position in the domestic mergers and acquisitions market, project finance and equity capital markets.

It also aims to create a dynamic business platform between Spain, Brazil and Portugal, providing an integrated financial service to international customers based in Portugal, Spain and Brazil.

International Operations

International operations will be one of CGD Group's principal growth areas, owing to the possibility of domestic market constraints. International growth strategies should also ensure consistent, recurring levels of return in which risk dispersion and diversification should play a determining role. A successful international strategy will decrease CGD's dependence on the Portuguese economic cycle.

Insurance Operations

Our guidelines in the insurance operations area should focus on cost control, through the simplification of processes and promotion of a culture of efficiency and centralisation of back-offices, continued competitiveness in non-life insurance, in response to a highly competitive environment favouring the conquest of positions by smaller companies, greater distribution network competitiveness, sustained maintenance of asset and technical levels, particularly *vis-à-vis* the new Solvency II rules and international operations in foreign markets in which the CGD operates, giving priority to the Spanish market.

CGD Group

(EUR million)

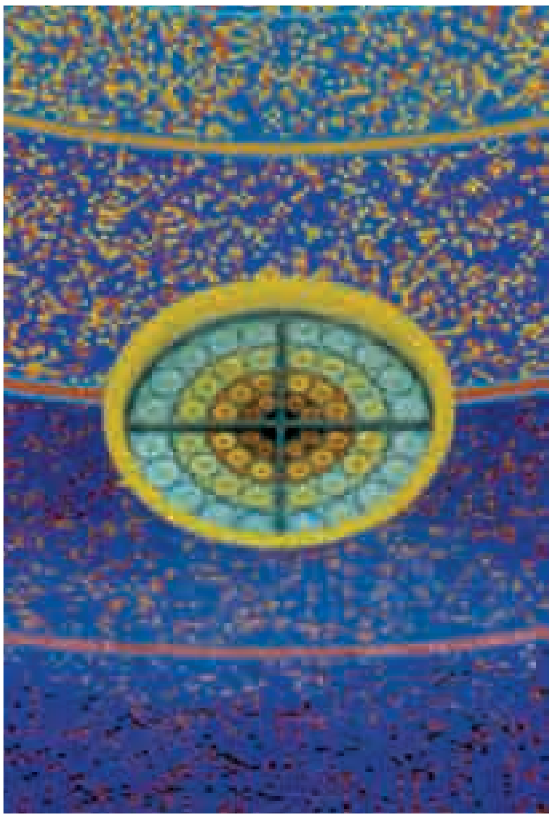
	2006		
	Budget	Real	Change
Net income			
Domestic operations	357	456	28%
International operations	47	38	-19%
Insurance operations	128	153	20%
Other commercial operations	51	46	-10%
Other companies	22	41	86%
Consolidated	**605**	**734**	**21%**
Indicators			
Net assets	89 421	96 246	8%
Shareholders' equity	4 116	5 014	22%
ROA (net of income tax)	0.69%	0.85%	0.16 p.p.
ROE (net of income tax)	15.3%	16.5%	1.2 p.p.
Cost-to-income (domestic banking) (1)	57.8%	51.7%	-6.1 p.p.
Solvency ratio (Bank of Portugal)	10.8%	10.5%	-0.3 p.p.
Tier 1 (Bank of Portugal)	7.4%	7.4%	-0.0 p.p.

(1) Excluding the extraordinary REN dividend of EUR 75.1 million.

Internal and External Regulations Governing the Company

CGD is regulated by Decree Law 287/93 of 20 August, its own articles of association, published in an annex to the above referred to statute and diverse alterations and its Internal Regulations System, encompassing the most relevant aspects of the company's operation and performance of its activity.

It is also subject to all of the legal rules on public limited liability companies and those deriving from its condition as a state owned company, and, in general, European and domestic legislation pertaining to its operations of which special reference should be made to the General Credit Institutions and Financial Companies Regime, approved by Decree Law 298/92 of 31 December, to which latter alterations have been made and the Securities Code and all regulations issued by the Bank of Portugal and the Securities Market Commission.



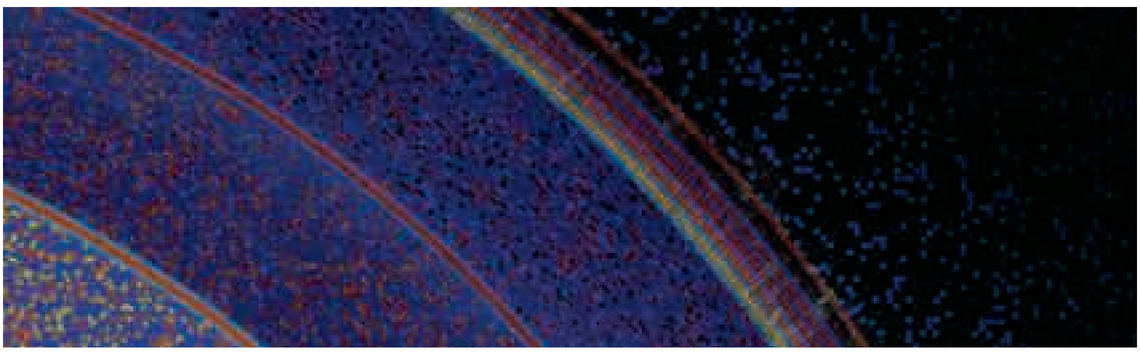
Information on Relevant Transactions with Related Entities

Entities related with Caixa are all companies controlled by CGD Group, associated companies, Caixa's management bodies and other entities controlled by the Portuguese state.

CGD's financial statements, at 31 December 2006 and 2005, include the following balances and transactions with related entities, excluding management bodies:

(Euro thousand)

	2006			
	Portuguese State (Treasury)	Other Portuguese State entities	Associates	Other CGD Group companies
Assets:				
Loans and advances to credit institutions	-	-	-	4 456 723
Securities and trading derivatives	563 768	-	570	327 649
Loans and advances to customers	694 101	77 530	697 394	593 697
Other assets	21 517	20 351	94 079	611 539
Liabilities:				
Customer resources	1 547 386	1 706 450	4 271	1 321 560
Debt securities	-	-	-	359 856
Subordinated liabilities	-	-	-	1 026 646
Other liabilities	61	-	180	114 593
Guarantees given	**50**	**1 319**	**17 536**	**67 199**
Income:				
Interest and similar income	18 756	3 010	111 710	240 559
Gains from financial operations	800	-	-	489 414
Income from services rendered and commissions	-	-	208	37 633
Other operating income	-	-	30	51 364
Costs:				
Interest and similar costs	14 494	17 279	6	342 919
Losses from financial operations	16 200	-	-	507 360
Commissions	-	-	-	645
Other operating costs	-	-	855	4 224



(EUR thousand)

	2005			
	Portuguese State (Treasury)	Other Portuguese State entities	Associates	Other CGD Group companies
Assets:				
Loans and advances to credit institutions	-	-	-	2 812 748
Securities and trading derivatives	610 828	-	493 834	112 956
Loans and advances to customers	403 356	2 236 321	203 560	325 223
Other assets	53 200	24 204	351 516	11 134
Liabilities:				
Customer resources	1 047 717	1 388 327	4 293	457 995
Debt securities	-	-	-	229 227
Subordinated liabilities	-	-	-	1 005 773
Other liabilities	-	42 389	68	230 308
Guarantees given	**43**	**40 766**	**73 300**	**2 594 362**
Income:				
Interest and similar income	18 806	62 291	12 283	803 217
Gains from financial operations	602	-	3	281 619
Income from services rendered and commissions	-	1	364	2
Other operating income	-	-	12 010	993
Costs:				
Interest and similar costs	9 043	11 503	34	800 586
Losses from financial operations	5 740	-	2	358 114
Commissions	-	-	-	25
Other operating costs	-	-	1 069	1

Entries to the above table, except for those relating to other CGD Group companies, correspond to Caixa's separate operations and have been taken from information from the principal business investments, and, therefore, do not provide full detail on all of the referred to entities' transactions.

Transactions with related entities are generally made on the basis of market values at the respective dates.

Information on Other Transactions

Procedures for the Acquisition of Goods and Services

- Market enquiries – three suppliers per product are normally consulted;
- Selection of suppliers – based on a comparison of proposals received;
- Expenditure – in accordance with the appropriate authorisation;
- Contracts with goods suppliers/service providers – in writing: exchange of correspondence or formal contract.

Transactions which Have not Been Made under Market Conditions

Contracts usually entered into with CGD Group companies, without consulting the market:

- Valuables transport – ESEGUR;
- Leasing – Caixa Leasing e Factoring;
- Insurance – Companhia de Seguros Fidelidade-Mundial;
- Vehicle renting – LOCARENT;
- Property rentals – Companhia de Seguros Fidelidade Mundial and Fidelidade Mundial SGII.

List of Suppliers Representing More Than 5% of External Supplies and Services

- ESEGUR – Empresa de Segurança, SA;
- Companhia IBM Portuguesa, SA.

Indication of Governance Model and Identification of Members of Statutory Bodies

CGD's current statutory bodies are its general meeting, board of directors and sole auditor.

There are various executive boards, to which competence has been delegated by the board of directors: credit council and general credit council; employee executive board, media and systems; marketing communications and networks executive board; and Asset-Liability Committee (ALCO).

General Meeting

Chairman – vacant

Vice-Chairman – vacant

Secretary – João Manuel Travassos Dias Garcia

CGD did not have a chairman of the general meeting, in 2006. Its deputy-chairman, José Manuel Simões Correia, resigned from office, in a letter dated 04 July 2006.

Board of Directors

Chairman – Carlos Jorge Ramalho dos Santos Ferreira

Deputy-Chairman – António Manuel Maldonado Gonelha

Board Members – José Joaquim Berberan e Santos Ramalho;
Vítor Manuel Lopes Fernandes;
Maria Celeste Ferreira Lopes Cardona;
Norberto Emílio Sequeira da Rosa;
Armando António Martins Vara;
Francisco Manuel Marques Bandeira.

Board member Carlos da Silva Costa resigned with effect from 30 September 2006.

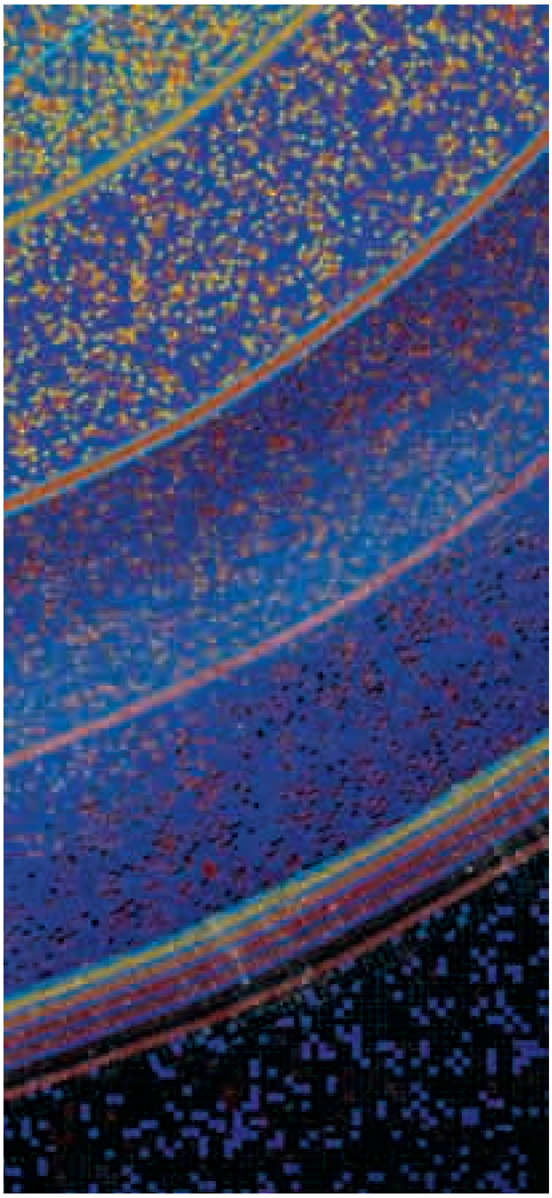
Sole Auditor

Oliveira Rego & Associados, SROC, represented by Manuel de Oliveira Rego

Deputising – Álvaro, Falcão & Associados, SROC

External Auditor

Deloitte & Associados, SROC



Remuneration of Members of Statutory Bodies

(Includes information referred to in no. 9 of Minister Council Resolution 155/2005)

Company: **CGD**

MEMBERS OF STATUTORY BODIES	REMUNERATION							
	Principal remuneration	Insurance related to deferred allowance (1)	Accumulation of functions	Supplementary remuneration	Representation allowance	Profit sharing/ Management bonuses	Telephone expenses (2)	Acquisition cost of official car by the company
Chairman								
Carlos Jorge Ramalho Santos Ferreira	349 158.46	52 373.74	0.00	0.00		0.00	5 185.69	86 741.59
Deputy-Chairman								
António Manuel Maldonado Gonelha	296 784.74	44 517.74	0.00	0.00	Grant of credit card of the company in which only the expenses, duly certified with bills and other proofs, resulting from the activity are considered at CGD's expenses. Some personal expenses paid with this card will be directly charged to the board members' accounts.	0.00	2 216.13	83 908.80
Members								
José Joaquim Berberan Santos Ramalho	244 411.02	36 661.66	0.00	0.00		0.00	1 049.89	64 291.31
Vítor Manuel Lopes Fernandes	244 411.02	36 661.66	0.00	0.00		0.00	(3)	76 700.00
Carlos da Silva Costa	174 121.95	26 099.61	0.00	0.00		0.00	15 003.28	77 927.38
Maria Celeste Ferreira Lopes Cardona	244 411.02	36 661.66	0.00	0.00		0.00	2 195.82	75 041.77
Norberto Emílio Sequeira da Rosa	244 411.02	36 661.66	0.00	0.00		0.00	948.22	72 166.47
Armando António Martins Vara	244 411.02	36 661.66	0.00	0.00		0.00	2 217.30	81 834.66
Francisco Manuel Marques Bandeira	244 411.02	36 661.66	0.00	0.00		0.00	802.36	75 267.38

COMMENTS:

(1) Insurance related to deferred remuneration approved by CGD's General Meeting of 02.11.1993, changed in the General Meeting of 31.05.2000 under the terms of article 22 of CGD Articles of Association under the name of Additional Retirement Plan. The corresponding amount is paid monthly, being subject to Income Tax at the normal rate, and recorded in a financial investment up to the end of their duty assigment.

(2) Refers to data and mobile communications.

(3) Cost changed to Fidelidade Mundial.

(4) The amounts received and paid outside the Group are deducted in the salary receipt issued by CGD. Accordingly, the respective salary is presented in this table as CGD's board member.

Analysis of Company's Sustainability in the Economic, Social and Environmental Domain

CGD's Sustainable Development and Social Responsibility

Conscious of our role in society, we have conciliated the advance and growth of our financial activity with a constant level of support to incentives in education, culture, preservation of the environment and well-being of the communities in which we operate, with the objective of contributing to society’s sustainable development.

In our sphere of influence, we subscribe to, support and apply the Global Pact principles, voluntarily defending a series of fundamental sustainable growth values and promoting citizenship to create value and a fairer global market. Based on these principles, CGD has published a chapter detailing its social responsibility policy, in its Annual Report for 2006. The report is also available at: *www.cgd.pt*.

(Euro)

2006

OTHER BENEFITS AND GRANTS				CHARGES WITH SOCIAL CARE			ADDITIONAL INFORMATION				
Amount of fuel spend with official car	Luncheon allowance	Duty travel allowance	Other (School subsidy)	Social care charges	Healthcare insurance	Life insurance	Option for prior salary (Y/N)	Social Care Regime	Option for acquisition of official car (Y/N)	Usufruct of funtion-related house (Y/N)	Performance of duties remunerated outside the Group (Y/N)
2 407.76	2 494.80	0.00	0.00	15 323.56			N	Social Security	N	N	N
3 874.22	2 494.80	23.00	0.00	10 627.65	'There are no individual insurances. Only a personal accident insurance when in duty travel (an insurance policy for all employees covering also the board members).		N	Social Security	N	N	N
1 631.62	2 317.20	2 507.00	445.70	43 114.12			N	CGA/Pensions Fund	N	N	N
3 163.65	2 396.40	489.60	507.60	14 760.74			N	Social Security	N	N	N
3 619.23	973.80	13 450.60	165.90	30 795.80			N	CGA/Pensions Fund	N	N	N
2 861.90	2 195.70	1 214.05	0.00	43 114.12			N	CGA/Pensions Fund	N	N	N
2 427.23	2 465.40	0.00	190.20	35 619.50			N	B. of Portugal´s Pensions Fund	N	N	N
3 102.96	2 318.40	326.40	0.00	14 189.80			N	CGA/Pensions Fund	N	N	Y (4)
5 572.20	2 277.90	1 142.40	165.90	21 322.14			N	CGA/Pensions Fund	N	N	N

Assessment of Level of Compliance with Good Governance Principles

As stated in the official notice issued by the Directorate General for the Treasury, the principles of "Good Governance Principles for Companies in the State's Business Sector" were recently approved by the Council of Ministers. The fact that the corresponding Council of Ministers' Resolution has not, however, as yet, been published, explains why it has not been possible to respond to this issue.

Code of Ethics

CGD does not have, nor has subscribed to a Code of Ethics.

Proposal for the Appropriation of Net Income

Pursuant to the terms of article 376 of the Commercial Companies Code and article 26 of the bank's articles of association, approved under Decree Law 287/93 of 20 August, the following appropriation of CGD's separate net income for the year of EUR 539 563 139 is hereby proposed:

1. 20% to the legal reserve - EUR 107 912 628;

2. EUR 54 157 108 to retained earnings;

3. EUR 260 000 000 to dividends;

4. EUR 117 493 403 to free reserves.

Concluding Remarks

The following occurrences related with CGD's statutory bodies, took place, in 2006:

• Carlos da Silva Costa resigned from his position as CGD director, to which he was appointed on 07 April 2004, with effect from 30.09.2006;

• José Manuel Simões Correia, resigned from his position of deputy chairman of CGD's shareholders' meeting, in a letter dated 04 August 2006.

The board of directors hereby wishes to express its gratitude to its state shareholder, statutory auditor and monetary and supervisory authorities for their most valuable co-operation in supervising CGD's operations.

The board also wishes to express its acknowledgment of the attitude and professional commitment of all CGD and CGD Group employees who, in the performance of their functions, have greatly contributed to the bank's development and prestige.

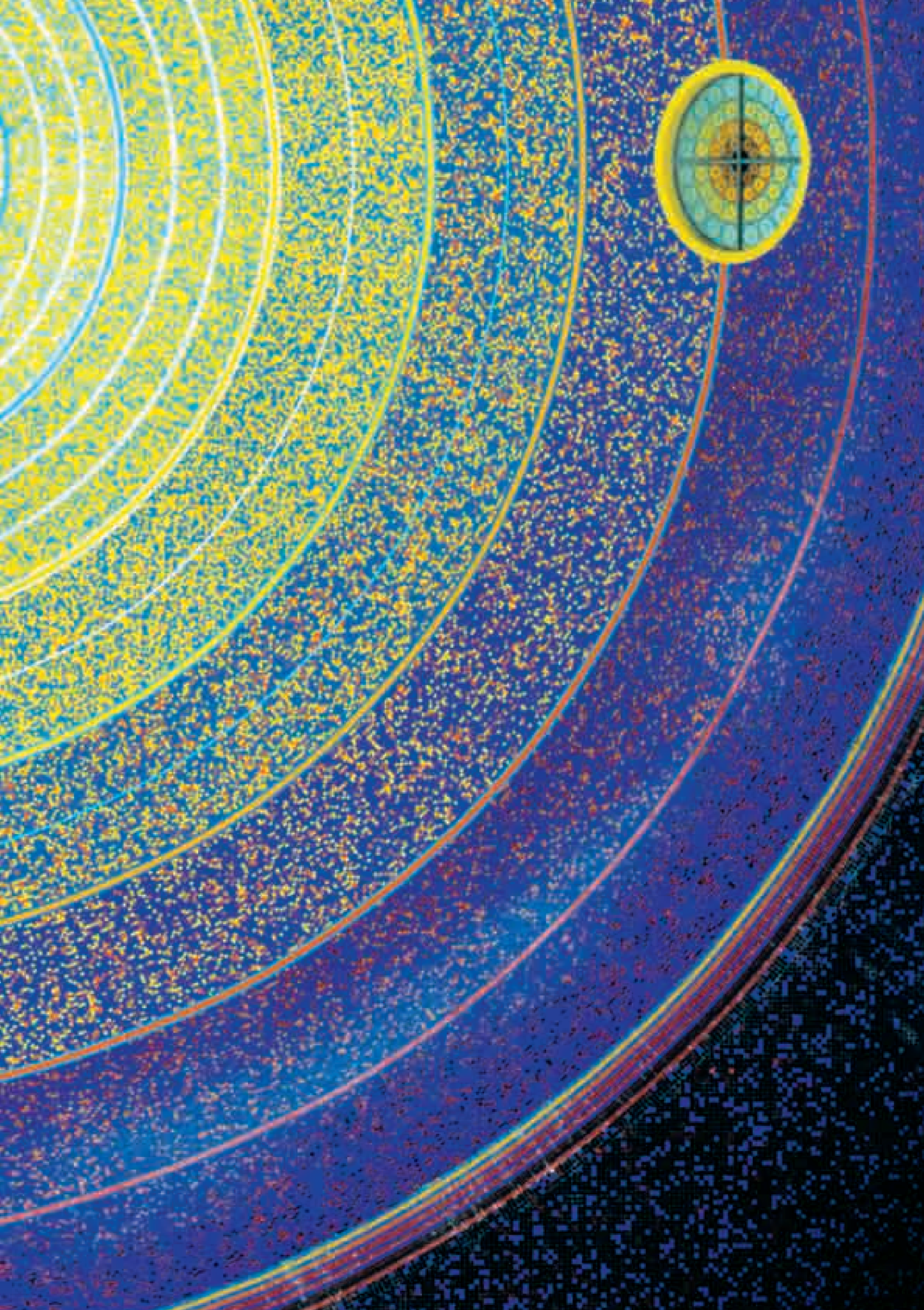
Lisbon, 23 March 2007

Board of Directors

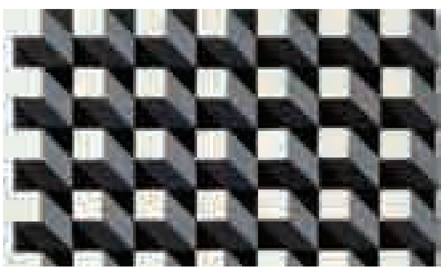
Chairman: Carlos Jorge Ramalho dos Santos Ferreira

Deputy Chairman: António Manuel Maldonado Gonelha

Board Members: José Joaquim Berberan e Santos Ramalho
Vítor Manuel Lopes Fernandes
Maria Celeste Ferreira Lopes Cardona
Norberto Emílio Sequeira da Rosa
Armando António Martins Vara
Francisco Manuel Marques Bandeira



Non-consolidated and Consolidated Financial Statements



Eduardo Nery

Painting - "Objecto II"
1969

Vinyl tempera on wood panel
with pieces of wood in relief
70 x 98 x 12 cm

Non-consolidated and Consolidated Financial Statements

Caixa Geral de Depósitos, SA

Balance sheet (separate) at 31 December 2006 (*)

	2006			2005
	Amounts before impairment, amortisation and depreciation	**Provisions, impairment, amortisation and depreciation**	**Net**	**Net**
Assets				
Cash and cash equivalents at central banks	1 990 651 866		1 990 651 866	1 754 356 355
Cash balances at other credit institutions	550 004 875		550 004 875	402 382 017
Financial assets held for trading	5 420 135 979		5 420 135 979	4 597 930 520
Other financial assets at fair value through profit or loss	2 188 012 226		2 188 012 226	2 622 958 864
Available-for-sale financial assets	2 988 673 681	114 172	2 988 559 509	2 152 291 239
Loans and advances to credit institutions	12 190 471 780	9 240 113	12 181 231 667	11 699 378 775
Loans and advances for customers	51 387 952 495	983 354 105	50 404 598 390	44 513 494 742
Hedging derivatives	106 168 334		106 168 334	195 977 496
Non-current assets held for sale	75 056 719	11 871 902	63 184 817	
Investment property	4 347 300		4 347 300	4 655 979
Other tangible assets	1 396 397 117	719 164 803	677 232 314	673 942 184
Intangible assets	330 999 219	168 962 097	162 037 122	158 192 872
Investments in associates, subsidiaries and joint ventures	2 513 782 948	85 135 180	2 428 647 768	2 418 170 466
Current tax assets	349 322		349 322	1 496
Deferred tax assets	308 225 314		308 225 314	232 872 140
Other assets	2 486 374 278	67 886 125	2 418 488 153	2 221 234 832
Total Assets	**83 937 603 453**	**2 045 728 497**	**81 891 874 956**	**73 647 839 978**

(*) Including domestic activity and that of France, London, Luxembourg, Monaco, New York, Cayman Islands, East Timor, Zhuhai and Madeira Offshore branches.

(EUR)

	2006	2005
Liabilities		
Resources of central banks	153 662 690	83 278 373
Financial liabilities held for trading	908 505 807	365 852 767
Resources of other credit institutions	10 148 263 361	9 518 077 017
Customer resources	47 057 407 094	43 192 242 285
Debt securities	10 707 725 328	8 870 424 962
Financial liabilities associated with transferred assets	366 011 107	362 220 253
Hedging derivatives	625 370 677	415 098 862
Provisions	1 192 774 063	920 031 444
Current tax liabilities	109 594 819	66 208 966
Deferred tax liabilities	151 938 865	70 348 978
Other subordinated liabilities	2 197 757 632	2 061 804 306
Other liabilities	3 736 218 975	3 735 763 667
Total liabilities	**77 355 230 418**	**69 661 351 879**
Shareholder's equity		
Share capital	2 950 000 000	2 950 000 000
Revaluation reserves	566 141 029	305 944 696
Other reserves and retained earnings	480 940 370	379 773 761
Net income for the year	539 563 139	350 769 642
Total equity	**4 536 644 538**	**3 986 488 099**
Total Liabilities and Shareholder's Equity	**81 891 874 956**	**73 647 839 978**

Board of Directors

Chairman

Carlos Jorge Ramalho dos Santos Ferreira

Deputy Chairman

António Manuel Maldonado Gonelha

Members

José Joaquim Berberan e Santos Ramalho

Vítor Manuel Lopes Fernandes

Maria Celeste Ferreira Lopes Cardona

Norberto Emílio Sequeira da Rosa

Armando António Martins Vara

Francisco Manuel Marques Bandeira

Certified Public Accountant - João de Sousa Martins

Caixa Geral De Depósitos, SA

Income Statements (separate) at 31 December 2006 (*)

(EUR)

	2006	2005
Interest and similar income	3 964 836 558	2 946 526 555
Interest and similar costs	(2 587 039 654)	(1 858 812 302)
Net interest income	**1 377 796 904**	**1 087 714 253**
Income from equity instruments	202 425 465	80 305 673
Income from services rendered and commissions	344 913 867	308 545 411
Costs of services and commissions	(63 559 077)	(56 571 251)
Net result of assets and liabil. measured at fair value through profit or loss	17 421 571	(2 566 467)
Net gain on available-for-sale financial assets	17 117 300	20 735 784
Net foreign exchange revaluation gain	61 968 704	46 517 578
Net gain on the sale of other assets	347 491	175 018 033
Other operating income	135 178 322	113 039 426
Net operating income	**2 093 610 547**	**1 772 738 440**
Staff costs	(572 552 421)	(544 363 194)
Other administrative costs	(403 563 757)	(403 829 237)
Depreciation and amortisation	(91 061 255)	(72 046 723)
Provisions net of reversals	(133 287 541)	(62 768 156)
Correction of the amount of loans and advances to customers receivables from other debtors	(169 414 158)	(291 975 371)
Impairment of other financial assets net of reversals	(16 187 666)	(5 135 467)
Impairment of other assets net of reversals	(17 779 533)	(15 607 952)
Income before tax	**689 764 216**	**377 012 340**
Income tax	**(150 201 077)**	**(26 242 698)**
Current	(214 704 358)	(33 397 080)
Deferred	64 503 281	7 154 382
Net income for the year	**539 563 139**	**350 769 642**
Average number of ordinary shares outstanding	590 000 000	590 000 000
Earnings per share (in Euros)	0.91	0.59

(*) Including domestic activity and that of France, London, Luxembourg, Monaco, New York, Cayman Islands, East Timor, Zhuhai and Madeira Offshore branches.

Board of Directors

Chairman

Carlos Jorge Ramalho dos Santos Ferreira

Deputy Chairman

António Manuel Maldonado Gonelha

Members

José Joaquim Berberan e Santos Ramalho

Vítor Manuel Lopes Fernandes

Maria Celeste Ferreira Lopes Cardona

Norberto Emílio Sequeira da Rosa

Armando António Martins Vara

Francisco Manuel Marques Bandeira

Certified Public Accountant - João de Sousa Martins

Caixa Geral de Depósitos, SA
Cash Flow Statements (separate)
for the Years Ended 31 December 2006 and 2005

(EUR thousand)

	2006	2005
Operating Activities		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	4 157 084	3 164 655
Interest, commissions and similar costs paid	(2 272 400)	(1 602 677)
Recovery of principal and interest	51 649	38 740
Results of foreign exchange operations	61 969	46 702
Payments to employees and suppliers	(906 040)	(817 163)
Payments and contributions to pensions funds	(66 693)	(64 581)
Other results	83 074	75 884
	1 108 643	**841 560**
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	(5 144 086)	(6 421 829)
Assets held for trade and other assets at fair value through profit or loss	(1 017 994)	(566 302)
Other assets	(346 869)	(243 470)
	(6 508 949)	**(7 231 601)**
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	682 366	1 754 994
Customer resources	3 863 920	1 253 708
Other liabilities	(39 568)	1 009 654
	4 506 718	**4 018 356**
Net cash from operating activities before taxation	**(893 588)**	**(2 371 685)**
Income tax	(42 760)	77 833
Net cash from operating activities	**(936 348)**	**(2 293 852)**
Investing Activities		
Capital gains from the disposal of equity instruments	202 425	80 306
Capital gains from available-for-sale financial assets	17 117	20 736
Acquisition of investments in subsidiary and associated companies, net of disposals	(6 657)	148 552
Acquisition of available-for-sale financial assets, net of disposals	(509 364)	295 336
Acquisition of tangible and intangible assets, net of disposals	(94 635)	(76 404)
Net cash from investing activities	**(391 114)**	**468 526**
Financing Activities		
Interest on subordinated liabilities	(80 105)	(60 899)
Interest on debt securities	(266 627)	(224 752)
Issue of subordinated liabilities, net of repayments	127 784	444 143
Issue of debt securities	2 125 327	305 944
Dividends paid	(195 000)	-
Net cash from financing activities	**1 711 379**	**464 436**
Increase (decrease) in cash and cash equivalents	383 917	(1 360 890)
Cash and cash equivalents at beginning of year	2 156 738	3 517 628
Cash and cash equivalents at end of year	2 540 655	2 156 738

Caixa Geral de Depósitos, SA
Statements of Changes in Shareholder's Equity (separate)
for the Period Ended 31 December 2006 and 2005

	Share Capital	Share premium	Revaluation reserves		
			Fair value reserves	Fixed assets	Total
Balances at 31 December 2004 - pro forma	**2 950 000**	**300 000**	**-**	**301 179**	**301 179**
Appropriation of net income for 2004: :					
Transfer to reserves and retained earnings	-	-	-	-	-
Offset of negative retained earnings	-	(300 000)	-	-	-
Impact of the adoption of the IAS at 1 January 2005	-	-	11 825	-	11 825
Valuation of available-for-sale financial assets	-	-	53 093	-	53 093
Transfer of revaluation reserves to retained earnings	-	-	-	(60 152)	(60 152)
Amortisation of the impact of the transition to the IAS					
relative to the post employment benefits	-	-	-	-	-
Currency changes in subsidiaries	-	-	-	-	-
Other	-	-	-	-	-
Net income for the year	-	-	-	-	-
Balances at 31 December 2005	**2 950 000**	**-**	**64 918**	**241 027**	**305 945**
Appropriation of net income for 2005:					
Transfer to reserves and retained earnings	-	-	-	-	-
Appropriation of dividends	-	-	-	-	-
Valuation of available-for-sale financial assets	-	-	260 196	-	260 196
Amortisation of the impact of the transition to the IAS					
relative to the post employment benefits	-	-	-	-	-
Currency changes in subsidiaries	-	-	-	-	-
Other	-	-	-	-	-
Net income for the year	-	-	-	-	-
Balances at 31 December 2006	**2 950 000**	**-**	**325 114**	**241 027**	**566 141**

The accompanying notes are an integral part of these statements.

(EUR thousand)

	Other reserves and retained earnings					
	Legal reserve	Other reserves	Retained earnings	Total	Net income for the year	Total
	878 945	**(10 872)**	**(868 400)**	**(327)**	**122 461**	**3 673 313**
	57 086	-	65 375	122 461	(122 461)	-
	(538 933)	-	838 933	300 000	-	-
	-	4 989	(48 405)	(43 416)	-	(31 591)
	-	-	-	-	-	53 093
	-	-	60 152	60 152	-	-
	-	-	(54 417)	(54 417)	-	(54 417)
	-	(211)	395	184	-	184
	-	2 945	(7 808)	(4 863)	-	(4 863)
	-	-	-	-	350 770	350 770
	397 098	**(3 149)**	**(14 175)**	**379 774**	**350 770**	**3 986 489**
	70 154	71 046	14 570	155 770	(155 770)	-
	-	-	-	-	(195 000)	(195 000)
	-	-	-	-	-	260 196
	-	-	(54 370)	(54 370)	-	(54 370)
	-	(503)	-	(503)	-	(503)
	-	452	(182)	270	-	270
	-	-	-	-	539 563	539 563
	467 252	**67 846**	**(54 157)**	**480 941**	**539 563**	**4 536 645**

Caixa Geral de Depósitos, SA

Consolidated IAS/FRS Balance Sheet at 31 December 2006

	Notes (a)	2006 Amounts before impairment, amortisation and depreciation	2006 Impairment, amortisation and depreciation	2006 Net	2005 Net
Assets					
Cash and cash equivalents at central banks	4	2 243 293 276		2 243 293 276	1 988 899 516
Cash balances at other credit institutions	5	678 981 570		678 981 570	606 444 581
Loans and advances to credit institutions	6	8 460 803 445	2 354 913	8 458 448 532	9 254 703 352
		11 383 078 291	**2 354 913**	**11 380 723 378**	**11 850 047 449**
Financial assets at fair value through profit or loss	7	7 842 955 798		7 842 955 798	7 594 733 399
Available-for-sale financial assets	8	12 432 007 642		12 432 007 642	11 104 459 900
Unit-linked investments	9	848 401 157		848 401 157	669 221 977
Hedging derivatives	10	108 189 530		108 189 530	199 185 854
Held-to-maturity investments		132 634		132 634	33 811
		21 231 686 761		**21 231 686 761**	**19 567 634 941**
Loans and advances to customers	11	58 824 419 503	1 556 149 085	57 268 270 418	49 935 931 444
Non-current assets held for sale	12	95 582 349	17 317 657	78 264 692	92 528 255
Investment property	13	339 535 499		339 535 499	311 486 719
Tangible assets	14	2 020 474 083	982 557 870	1 037 916 213	987 608 277
Intangible assets	15	1 010 475 343	370 702 880	639 772 463	398 654 385
Investments in associates	16	328 788 135	568 824	328 219 311	308 266 242
Current tax assets	17	32 762 085		32 762 085	10 612 656
Deferred tax assets	17	547 150 872		547 150 872	436 868 919
Technical provisions for outwards reinsurance	18	237 180 906		237 180 906	231 927 690
Other assets	19	3 306 098 359	181 772 827	3 124 325 532	2 329 771 468
Total Assets		**99 357 232 186**	**3 111 424 056**	**96 245 808 130**	**86 461 338 445**

(a) These notes are mentioned in detail in Notes to the Financial Statements.

(EUR)

	Notes (a)	2006	2005
Liabilities			
Resources of central banks and other credit institutions	20	**5 503 795 699**	**4 385 862 809**
Customer resources	21	53 767 835 536	50 161 963 038
Liability of unit-linked products	9	847 369 387	669 221 977
Debt securities	22	13 360 343 741	11 652 036 568
		67 975 548 664	**62 483 221 583**
Financial liabilities at fair value through profit or loss	10	589 903 844	352 948 015
Hedging derivatives	10	626 163 283	414 529 332
Non-current liabilities held for sale	12	-	5 540 860
Provisions for employee benefits	23 and 37	495 869 772	471 719 240
Provisions for other risks	23	468 513 084	249 192 698
Technical provisions for insurance contracts	24	7 828 035 896	7 010 439 545
Current tax liabilities	17	138 795 114	105 684 402
Deferred tax liabilities	17	199 432 056	97 674 738
Other subordinated liabilities	25	1 925 663 444	1 702 298 172
Other liabilities	26	5 480 430 649	4 856 996 791
Total Liabilities		**91 232 151 505**	**82 136 108 185**
Share capital	27	2 950 000 000	2 950 000 000
Fair value reserves	28	656 404 596	565 467 392
Other reserves and retained earnings	28	(20 406 952)	(414 469 221)
Net income attributable to the shareholder of CGD	28	733 808 167	537 667 097
Minority interest	29	693 850 814	686 564 992
Total Shareholder's Equity		**5 013 656 625**	**4 325 230 260**
Total Liabilities and Shareholder's Equity		**96 245 808 130**	**86 461 338 445**

Board of Directors

Chairman

Carlos Jorge Ramalho dos Santos Ferreira

Deputy Chairman

António Manuel Maldonado Gonelha

Members

José Joaquim Berberan e Santos Ramalho

Vítor Manuel Lopes Fernandes

Maria Celeste Ferreira Lopes Cardona

Norberto Emílio Sequeira da Rosa

Armando António Martins Vara

Francisco Manuel Marques Bandeira

Certified Public Accountant - João de Sousa Martins

Caixa Geral de Depósitos, SA
Consolidated Income Statements at 31 December 2006

(EUR)

	Notes (a)	2006	2005
Interest and similar income	30	4 377 615 394	3 277 889 273
Interest and similar costs	30	(2 685 917 851)	(1 912 460 428)
Income from equity instruments	31	73 035 569	89 033 174
NET INTEREST INCOME		**1 764 733 112**	**1 454 462 019**
Income from services rendered and commissions	32	441 259 874	392 990 328
Cost of services and commissions	32	(80 844 918)	(73 549 830)
Results from financial operations	33	130 764 859	297 217 888
Other net operating income	34	127 592 550	41 626 970
NET OPERATING INCOME		**2 383 505 477**	**2 112 747 375**
TECHNICAL MARGIN ON INSURANCE OPERATIONS		**586 241 846**	**512 648 070**
Premiums net of reinsurance	35	2 626 655 140	2 376 226 235
Result of investments relating to insurance contracts	35	312 208 587	245 952 402
Cost of claims net of reinsurance	35	(2 187 313 822)	(1 955 489 437)
Commissions and other income and cost relating to insurance contracts	35	(165 308 059)	(154 041 130)
NET OPERATING INCOME FROM BANKING AND INSURANCE OPERATIONS		**2 969 747 323**	**2 625 395 445**
Income from other operations	34	108 379 027	-
Staff costs	36	(936 708 616)	(859 139 745)
Other administrative costs	38	(702 480 645)	(643 557 347)
Depreciation and amortisation	14 and 15	(152 627 845)	(125 102 503)
Provisions net of reversals	23	(106 358 434)	(64 025 742)
Loan impairment net of reversals and recovery	39	(232 123 154)	(252 419 012)
Other asset impairment net of reversals and recovery	39	(69 612 552)	(32 422 155)
Result of associated companies	28	108 526 492	25 049 233
INCOME BEFORE TAX AND MINORITY INTEREST		**986 741 596**	**673 778 174**
Income tax:			
Current	17	(265 800 064)	(124 610 129)
Deferred	17	46 378 388	5 614 825
		(219 421 676)	**(118 995 304)**
Consolidated net income for the year, of which:		767 319 920	554 782 870
Minority interest	29	(33 511 753)	(17 115 773)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD		**733 808 167**	**537 667 097**
Average number of ordinary shares outstanding	27	590 000 000	590 000 000
Earnings per share (in Euros)		1.24	0.91

(a) These notes are mentioned in detail in Notes to the Financial Statements.

Board of Directors

Chairman

Carlos Jorge Ramalho dos Santos Ferreira

Deputy Chairman

António Manuel Maldonado Gonelha

Members

José Joaquim Berberan e Santos Ramalho

Vítor Manuel Lopes Fernandes

Maria Celeste Ferreira Lopes Cardona

Norberto Emílio Sequeira da Rosa

Armando António Martins Vara

Francisco Manuel Marques Bandeira

Certified Public Accountant - João de Sousa Martins

Caixa Geral de Depósitos, SA

Consolidated Cash Flow Statements
for fhe Years Ended 31 December 2006 and 2005

(EUR thousand)

	2006	2005
Operating Activities		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	4 643 249	3 395 606
Interest, commissions and similar costs paid	(2 449 734)	(1 721 851)
Premiums received (insurance)	2 726 128	2 426 493
Cost of claims paid (insurance)	(1 378 402)	(1 199 305)
Recovery of principal and interest	59 615	44 775
Results of foreign exchange operations	80 151	59 153
Payments to employees and suppliers	(1 481 970)	(1 495 612)
Payments and contributions to pensions funds	(73 738)	(76 745)
Other results	(770 005)	164 674
	1 355 294	**1 597 188**
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	(6 744 338)	(6 234 387)
Assets held for trade and other assets at fair value through profit or loss	625 028	(616 820)
Other assets	(893 594)	(443 969)
	(7 012 904)	**(7 295 176)**
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	1 110 859	642 560
Customer resources	3 610 682	2 282 411
Other liabilities	1 381 755	512 246
	6 103 296	**3 437 217**
Net cash from operating activities before taxation	**445 686**	**(2 260 771)**
Income tax	(126 544)	45 129
Net cash from operating activities	**319 142**	**(2 215 642)**
Investing Activities		
Capital gains from the disposal of equity instruments	73 036	122 489
Capital gains from available-for-sale financial assets	27 542	262 491
Acquisition of investments in subsidiary and associated companies, net of disposals	(364 614)	(259 971)
Acquisition of available-for-sale financial assets, net of disposals	(1 178 865)	1 538 722
Acquisition of tangible and intangible assets and investment property, net of disposals	(107 573)	(93 483)
Net cash from investing activities	**(1 550 474)**	**1 570 248**
Financing Activities		
Interest on subordinated liabilities	(65 718)	(56 316)
Interest on debt securities	(372 070)	(307 729)
Dividends paid on preference shares	(22 364)	(10 350)
Issue of subordinated liabilities, net of repayments	214 006	14 180
Issue of debt securities, net of repayments	1 998 733	(662 911)
Issue of preference shares	-	350 000
Dividends paid	(195 000)	-
Net cash from financing activities	**1 557 587**	**(673 126)**
Increase (decrease) in cash and cash equivalents	326 255	(1 318 520)
Cash and cash equivalents at the beginning of year	2 595 345	3 797 937
Changes in the consolidation perimeter	673	115 928
Cash and cash equivalents at the end of year	2 922 273	2 595 345

The accompanying notes are an integral part of these statements.

Caixa Geral de Depósitos, SA
Consolidated Statements of Changes in Shareholder's Equity for the Period Ended 31 December 2006 and 2005

	Share Capital	Share premium	Fair value reserve
Balances at 31 December 2004 - pro forma	**2 950 000**	**300 000**	**125 835**
Appropriation of net income for 2004:			
Transfer to reserves and retained earnings	-	-	-
Impact of the adoption of IAS 39 and IFRS 4 at 1 January 2005	-	-	148 651
Transfers	-	-	217 779
Offset of negative retained earnings	-	(300 000)	-
Valuation of available-for-sale financial assets	-	-	74 806
Transfer of revaluation reserves to retained earnings	-	-	-
Currency changes	-	-	271
Issue of preference shares by Caixa Geral Finance	-	-	-
Entry of entities in the consolidation perimeter			
Inbepor	-	-	-
Other	-	-	-
Dividends of preference shares	-	-	-
Other	-	-	(1 875)
Net income for the year	-	-	-
Balances at 31 December 2005	**2 950 000**	**-**	**565 467**
Appropriation of net income for 2005:			
Transfer to reserves and to retained earnings	-	-	-
Distribution of dividends to the State	-	-	-
Valuation of available-for-sale financial assets	-	-	165 505
Reclassification of unrealised gains	-	-	(66 307)
Currency changes	-	-	-
Dividends of preference shares	-	-	-
Other	-	-	(8 260)
Net income for the year	-	-	-
Balances at 31 December 2006	**2 950 000**	**-**	**656 405**

The accompanying notes are an integral part of these statements.

(EUR thousand)

Other reserves and retained earnings						
Other reserves	Retained earnings	Total	Net income for the year	Subtotal	Minority interest	Total
620 927	**(1 199 159)**	**(578 232)**	**222 909**	**3 020 512**	**297 521**	**3 318 033**
158 428	64 481	222 909	(222 909)	-	-	-
(84 361)	(74 245)	(158 606)	-	(9 955)	(1 204)	(11 159)
(163 912)	(53 867)	(217 779)	-	-	-	-
(538 933)	838 933	300 000	-	-	-	-
-	-	-	-	74 806	-	74 806
(60 152)	60 152	-	-	-	-	-
3 640	-	3 640	-	3 911	(982)	2 929
-	-	-	-	-	350 000	350 000
-	-	-	-	-	25 261	25 261
-	-	-	-	-	15 314	15 314
-	-	-	-	-	(10 035)	(10 035)
(3 387)	16 986	13 599	-	11 724	(6 426)	5 298
-	-	-	537 667	537 667	17 116	554 783
(67 750)	**(346 719)**	**(414 469)**	**537 667**	**3 638 665**	**686 565**	**4 325 230**
328 097	14 570	342 667	(342 667)	-	-	-
-	-	-	(195 000)	(195 000)	-	(195 000)
-	-	-	-	165 505	-	165 505
66 307	-	66 307	-	-	-	-
(29 252)	-	(29 252)	-	(29 252)	(4 340)	(33 592)
-	-	-	-	-	(22 364)	(22 364)
1 643	12 697	14 340	-	6 080	478	6 558
-	-	-	733 808	733 808	33 512	767 320
299 045	**(319 452)**	**(20 407)**	**733 808**	**4 319 806**	**693 851**	**5 013 657**

Notes to the Consolidated Financial Statements

Eduardo Nery

Six collections, 89 cloths
1988

"Trapologia"
Various sizes

(Detail)

Caixa Geral de Depositos

Notes to the Consolidated Financial Statements as at 31 December 2006 and 2005

(Translation of notes originally issued in Portuguese - Note 45)
(Amounts expressed in thousands of euros – EUR thousand, unless otherwise specified)

1. Introductory Notes

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

CGD operates as an universal bank. At 31 December 2006 Caixa had a national network of 789 branch offices, a branch in France with 45 branch offices, a branch in Timor with 8 branch offices, branches in London, Luxembourg, Monaco, New York, the Cayman Islands and Zhuhai, an Offshore and an International Financial Branch in Madeira.

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

On 23 March 2007, the Board of Directors approved the financial statements as at 31 December 2006.

The financial statements of CGD and some of its subsidiaries and associated companies at 31 December 2006 are still subject to approval by the respective statutory bodies. CGD' Board of Directors, however, expects that the financial statements will be approved without significant changes.

2. Accounting Policies

2.1. Presentation Bases

The consolidated financial statements at 31 December 2006 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union, under European Council and Parliament Regulation (CE) no.1606/2002 of 19 July and the provisions of Decree Law 35/2005 of 17 February.

The consolidated financial statements up to 31 December 2004 were prepared in accordance with the principles set out in the Chart of Accounts for the Banking System, under the terms of Bank of Portugal Instruction no. 4/96 of 17 June and other rules issued by the said entity, in addition to Decree Law 36/92 of 26 March.

In accordance with IFRS 1 the financial statements at 31 December 2004 and for the year then ended, presented for comparison purposes (i.e. *pro-forma* financial statements), were prepared and restated using the standards in force at 31 December 2005. As permitted under IFRS 1, CGD did not apply the standards on financial instruments (IAS 32 – "Financial instruments – Disclosure and Presentation" and IAS 39 – "Financial Instruments – Recognition and Measurement") and insurance contracts (IFRS 4 – "Insurance Contracts") in preparing the comparative information. Accordingly, as regards matters regulated by the above mentioned IFRS, the measurement and recognition principles established in the Chart of Accounts for the Banking Sector and Chart of Accounts for the Insurance Sector, in force for preparing the consolidated financial statements for 2004, were used. The impact of the adoption of the IFRS at January 2005 is presented in Note 44.

2.2. Adoption of (New or Revised) Standards Issued by the "International Accounting Standards Board" (IASB) and Interpretations Issued by the "International Financial Reporting Interpretation Committee" (IFRIC), as Adopted by the European Union

In preparing its of the financial statements, in 2006, CGD Group adopted the standards and interpretations issued by the IASB and IFRIC, respectively, provided that the said standards were endorsed by the European Union, for application in financial years starting on or after 1 January 2006. The following alterations were relevant to CGD Group:

- IAS 39 – "The Fair Value Option" – In accordance with the alteration made to the text of the standards, limitations were introduced on the classification of financial instruments in the "at fair value through profit or loss" category, which was previously possible for any financial instrument, when classified at such at the time of initial recognition. The version endorsed by the European Union prohibited liabilities from being recognised in this category. As a result of this alteration, financial assets that, at 1 January 2006, did not meet the necessary requirements for recognition in this category were reclassified to other categories in accordance with their nature. The impact of the adoption of this revision on the preparation of CGD Group's financial statements is described in greater detail in Note 2.7. a);

- IAS 39 and IFRS 4 – "Financial guarantee contracts" – Financial guarantees should be recognised in conformity with the requirements of IAS 39, and should, at the time of initial recognition, be recognised at fair value and subsequently valued either for the amount of the provision to be set up in accordance with IAS 37, or the initially recognised amount less accumulated depreciation, in conformity with the income recognition policies referred to in IAS 18, whichever the higher. The application of this revised standard did not have any significant effects on the preparation of the group's financial statements;

- IFRIC 4 – "Determination of whether an agreement contains a leasing relationship" – This interpretation determines the conditions under which an agreement whose legal format is not that of a lease contract, that involves the use of an asset in exchange for one or several payments, may be considered as a lease contract, and, as such, be recognised in accordance with IAS 17 – Lease Contracts.

The following (new and revised) standards and interpretations issued by the IASB and IFRIC, respectively, endorsed by the European Union, were available for early adoption, at 31 December 2006:

- IFRS 7 – "Financial instruments - disclosures" – This standard replaces the disclosure requirements of the financial instruments defined in IAS 32 – "Financial Instruments - disclosure and presentation" and IAS 30 – "Presentation and disclosure standards for banks and similar financial institutions", its application being mandatory for the financial years starting on or after 01 January 2007;

- IAS 1 – "Capital disclosure requirements" – The revised text of this standard introduces the need for additional disclosures in terms of capital requirements and its application is mandatory for financial years starting on or after 01 January 2007;

- IFRIC 9 – "Reassessment of embedded derivatives" – This interpretation clarifies criteria for separating in relation to the host contract, as of the date of adoption of IAS/IFRS, and elimination of subsequent revision of the separation decision made at the time of initial recognition of the hybrid contract, its application being mandatory for financial years starting on or after 01 June 2007. This interpretation is in line with the procedures already adopted by Caixa in the preparation of its financial statements for 2006.

The following standards and interpretations were also issued in 2006 but, at the date of the approval of the financial statements, had not been endorsed by the European Union:

- IFRIC 10 – "Interim financial reporting and impairment" – This interpretation clarifies that impairment losses recognised in goodwill, equity instruments classified in the "available for sale financial assets" category or other equity instruments (or related derivatives) not listed in active markets and whose fair value cannot be accurately measured, recognised at cost, are not reversible in the preparation of the subsequent (interim or annual) financial statements, its application being mandatory for the financial years starting on or after 01 November 2006. This interpretation is in line with the procedures already adopted by Caixa in the preparation of its financial statements for 2006;

- IFRS 8 – "Operating segments" – This standard defines the segment information disclosure requirements, replacing IAS 14 – "Segment Reporting". Its application is mandatory for the financial years starting on or after 01 January 2009;

- IFRIC 11 – "IFRS 2 – Group and treasury share transactions" – The objective of this interpretation is to clarify the IFRS 2 application criteria on certain transactions liquidated which are settled through the delivery of shares. Its application is mandatory for the financial years starting on or after 01 March 2007.

Most of the standards not adopted, only affect disclosures and the interpretations are in line with the procedures already followed by the Group. Accordingly, the Board of Directors believes that the adoption, in the future, of the accounting policies referred to above will not have any materially relevant impact on Caixa's consolidated financial statements.

2.3. Consolidation Principles

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

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

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

Third party participation in such companies is recognised in the equity heading "Minority interest".

Consolidated net income is the result of aggregating the net results of CGD and its subsidiaries in proportion to the effective participation in them, after consolidation adjustments, namely the elimination of dividends received and capital gains and losses on transactions between Group companies.

At 31 December 2006 and 2005 CGD had participating securities representing approximately 52% of the capital of INH – Instituto Nacional de Habitação (National Housing Institute). This investment has not been consolidated owing to the fact that the participating securities do not entitle CGD to participate in INH's management.

Companies under the joint control of Caixa and other entities, namely Esegur – Empresa de Segurança, SA, are consolidated by the proportional consolidation method, under which their assets, liabilities, costs and income were incorporated into the consolidated accounts in proportion to CGD's participating interest in them.

2.4. Business Combinations and Goodwill

Acquisitions of subsidiaries are recorded by the purchase method. The cost of acquisition comprises the sum of the fair value of assets given and liabilities incurred or assumed in exchange for obtaining control over the entity acquired plus the costs directly attributable to the operation. On the date of acquisition, which is the date on which the Group obtains control over the subsidiary, identifiable assets, liabilities and contingent liabilities that meet the recognition requirements of IFRS 3 – "Business combinations" are recognised at their respective fair value.

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

If it is found that the Group amount corresponding to the Group's participating interest acquired in a subsidiary's identifiable assets, liabilities and contingent liabilities exceeds the cost of acquisition, the excess is immediately recorded as income in the income statement for the year.

At least annually the Group performs impairment tests of recorded goodwill, in accordance with the requirements of

IAS 36 – "Impairment of assets". For this purpose, goodwill is allocated to cash flow generating units and its recoverable value is determined on the basis of estimated future cash flows, discounted at rates considered appropriate by the Group. Impairment losses on goodwill are recognised in the income statement for the year and cannot be reversed.

Up to 1 January 2004, as permitted by the Bank of Portugal, goodwill was deducted in full from equity in the year of the acquisition of the subsidiaries. As permitted by IFRS 1, the Group did not change this procedure and, consequently, goodwill generated on operations up to 01 January 2004 continues to be recorded as a deduction from reserves.

2.5. Investments in Associates

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

Investments in associates are accounted for using the equity method of accounting. In accordance with this method, investments are initially recognised at cost which is subsequently adjusted for the Group's share in the changes in the equity of associates (including profit or loss).

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

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

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

2.6. Translation of Balances and Transactions in Foreign Currency

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

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

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

Exchange differences arising on translation are recognised in the income statement for the year, except for those arising on non-monetary financial instruments measured at fair value, such as shares classified as available-for-sale financial assets, which are recognised in a separate equity heading until they are sold.

In the consolidated accounts, the assets and liabilities of entities which do not use the Euro as their functional currency are translated at the closing exchange rates, whereas income and expenses items are translated at the average rates for the period. Under this method the translation differences are recognised in the equity heading "Currency translation reserve", and are transferred to the income statement upon the sale of the subsidiary.

As permitted by IFRS 1, the Group opted not to recalculate and recognise in the "Currency translation reserve" the cumulative translation differences relating to financial statements of subsidiaries expressed in foreign currency up to 31 December 2003 and so the balance of this heading only reflects translation differences arising as from 01 January 2004.

2.7. Financial Instruments

a) Financial Assets

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

i) Financial assets at fair value through profit or loss

This category includes:

• Financial assets held for trading, which comprise essentially securities acquired for the purpose of realising gains from short term market price fluctuations. This category also includes derivatives, excluding those that comply with the requirements for hedge accounting; and,

• Financial assets whose initial recognition is irrevocably classified at fair value through profit or loss ("Fair Value Option"). This designation is limited to situations in which the adoption results in the production of more relevant financial information, namely:

- If its application eliminates or significantly reduces an otherwise inconsistency in measurement or recognition ("accounting mismatch") that would have occurred as a result of measuring the related assets and liabilities or recognising gains and losses thereon inconsistently;

- Groups of financial assets, financial liabilities, or both, which are managed and when their performance is assessed on a fair value basis, in accordance with risk management and formally documented investment strategies; and the related information thereon is internally distributed to the management bodies.

• It is also possible to classify financial instruments containing one or more embedded derivatives in this category, unless:

- The embedded derivatives do not significantly modify the cash flows which would otherwise have been generated under the contract;

- It is evident, with little or no analysis that the implicit derivatives should not be separated.

As described in Note 2.2 above, in 2006, Caixa adopted the revised text of IAS 39, with the alteration of the "Fair Value Option". Up to 2005, any financial asset could be classified at fair value through profit or loss at the time of its initial recognition. As a result of this alteration, CGD Group reclassified its commercial paper with a book value of EUR 1 218 958 thousand at 31 December 2005 from "Financial assets at fair value through profit or loss" to "Loans and advances to customers" (Note 11).

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

ii) Held-to-maturity investments

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

These financial assets are measured at amortised cost. In accordance with this method, the carrying amount of the financial instruments at each balance sheet date corresponds to their initial cost less repayments of principal and impairment losses of any difference between the initial cost and the repayment amount being amortised based on the effective interest method.

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

This heading at 31 December 2006 and 2005 consisted entirely of securities held by Banco Caixa Geral.

iii) Loans and receivables

These are financial assets with fixed or determinable payments that are not quoted in an active market. This category includes loans and advances to Group customers, amounts receivable from other credit institutions and amounts receivable for services rendered or sales of assets, recognised in "Other assets".

These assets are initially recognised at fair value, less any charges included in the effective interest rate, plus all incremental costs directly attributable to the transaction. The assets are subsequently measured in the balance sheet at amortised cost, less impairment losses. Interest is recognised based on the effective interest method.

iv) Available-for-sale financial assets

This category includes the following financial instruments designated as available-for-sale upon initial recognition:

• Equity securities not classified as financial assets at fair value through profit or loss, including stable equity investments. Therefore it also includes equity instruments held under the Group's venture capital operations, without associated options;

• Bonds and other debt instruments classified under this heading upon initial recognition;

• Participating units in investment funds.

Available-for-sale financial assets are measured at fair value, except for equity instruments not listed on an active market whose fair value cannot be reliably measured, which continue to be recorded at cost. Gains and losses arising from changes in fair value are recognised directly in the equity heading "Fair value reserves". At the time of sale or if impairment is determined, the cumulative gains or losses are transferred to the income statement for the year and recognised in the headings "Results from financial operations" or "Other asset impairment, net of reversals and recovery", respectively.

Interest on debt instruments classified in this category is calculated using the effective interest method and is recorded in the income statement heading "Interest and similar income".

Dividends on equity instruments classified in this category are recorded as income in the "Income from equity instruments" heading, when the Group's right to receive them has been established.

Fair value

As mentioned above, financial assets recorded as at fair value through profit or loss and available-for-sale financial assets are measured at fair value.

Fair value corresponds to the amount for which a financial asset can be sold or a financial liability settled between independent, knowledgeable, willing parties in an arm's length transaction.

The fair value of financial assets is determined by a Department of Caixa which is independent of the trading function, based on:

• The closing price at the balance sheet date, for instruments traded on active markets;

• Valuation methods and techniques used to determine the fair value of debt instruments not traded on active markets (including unlisted securities or securities with low liquidity), include:

- Bid prices published by financial information services such as Bloomberg and Reuters, including market prices available on recent transactions;

- Reference bid prices obtained from financial institutions operating as market-makers;

- Internal valuation models that incorporate market data that would be used in setting the price of the financial instrument, reflecting market interest rates and volatility, as well as the liquidity and credit risk of the instrument.

• Unlisted equity instruments relating to venture capital operations are valued on the following basis:

- Prices of significant transactions between independent entities over the last six months;

- Multiples of comparable companies in terms of business sector, size and profitability;

- Discounted cash flows, using discount rates appropriate to the risk of assets held.

The calculation of fair value incorporates discount factors to reflect the securities' lack of liquidity. In addition, if there is a right or contractual obligation to sell an asset, it will be valued at an amount between that resulting from the above mentioned valuation methods and the present value of the selling price of the asset, adjusted where applicable to reflect counterparty credit risk.

• Other unlisted equity instruments whose fair value cannot be reliably measured (e.g. no recent transactions) are measured at cost, less any impairment losses.

b) Financial Liabilities

Financial liabilities are recognised on their trade date, at their fair value less the costs directly attributable to the transaction. Financial liabilities are classified in the following categories:

i) Financial liabilities at fair value through profit or loss

These comprise derivative financial instruments with negative fair value, as well as the short trading of fixed and variable income securities. These liabilities are measured at fair value, their gains or losses resulting from their subsequent measurement being recognised in the "Results from financial operations" heading.

ii) Other financial liabilities

This category includes resources of central banks and other credit institutions, customer resources, debt securities, subordinated liabilities and liabilities incurred for services received or the purchase of assets, recognised in "Other liabilities".

These financial liabilities are valued at amortised cost, interest, where applicable, being recognised in accordance with the effective interest method.

c) Derivatives and hedge accounting

The Group carries out derivative transactions as part of its activity, so as to provide for its customers' requirements and reduce its exposure to foreign exchange, interest rate and price fluctuations.

Derivatives are recognised at fair value at the trade date. Their respective notional values are also reflected in off-balance sheet accounts.

Derivatives are subsequently measured at their respective fair values, determined as follows:

• Based on prices obtained on active markets (e.g. futures traded on organised markets);

• Based on models incorporating valuation techniques accepted in the market, including discounted cash flows and option valuation models.

Embedded derivatives

Financial derivatives embedded in other financial instruments are separated from the host contracts and accounted for separately as derivatives under IAS 39, whenever:

• The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract as defined in IAS 39; and

• The combined financial instrument is not measured at fair value, with the changes in fair value recognised in profit or loss.

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

Hedging derivatives

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

At 31 December 2006 the Group only hedged the exposure to changes in fair value of recognised assets or liabilities, called "fair value hedges".

At the inception of a hedge relationship the Group prepares formal documentation that includes the following minimum aspects:

• Risk management objective and strategy for undertaking the hedge, in accordance with defined hedging policies;

• Description of the hedged risk(s);

• Identification and description of the hedged and hedging financial instruments;

• Method for assessing the hedge's effectiveness and frequency of that assessment.

Assessments of hedge effectiveness are performed and documented periodically, by comparing the changes in fair value of the hedging instrument and of the hedged item (part attributable to the hedged risk). According to IAS 39, the use of hedge accounting is allowed if actual results of the hedge fall within a range of 80% to 125%. Prospective effectiveness tests are also performed to estimate future effectiveness of the hedge.

Hedging derivatives are measured at fair value, with daily changes in fair value being recognised in the income statement for the year. If the hedge is regarded as effective, through the determination of an effectiveness rate of between 80% and 125%, the Group also records in the income statement for the year in the heading "Results from financial operations" the change in the fair value of the hedged item attributable to the hedged risk. In the case of instruments with an interest component (such as interest rate swaps), accrued interest for the period and realised cash flows are recognised in the net interest income headings "Interest and similar income" and "Interest and similar costs".

If the hedging relationship ceases to be effective, the accumulated change in fair value reflected in the hedged item is recognised in profit or loss up to its maturity.

Hedging derivatives with positive and negative fair values are recognised in specific asset and liability headings, respectively.

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

Trading derivatives

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

• Derivatives contracted to hedge risks on assets or liabilities measured at fair value through profit or loss, thus rendering hedge accounting unnecessary;

• Derivatives contracted for hedging purposes that fail to meet the requirements for hedge accounting under IAS 39, due to difficulty in specifically identifying the hedged items, cases other than micro hedges or if the results of the effectiveness tests fall outside the range permitted by IAS 39;

• Derivatives contracted for trading purposes.

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

d) Impairment of Financial Assets

Financial assets at amortised cost

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

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

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

• Failure to comply with contractual clauses, such as arrears of interest and principal;

• A record of defaults in the financial system;

• Existence of loan restructuring operations or respective negotiations, in progress;

• Difficulties in terms of the capacity of the shareholders and management, notably when major shareholders and key staff leave the company or when the shareholders are in dispute;

• Significant financial difficulties of the debtor or debt issuing entity;

• High probability of the debtor or debt issuing entity being declared bankrupt;

• Decrease of the debtor's competitive position;

Historical record of collections suggesting that the nominal value will not be fully recovered.

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

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

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

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

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

Write off of principal and interest

The Group periodically writes-off non-recoverable loans using the respective accumulated impairment loss after specific analysis by the bodies responsible for monitoring and recovering loans, and approval of the Boards of Directors of the various entities. Recoveries of credits written off are recognised as deductions from impairment losses in the income statement heading "Loan impairment net of reversals and recovery".

In accordance with current Group policy, interest on overdue loans without real guarantees is reversed three months after the due date of the operation or of the first overdue payment. Interest not recorded on these loans is only recognised in the year in which it is received.

Interest on overdue credit secured by mortgage or other real guarantee is not reversed. However, the recognition of interest on outstanding principal of operations secured by real guarantee or mortgage, with loan instalments overdue for more than six and twelve months, respectively, is suspended.

The recovery of interest written off is also recognised in the heading “Loan impairment net of reversals and recovery”.

Available-for-sale financial assets

As mentioned in Note 2.7. a), available-for-sale financial assets are measured at fair value, with fair value changes being recognised directly in the equity heading “Fair value reserve”.

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

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

• Information regarding significant changes with an adverse effect that have taken place in the technological market, economic or legal environment in which the issuing entity operates, indicating that the cost of the investment may not be fully recovered;

• A prolonged, significant decline in fair value below cost.

The Group performs impairment tests on available-for-sale financial assets at each balance sheet date.

Impairment losses on equity instruments cannot be reversed. Any unrealised gains arising after the recognition of impairment losses are recognised in the “Fair value reserve”. In the case of subsequent additional losses, this must always be considered as impairment and therefore reflected in net income for the year.

The Group also performs periodic impairment tests on financial assets measured at cost, namely unlisted equity instruments whose fair value cannot be reliably measured. The recoverable value in this case corresponds to the best estimate of the future flows receivable from the asset, discounted at a rate that reflects the risk of holding the asset.

The amount of the impairment loss determined is recognised directly in profit or loss for the year. Impairment losses on such assets cannot be reversed.

2.8. Non-Current Assets Held for Sale and Groups of Assets and Liabilities to Be Sold

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

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

• There must be a high probability of sale;
• The asset must be available for immediate sale in its present condition;
• The sale must be expected to occur within a year of classification of the asset in this heading.

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

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

Property and other assets received as settlement of defaulting loans are recorded at repossessed values by corresponding entry to "Other liabilities". The amount in this heading is reversed when the respective legal proceedings have been completed, by credit to overdue loan. Assets are subsequently recorded in the following headings:

• where these assets are expected to be sold and are available for immediate sale they will be recorded in "Non-current assets held for sale";

• where the assets are available for immediate sale they are recorded in the "Other assets" heading.

Since at 31 December 2005, all the information required to make the above classification was not available, all the assets received by Caixa as settlement of defaulting loans, were recorded in "Other assets" (Note 19).

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

The amount of the sale of repossessed goods will be written off, when the corresponding gains or losses are recognised in the heading "Other operating costs"

At 31 December 2005 this heading included the assets and liabilities of Nutricafés - Cafés e Restauração, SA ("Nutricafés"). As explained in Note 3, this company was acquired by the Group at end 2005, with the purpose of being sold in the short term, which happened in March 2006. Nutricafés' assets and liabilities, including goodwill arising on the acquisition, were therefore recognised in "Non-current assets held for sale" and "Non-current liabilities held for sale".

2.9. Investment Property

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

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

2.10. Other Tangible Assets

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

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

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

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

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

Land is not depreciated.

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

Depreciation is recognised as a cost for the year.

Periodic tests are made to identify evidence of impairment of other tangible assets. Impairment losses are recognised in the income statement heading "Impairment of other assets net of reversals and recovery" whenever the net book value of tangible assets exceeds recoverable value. Impairment losses can be reversed with an impact on profit or loss if the recoverable value of an asset subsequently increases.

The Group periodically assesses the adequacy of the useful life of its tangible assets.

2.11. Finance Leasing

Finance leasing operations are recorded as follows:

As lessee

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

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

As lessor

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

2.12. Intangible Assets

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

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

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

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

Intangible assets with undetermined useful lives acquired under business concentration operations, namely Compal –

Companhia Produtora de Conservas Alimentares, SA brands, are not amortised, but are subject to impairment tests based on valuation made by specialised entities.

2.13. Income Tax

All Group companies are taxed individually, and those with head offices in Portugal, namely CGD, are subject to the regime set out in the Portuguese Corporate Income Tax Code (Código do IRC or "CIRC"). The branches' accounts are included in the head office accounts for tax purposes. In addition to being subject to "IRC", the net income of branches is also subject to local taxes in the countries/territories in which they operate. Local taxes are deductible from the head office's tax under article 85 of the Corporate Income Tax Code and Double Taxation Agreements entered into by Portugal.

Under article 33 of the Statute of Tax Benefits, the offshore subsidiaries of CGD and Caixa - Banco de Investimento, SA in the Autonomous Region of Madeira benefit from IRC exemption up to 31 December 2011. For the purposes of applying this exemption, 85% of the taxable income of the entity's global activity is considered to result from operations outside the institutional scope of the Madeira Free Trade Area.

Article 86 of the "IRC" Code, introduced by the State Budget Law for 2005, establishes that taxable income, net of deductions relating to international double taxation and tax benefits, may not be less than 60% of the amount which would be determined if the taxpayer did not benefit from:

• The tax benefits referred to in item 2 of article 86;

• The deduction of supplementary contributions to pension funds and similar to cover pension liabilities, as a result of applying International Accounting Standards, as determined by the Bank of Portugal.

• Deduction of tax losses transferred under corporate mergers.

CGD did not make any adjustment to income tax for 2006 and 2005 as a result of applying this article.

Income tax of foreign subsidiaries is calculated and recorded based on the regulations in force in the respective countries.

In addition, under Article 60 of the IRC Code, income earned by non-resident entities, benefiting from a clearly more favourable tax regime is imputed to Caixa, in proportion to its participation and independently of its distribution, provided that Caixa has a direct or indirect participating interest of at least 25%, or at least 10% if the non-resident company is directly or indirectly owned in more than 50% by resident partners.

A company is considered to benefit from a clearly more favourable regime (i) when it is resident in a territory listed in Ministerial Order 150/2004 of 13 February, or (ii) when it is not locally subject to income taxes identical or similar to "IRC", or (iii) when the income tax effectively paid is equal to or less than 60% of the "IRC" that would have been paid if the company were resident in Portugal. In these cases, the corresponding net income is added to Caixa's taxable income for the year in which non-resident company's tax period ends. Imputed income is deductible from taxable income for the year in which profits are eventually distributed to Caixa.

The total income tax cost recognised in the income statement includes current and deferred tax.

Current tax is calculated based on taxable income for the year, which differs from accounting income owing to adjustments to taxable income resulting from costs or income that are not considered for income tax purposes or that will be considered in future accounting periods.

Deferred tax consists of the impact on the tax to be recoverable/payable in future periods resulting from temporary deductible or taxable differences between the book value of assets and liabilities and their tax basis, used to determine taxable income.

Deferred tax liabilities are normally recognised for all temporary taxable differences, whereas deferred tax assets are only recognised to the extent that it is probable that sufficient future taxable income will be generated, allowing the use of the corresponding deductible tax differences or tax losses carried forward. In addition, deferred tax assets are not recognised where their recoverability may be questioned due to other situations, including issues regarding the interpretation of the tax legislation in force.

Deferred taxes are not recognised in the following situations:

• Temporary differences arising from goodwill;

• Temporary differences arising from the initial recognition of assets and liabilities on transactions which do not affect accounting income or taxable income;

•Taxable tax differences relating to undistributed profits of subsidiaries and associates, to the extent that the Group is able to control their reversal and it is not likely to occur in the foreseeable future.

The main situations originating temporary differences in the CGD Group are provisions temporarily not tax deductible, employee benefits, revaluation of financial derivatives, deferred commissions and tax losses carried forward.

Deferred taxes are calculated at the tax rates expected to apply to the period in which the temporary differences reverse, based on tax rules that have been enacted or substantially enacted at the balance sheet date.

Income tax (current or deferred) is recorded in income statement for the year, except where the tax arises from transactions that have been recognised directly in equity (such as unrealised gains and losses on available-for-sale financial assets). In such cases the corresponding tax is also recognised as a charge to equity and does not affect income for the year.

As from 1 January 2005 the non-consolidated financial statements of CGD and the Group entities subject to supervision by the Bank of Portugal were prepared in accordance with the Adjusted Accounting Standards (Normas de Contabilidade Ajustadas - NCA) established by Bank of Portugal Notice 1/2005. Current and deferred taxes relating to the impact of transition to the new accounting rules were calculated based on assumptions which may, or may not be ratified by the tax authorities in the future.

In 2006, an amendment to article 14 of Decree Law 35/2005 of 17 February, approved by the 2007 State Budget Law established that entities subject to the supervision of the Bank of Portugal and which must prepare their non-consolidated financial statements in compliance with the Adjusted Accounting Standards, must calculate the taxable income in accordance with the criteria established in the referred to standards. In addition, article 53 of IRC, established transitory provision to be considered in the calculation of the 2006 income tax and which will remain in force up to the introduction of the required adaptations to the present text of the Code, considering the new requirements arising from the present accounting rules.

CGD has considered as tax deductible costs for the year, those supported and recorded, among others, as contributions to the pension funds, up to the limit of 25% of its staff costs, in the form of remuneration, wages or salaries for the year. In accordance with a recent statement of the Secretary of State for Tax Affairs on this matter, the cost recorded under the terms of the applicable accounting standards, is deductible for purposes of determining taxable income, up to the limit of amounts effectively paid to the pension fund.

The amounts recognised by CGD in 2005, as a charge to equity in the non-consolidated accounts (relating to recognition of one-fifth of the increase in the liabilities from employee benefits resulting from application of the Adjusted Accounting Standards plus other similar costs recognised during the year, do not exceed the limit of 25% of the payroll. Therefore, considering that CGD's tax deductible costs up to 31 December 2006, are less than the amounts effectively paid to the pension fund (a condition required under the terms of the understanding of the Secretary of State for Tax Affairs), such amounts are considered to be tax deductible costs.

2.14. Provisions and Contingent Liabilities

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

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

Provisions for other risks are to cover:

• The liability for guarantees provided and other off-balance sheet commitments determined based on a risk analysis of operations and the respective customers;

•Legal, tax and other contingencies resulting from the Group's activity.

2.15. Employee Benefits

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

Liability for pensions and healthcare

The CGD Group has several pension plans, including defined benefit plans and, in some cases, defined contribution plans. Caixa, Companhia de Seguros Fidelidade Mundial, SA (Fidelidade Mundial) and Império Bonança, Companhia de Seguros, SA (Império Bonança) are responsible for the payment of retirement, disability and survivor pensions to their employees, under the terms explained in Note 37. Other Group companies also have defined benefit plans, namely Banco Comercial do Atlântico, SA, Banco Caixa Geral, SA and Banco Nacional Ultramarino, SA (Macau).

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

The liability for the defined benefit plans recognised on the balance sheet comprises the difference between the present value of the liability and the fair value of pension funds' assets, adjusted, where applicable, for deferred actuarial gains and losses. The total liability is determined annually by specialised actuaries, using the Projected Unit Credit method and other actuarial assumptions considered to be appropriate (Note 37). The discount rate used to discount the liability reflects market interest rates for high-quality corporate bonds denominated in the currencies in which the liabilities are to be paid and with maturities similar to the average settlement period of the liability.

Gains and losses resulting from differences between actuarial and financial assumptions and the effective amounts as regards the liability and expected income of the pension funds, as well as those resulting from changes in the actuarial assumptions, are deferred in an asset or liability heading ("corridor") up to the limit of 10% of the present value of the past service liability or the value of the pension funds (or, if applicable, the provisions recorded), whichever is greater, at the end of the current year. If the actuarial gains and losses exceed the limit of the "corridor", the excess is recognised in the income statement over the average period up to the normal retirement age of the employees covered by the plan.

The limits referred to in the preceding paragraph are calculated and applied separately for each defined benefit plan.

The Group does not usually assume any liability for defined contribution plans, other than its annual contribution and so no additional costs are recorded.

The net amount of the cost of retirement pensions and healthcare for the year, including current service cost and interest cost, less expected income, as well as amortisation of actuarial gains and losses, is recognised in the appropriate "Staff costs" heading.

The impact of the retirement of employees prior to their normal retirement age defined in the actuarial study is recognised directly in "Staff costs". In addition, Caixa has recorded a specific liability for the impact of the change to non-active status of employees with whom it has entered into suspension of labour agreements. This provision is also recorded as a charge to the income statement heading "Staff costs".

Other Long Term Benefits

The Group also has other long term benefit liabilities in respect of its employees, including a liability for the payment of long service bonuses and death grants prior to normal retirement age.

The liability for such benefits is also determined based on actuarial calculations. However, in accordance with IAS 19 actuarial gains and losses cannot be deferred, and so they are fully recognised in profit or loss for the period.

Short Term Benefits

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

2.16. Insurance

a) Insurance Contracts

Transactions relating to insurance contracts written and reinsurance contracts held by the Group are recorded in accordance with IFRS 4 – "Insurance contracts". This standard allows issuers of insurance contracts to maintain the accounting policies used prior to the adoption of IFRS, provided that certain minimum requirements, established by that standard, are complied with. These include the requirement of a test of the adequacy of recognised insurance liabilities, with reference to each balance sheet date.

Consequently, insurance contracts written and reinsurance contracts held by the Group were recorded in accordance with the accounting policies established in the Chart of Accounts for Insurance Companies ("Plano de Contas para as Empresas de Seguros"- PCES), approved by Rule 7/94 of 27 April of Instituto de Seguros de Portugal (Portuguese Institute of Insurance – ISP) and other ISP standards, complemented by the changes arising from the introduction of IFRS 4.

The main impacts on the financial statements of the insurance companies owned by the Group, resulting from the introduction of IFRS 4, refer to the classification of contracts written or acquired by the Group as insurance or investment contracts. Contracts with a significant insurance risk are classified as insurance contracts and recorded in accordance with IFRS 4. Contracts not having a significant insurance risk are classified as investment contracts and recorded in accordance with IAS 39.

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

Unrealised gains, net of losses, arising from the measurement of assets covering insurance contracts with profit sharing are split between a liability and an equity component, based on contracts´ terms and conditions and on the company's past experience.

b) Recognition of Income and Costs

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

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

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

c) Provision for Unearned Premiums and Deferred Acquisition Costs

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

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

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

d) Provision for Claims

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

Provision for labour accident insurance claims

The provision for labour accident insurance claims includes the mathematical provision, provision for temporary assistance expenses and provision for lifelong assistance expenses.

The mathematical provision for labour accident insurance reflects the liability for:

- Pensions payable on claims whose amounts have already been ratified by the Labour Court;

- Estimated pension liabilities regarding claims already incurred but awaiting a final settlement agreement or ruling, referred to as "defined pensions";

- Estimated pension liabilities regarding claims already incurred but where the respective clinical procedures have not been completed at the balance sheet date or pensions payable in respect of claims incurred but not reported, referred to as "presumed pensions".

The assumptions and technical bases used for calculating mathematical provisions for labour accident insurance, relating to ratified or defined pensions are set out below:

	Reddemable	Non Reddemable(*)
Mortality table	TD 88/90	TD 88/90 (Men)
		TV 88/90 (Women)
Discount rate	5.25%	4%
Management charges	2.40%	4%

(*) A single mortality table was used to calculate the mathematical provisions for Império Bonança, assuming a proportion of sixty five per cent for men and thirty five per cent for women.

The estimated mathematical provision for presumed pensions on labour accident insurance is based on the historical development of variables that are relevant in the calculation of mathematical provisions.

In accordance with current legislation, the liability resulting from the annual increase in pensions is covered by FAT ("Fundo de Acidentes de Trabalho" - Labour Accident Fund). Insurance companies pay the pensions in full and are subsequently reimbursed for the share corresponding to FAT's liability. FAT is managed by the Portuguese Insurance Institute, the income of the fund consisting of contributions made by the insurance companies and labour accident insurance policyholders. A liability is recorded for future contributions to FAT in respect of pension liabilities existing at the balance sheet date.

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

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

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

In-house historical information databases are used to calculate labour accident provisions.

Provision for motor insurance claims

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

Provision for claims on other types of insurance

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

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

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

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

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

e) Provision for Premium Insufficiency

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

f) Mathematical Provision on Life Insurance

Reflects the present value of future payments to life insurance beneficiaries (net of future collections), calculated for each contract using actuarial methods in accordance with the respective technical bases.

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

The shadow reserve comprises the percentage of the Fund for Future Payments and the unrealised gain on fixed--income securities payable to beneficiaries.

The liability adequacy test is described in Note 2.16. j).

g) Profit Sharing Provision

This reflects the portion of net income on portfolios allocated to life insurance contracts with profit sharing, to be distributed to the respective insurance contracts.

Capitalisation products have an associated Financial Participation Account. The results on products with mortality risk are determined using Technical-Financial Accounts or even solely on the basis of Technical headings, if the contract does not have any savings component, in the classic sense of the term.

The individual allocation of investment balances to insurance contracts is based on objective criteria, such as in proportion to risk premiums, mathematical provisions recorded in the balance sheet or insured capital, depending on the type of insurance, respecting each contract's contribution to the creation of the respective benefit.

h) Insurance and Investment Contracts with Discretionary Profit Sharing

As permitted under IFRS 4, the Group maintained most of its accounting policies on insurance contracts and investment contracts with profit sharing, in cases in which the profit sharing includes a discretionary component. Therefore, it continues to recognise premiums received as income and the corresponding increase in liabilities as a cost.

An insurance or investment contract is considered to include profit sharing with a discretionary component when the respective contractual terms provide the insured the right to receive, as a supplement to the contract's guaranteed benefits, additional benefits:

• That are likely to be a significant portion of the total contractual benefits;

• Whose amount or timing is contractually at the discretion of the issuer; and

• That are based on the performance of a specified pool of contracts, realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or the profit or loss of the entity that issues the contract.

Unrealised gains, net of losses, arising from the measurement of assets covering insurance contracts with profit sharing are split between a liability and an equity component, based on contract's terms and conditions and on the company's past experience.

The allocation of the amounts of profit sharing between the insured and company is based on profit sharing plans or on the preceding year's allocation, if different from the conditions set out in the plan.

Liabilities under insurance contracts and investment contracts with discretionary profit sharing are included in the liability adequacy tests performed by the Group.

i) Derivatives Embedded in Insurance Contracts

As permitted by IFRS 4, policyholders' options to surrender insurance contracts in force for a fixed amount or for a fixed amount plus an interest component, are not separated from the host contract.

j) Liability Adequacy Tests

In accordance with IFRS 4, at the balance sheet date the Group performs adequacy tests of liabilities relating to contracts in force. These tests include estimates of the present value of future cash flows under its insurance contracts (see 2.16. m)), including claim handling costs and cash flows resulting from embedded options and guarantees.

If the present value of the liabilities estimated in these tests exceeds the liabilities recorded in the financial statements, net of deferred acquisition costs and any related intangible assets, the entire deficiency is added to the liability and recorded as a loss in the income statement.

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

Life insurance

The liability adequacy test is performed by discounting, at the Euro Benchmark Curve market interest rate, future cash flows on claims, redemptions (including early redemptions), fees and management charges, less future cash flows from premiums.

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

Mortality:

The distribution by age of insured persons at the beginning and end of the period and claims during the year is obtained from files extracted from the companies' databases. These data are used to calculate the number of persons exposed to risk at each age. The expected number of claims is determined by multiplying this value by the probability of death using a given mortality table. A comparison between the expected and the actual number of claims, results in the actual claims rate for the year as a percentage of the table. Mortality assumptions are based on an analysis of the amounts for the last five years.

This analysis is performed separately for life insurance risk and capitalisation contracts.

Redemption:

The distributions by products of the mathematical provisions at the beginning and end of the year and of amounts redeemed are obtained from the companies' databases. These data are used to calculate the average mathematical provisions for each product and a division of the number of redemptions by this amount gives the annual redemption rate. An analysis of the amounts for the last five years enables the redemption assumption for each product to be determined.

Expenses:

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

Yield:

Future yields to be applied to the mathematical provisions are determined based on an "asset mix" of each product at the balance sheet date. Yields, by asset class, at 31 December 2006, were as follows:

- Bonds: Euro 10 years risk-free rate;
- Shares: Euro 10 years risk-free rate, plus 3%;
- Property: Euro 10 years risk-free rate, plus 2%;
- Liquid assets: Euro 10 years risk-free rate, less 1.5%.

Each product's yield comprises the average for each class of assets weighted by the respective rate. The run off from the Fund for Future Payments and unrealised capital gains on fixed-income securities are added to this amount to obtain the final yield.

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

Non-life insurance

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

k) Technical Provisions for Outwards Reinsurance

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

l) Liability to Subscribers of Unit-Linked Products

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

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

m) Impairment of Receivable Balances Relating to Insurance and Reinsurance Contracts

At each balance sheet date, the Group assesses the existence of evidence of impairment on assets originated by insurance or reinsurance contracts, namely accounts receivable from policyholders, agents, inwards and outwards reinsurers, and technical provisions for outwards reinsurance.

If impairment losses are determined, the carrying amount of the respective assets is reduced with a corresponding charge to the income statement heading "Impairment of other assets, net of reversals and recovery".

n) Intangible Assets Arising from the Acquisition of Insurance Contracts

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

"Value in force" is amortised over the term of the contracts acquired. For this purpose it is recalculated at each reporting date, with the changes in relation to the preceding year being recognised in the income statement.

2.17. Commissions

As mentioned in Note 2.7., commissions on credit operations and other financial instruments, namely amounts charged or paid for originating such operations, are included in amortised cost or recognised over the course of the operation, using the effective interest method, in the heading "Interest and similar income".

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

2.18. Issuance of Equity Instruments

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

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

2.19. Securities and Other Items Held under Custody

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

2.20. Cash and Cash Equivalents

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

2.21. Critical Accounting Estimates and Key Judgemental Matters in Applying Accounting Policies

In applying the above mentioned accounting policies, the Boards of Directors of Caixa and Group companies must make estimates. The estimates with the greatest impact on the Group's consolidated financial statements include those set out below.

Determination of Impairment Loss on Financial Assets

Impairment losses on loans are determined in accordance with the methodology defined in Note 2.7. d). Impairment of assets analysed individually is therefore determined based on a specific assessment by Caixa, considering its knowledge of the customer's situation and the guarantees securing the operations.

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

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

Measurement of Financial Instruments not Traded on Active Markets

As required by IAS 39, Caixa measures all financial instruments at fair value except for those carried at amortised cost. The valuation models and techniques described in Note 2.7 are used to value financial instruments not traded on liquid markets. The valuations obtained correspond to the best estimate of the fair value of the instruments at the balance sheet date. As mentioned in Note 2.7., in order to ensure adequate segregation of functions, these financial instruments are valued by a body that is independent of the trading function.

Employee Benefits

As explained in Note 2.15. above, the Group's liability for post-employment benefits and other long term benefits granted to its employees is determined on an actuarial basis. The actuarial calculations are based on financial and actuarial assumptions including, among others, mortality, disability, salary and pension growth, return on assets and discount rate. The assumptions used are the best estimates of the Group and its actuaries of the future evolution of the respective variables.

Impairment of Goodwill

As mentioned in Note 2.4. above, the Group performs impairment tests of goodwill at least annually. These tests are performed based on estimates of future cash flows to be generated by each unit tested, discounted at appropriate rates.

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

Determination of Liabilities for Insurance Contracts

The Group's liability for insurance contracts is determined using the methodologies and assumptions described in Note 2.16. above. The liability reflects a quantified estimate of the impact of future events on the accounts of the Group's insurance companies, based on actuarial assumptions, past claims experience and other methods accepted in the sector.

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

However, the Group considers that the liability for insurance contracts recorded in the consolidated financial statements at 31 December 2006 reflects, on an adequate and conservative basis, the best estimate at that date of the amounts to be paid by the Group.

Determination of Income Tax

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

3. Group Companies and Transactions During the Period

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

		2006			2005	
Activity/entity	**Head office**	**% Effective participating interest**	**Equity (a)**	**Net income**	**Equity (a)**	**Net income**
Holding companies						
Bandeirantes, SGPS, SA	Madeira	100.00	25	-	24	(6)
Caixa - Gestão de Activos, SGPS, SA	Lisbon	100.00	25 758	3 063	26 617	4 367
Caixa - Internacional, SGPS, SA	Madeira	100.00	10 265	5 628	4 229	(117)
Caixa - Participações, SGPS, SA	Lisbon	100.00	30 706	39	48 733	18 834
Caixa Desenvolvimento, SGPS, SA	Lisbon	99.63	41 523	(1 588)	41 495	1 937
Caixa Seguros, SGPS, SA	Lisbon	100.00	959 516	85 004	818 447	66 878
Caixaweb, SGPS, SA	Lisbon	100.00	8 322	10	8 312	(1 916)
Gerbanca, SGPS, SA	Lisbon	100.00	29 168	14 726	14 442	14 421
Império - Bonança, SGPS, SA	Lisbon	70.00	372 342	970	376 062	(13)
Inbepor, SGPS, SA (c)	Lisbon	-	-	-	122 532	(2 468)
Banking						
Banco Comercial do Atlântico, SARL	Praia	59.17	18 501	3 389	16 507	1 859
Banco Comercial e de Investimentos, SARL	Maputo	42.00	39 167	14 854	35 008	8 380
Banco Financial Português	São Paulo	100.00	8 967	(1 675)	10 856	200
Banco Interatlântico, SARL	Praia	70.00	7 321	997	6 767	492
Banco Nacional Ultramarino, SA	Macao	100.00	108 516	29 071	90 501	19 605
Banco Caixa Geral, SA (b)	Vigo	99.75	397 829	584	232 480	(31 262)
Caixa - Banco de Investimento, SA (b)	Lisbon	99.63	270 297	30 046	247 190	25 004
CGD - North America	Delaware	100.00	1	-	1	-
CGD - Representação de Bancos, SA	São Paulo	99.88	110	46	68	(59)
Mercantile Lisbon Bank Holdings, Ltd.	Johannesbourg	91.75	72 448	10 925	72 101	8 465
Caixa Geral de Depósitos - Subsidiária Offshore de Macau	Macao	100.00	13 641	1 879	5 703	396
Insurance						
Cares - Companhia de Seguros, SA (b)	Lisbon	100.00	13 446	3 398	12 918	3 130
Companhia de Seguros Fidelidade Mundial, SA (b)	Lisbon	100.00	953 889	111 498	994 675	103 541
Império Bonança - Companhia de Seguros, SA	Lisbon	70.00	186 343	29 610	165 480	16 160
Garantia - Companhia de Seguros de Cabo Verde, SARL	Praia	65.30	4 437	564	4 132	487
Via Directa - Companhia de Seguros, SA	Lisbon	100.00	29 133	4 532	23 352	2 491
Specialised Credit						
BCI Leasing	Maputo	41.99	2 411	172	2 755	65
Caixa Crédito - SFAC, SA	Lisbon	-	-	-	9 543	798
Caixa Leasing e Factoring - Instituição Financeira de Crédito, SA	Lisbon	100.00	111 397	9 375	102 557	13 801

(to be continued)

(.../...)

Activity/entity	Head office	2006 % Effective participating interest	2006 Equity (a)	2006 Net income	2005 Equity (a)	2005 Net income
Asset Management						
Caixagest - Técnicas de Gestão de Fundos, SA	Lisbon	100.00	28 173	4 534	24 623	4 308
CGD Pensões - Sociedade Gestora de Fundos de Pensões, SA	Lisbon	100.00	4 356	350	4 006	231
Fundimo - Sociedade Gestora de Fundos de Investimento Imobiliário, SA	Lisbon	100.00	7 075	4 068	5 007	3 291
Venture Capital						
A Promotora, Sociedade de Capital de Risco, SARL	Praia	52.69	3 194	-	3 194	(53)
Caixa - Capital - Sociedade de Capital de Risco, SA	Lisbon	99.63	27 901	4 025	23 876	5 776
Property						
Imocaixa - Gestão Imobiliária, SA	Lisbon	100.00	3 769	1 527	2 242	333
Fidelidade Mundial - SGII, SA	Lisbon	100.00	22 543	990	21 546	923
Other Financial Entities						
CGD Finance	Cayman	100.00	247	(4)	263	13
Caixa Geral Finance (d)	Cayman	0.02	600 181	22 548	610 130	10 067
Caixa Ireland Limited (c)	Dublin	99.63	39 140	1	39 130	(2)
Caixa Investments Ireland (c)	Dublin	99.63	39 938	802	39 378	400
Other Companies						
Caixa - Sistemas de Informação, SA	Lisbon	100.00	(1 448)	-	(1 448)	-
Caixanet - Telemática e Comunicações, SA	Lisbon	80.00	1 726	6	1 720	48
Caixatec, Tecnologias de Comunicação, SA	Lisbon	100.00	504	(576)	1 079	363
Culturgest - Gestão de Espaços Culturais, SA	Lisbon	96.00	234	(3)	237	1
EAPS - Empresa de Análise, Prevenção e Segurança, SA	Lisbon	100.00	211	24	182	15
EPS - Gestão de Sistemas de Saúde, SA	Lisbon	100.00	1 126	(35)	1 159	225
LCS - Linha de Cuidados de Saúde, SA	Lisbon	100.00	1 100	(515)	-	-
Cetra - Centro Técnico de Reparação Automóvel, SA	Lisbon	85.00	830	(168)	1 031	(244)
GEP - Gestão de Peritagens Automóveis, SA	Lisbon	100.00	129	35	94	9
HPP - Hospitais Privados de Portugal, SGPS, S A (b)	Lisbon	100.00	16 930	723	11 293	188
Servicomercial - Consultoria e Informática, Lda.	Lisbon	70.00	3 516	31	3 185	28
Impergesto - Assistência e Serviços, SA	Lisbon	-	-	-	1 064	234
Imoportal.com - Multimédia, SA	Lisbon	63.00	(1 079)	(563)	(2 229)	12
Portal Executivo - Sociedade de Serviços, Consultoria e Informação em Gestão, SA	Lisbon	75.00	(1 333)	349	(1 297)	(390)
Compal - Companhia Produtora de Conservas Alimentares, SA	Lisbon	77.88	123 709	1 177	-	-
Wolfpart, SGPS, SA	Lisbon	100.00	50	-	-	-
Complementary Corporate Groupings						
Groupment d'Interet Economique	Paris					
Sogrupo - Serviços Administrativos, ACE	Lisbon					
Sogrupo - Sistemas de Informação, ACE	Lisbon					
Sogrupo III - Gestão de Activos, ACE	Lisbon					
Sogrupo IV - Gestão de Imóveis, ACE	Lisbon					
Special Purpose Entities and Investment Funds						
Fundo Nostrum Consumer Finance, FTC	Lisbon	-	395 569	(660)	396 229	(2 660)
Fundo Nostrum Mortgage 2003-1	Lisbon	-	729 953	125	814 621	(1 632)
Nostrum Mortgages PLC	Dublin	-	5 965	5 092	872	1 034
Nostrum Consumer Finance PLC	Dublin	-	4 109	(608)	4 717	683
Fundo de Capital de Risco para Investidores Qualificados - Grupo CGD	Lisboa	92.30	78 389	12 973	65 416	4 618
Fundo de Capital de Risco para Investidores Qualificados - PME	Lisboa	63.93	11 175	(322)	11 496	162
Fundo de Capital de Risco para Investidores Qualificados - Energias Renováveis - Caixa Capital	Lisboa	90.65	51 392	1 392	-	-
Fundo de Investimento Imobiliário Fechado Saudeinvest	Lisboa	97.82	56 063	330	35 734	674
Fundo de Investimento Imobiliário Fechado Bonança 1	Lisboa	100.00	14 745	484	14 262	846
Companies Recorded by the Proportional Method						
Esegur - Empresa de Segurança, SA	Lisboa	50.00	7 530	672	4 437	1 594

(a) Equity includes net income for the year.
(b) Data taken from consolidated financial statements.
(c) Equity includes additional capital payments.
(d) Share capital comprises 1 000 ordinary shares of € 1 and 600 000 non-voting preference shares of €1 000 each.

Movements in the group's subsidiaries, in 2006 and 2005, were as follows:

Banco Caixa Geral, SA (former – Banco Simeón, SA)

Banco Simeón changed its name to Banco Caixa Geral, SA on 28 June 2006.

Banco Caixa Geral increased its share capital by EUR 275 000 thousand, in 2005, through the issue of 45 757 072 new shares with a nominal unit value of EUR 6.01. CGD subscribed for 45 685 240 shares for the amount of EUR 274 568 thousand of which EUR 109 836 thousand was paid up in 2005. As a result of the said operation, the group's effective investment in Banco Caixa Geral increased to 99.75%.

On 26 June 2006, EUR 82 495 thousand were paid up in respect of the second instalment of the share capital increase approved in 2005, of which CGD paid EUR 82 305 thousand. The third and last instalment of the referred to capital increase will be paid in 2007.

Compal – Companhia Produtora de Conservas Alimentares, SA ("Compal"), former Inbepor – Investimentos em Bebidas Portugal, SGPS, SA ("Inbepor") and Nutricafés – Cafés e Restauração, SA ("Nutricafés")

On 2 November 2005 Caixa Desenvolvimento, SGPS, SA (a wholly owned subsidiary of Caixa – Banco de Investimento, SA) entered into two agreements for the acquisition of Compal and Nutricafés shares. The principal conditions of the agreements are as follows:

• Caixa Desenvolvimento and Sumolis – Companhia Industrial de Frutas e Bebidas, SA (Sumolis) ("the Purchasers"), undertake to acquire all the share capital of Compal and Nutricafés, in addition to making shareholders' loans and additional capital contributions to these entities.

• The price of the shares to be acquired was fixed at EUR 365 000 thousand and EUR 61 000 thousand, respectively, for Compal and Nutricafés shares. The price was determined based on assumptions regarding financial indicators of Compal and Nutricafés at 30 September 2005 and is subject to correction if the financial indicators are not confirmed by an audit of the accounts.

• Under the terms of the agreements, the shares will be acquired by a company to be incorporated with 80% of its share capital being held by Caixa Desenvolvimento and the remaining 20% by Sumolis. In this respect, Inbepor – Investimentos em Bebidas Portugal, SGPS, SA was incorporated in December 2005 with share capital of EUR 50 thousand, the shareholders having also made additional capital contributions of EUR 124 950 thousand, in 2005. Caixa Desenvolvimento sold 25% of Inbepor's share capital to Fundo de Capital de Risco para Investidores Qualificados Grupo CGD – Caixa Capital.

• On the date of the agreements, the sale price and shares were deposited in an escrow account with Caixa. However, completion of the transactions was subject to obtaining authorisation/declaration of non-opposition from the Portuguese Competition Authority. The purchasers were not able to appoint any member to the management boards of the companies to be acquired, or exercise any control over their management prior to receiving the authorisation.

• Declaration of non-opposition to the acquisition of Nutricafés was decided by the Competition Authority on 23 December 2005 and management of the company was transferred to the purchasers in the same month. Nutricafés was therefore included in the consolidation in 2005. However, given the intention to sell the investment in the short term, it was recorded in accordance with IFRS 5 – "Non-current assets held for sale and discontinued operations" (Note 12).

• The following developments occurred, in 2006:

- The declaration of non-opposition to the acquisition of Compal was received from the Competition Authority on 9 January 2006, the control being subsequently transferred to the purchasers;

- Inbepor sold its investment in Nutricafés, in March 2006, having realised capital gains of EUR 6 808 thousand (Note 34).

An increase in Inbepor's share capital from EUR 50 thousand to EUR 10 000 thousand through the incorporation of supplementary contributions, was approved in June 2006. In addition, Compal was also merged into by its sole shareholder Inbepor. Under the terms of the merger, Inbepor took Compal's name, head office, corporate objects, activity, operations, assets and liabilities, and rights obligations and commitments.

- The final price of the purchase of Compal was determined in third quarter 2006, resulting in an additional investment of around EUR 4 million.

Goodwill on the purchase of Compal was determined as follows:

Cost of purchase	
- Established in the contract	365 000
- Price adjustment	3 986
	368 986
Consolidated shareholders' equity of Compal's at 31 December 2005	54 190
Supplementary capital contributions made by former shareholders	51 349
Other adjustments	(1 881)
	103 658
Goodwill	**265 328**

Goodwill was allocated to the brands owned by Compal, which were valued for this purpose at fair value by an independent specialised entity. The brands are recognised in the "Other intangible assets" heading (Note 15).

Caixa Geral de Depósitos – Subsidiária Offshore de Macau (Macau Offshore Branch)

Caixa Geral de Depósitos – Subsidiária Offshore de Macau, SA was formed in 2005 with share capital of 50 000 000 patacas, corresponding to EUR 5 181 thousand, fully subscribed for and paid up by Caixa. The Macau Offshore Branch's sole corporate object is to make loans and perform other offshore banking and financial activities.

At end 2006, CGD Macau increased its share capital, by 70 million patacas, with the objective of adjusting its own funds with the legislation currently in force in the territory of Macau. Pursuant to the above, its share capital increased to one hundred and twenty million patacas, through the issue of seventy thousand new shares with a nominal value of one thousand patacas each, corresponding to the amount of EUR 6 636 thousand fully subscribed for and paid up by Caixa.

Culturgest – Gestão de Espaços Culturais, SA (Culturgest)

On 8 May 2006 a deed was signed to decrease and increase the share capital of Culturgest, in accordance with the following terms:

- Decrease of EUR 200 thousand in share capital from EUR 250 thousand to EUR 50 thousand, to cover losses, through a reduction of the nominal value per share from five to one euro and, at the same time,

- Increase of EUR 200 thousand in share capital through the issue of 200 000 shares at par, with a nominal value of one euro each, to be subscribed for by shareholders. The amount subscribed for by the Group totalled EUR 195 thousand.

This operation resulted in an increase of CGD Group's participating interest in Culturgest from 90% to 96%.

Wolfpart, SGPS, SA (Wolfpart)

Wolfpart, SGPS, SA was founded in 2006 with a share capital of EUR 50 thousand, fully subscribed for and paid up by Caixa. The company's corporate object is to operate as a holding company, as an indirect form of carrying out economic activities.

In 2006, Wolfpart acquired a 25% participation in Resortpart, SA. On 18 December 2006, Wolfpart made shareholders' loans of EUR 28 million to Resortpart for a term of 10 years, for the purpose of investment in Vale do Lobo Group (Note 19).

Caixa Leasing e Factoring – IFIC, SA
Caixa Crédito – SFAC, SA (liquidated)

On 24 March 2006, Caixa Leasing e Factoring entered into a contract with Caixa Crédito to acquire all assets and liabilities of Caixa Crédito as of 01 January 2006, for the amount of EUR 9 543 thousand. As a result, Caixa Crédito was liquidated, all its rights and obligations being transferred to Caixa Leasing e Factoring.

LCS – Linha de Cuidados de Saúde, SA

In the first half 2006, LCS - Linha de Cuidados de Saúde, SA was formed to manage the National Health Service's Call Centre. The share capital of EUR 1 615 thousand was fully subscribed for and paid up by EPS – Gestão de Sistemas de Saúde, SA, an indirectly, fully owned subsidiary of Companhia de Seguros Fidelidade Mundial, SA.

Caixaweb, SGPS, SA (in liquidation)
Caixatec – Tecnologias de Comunicação, SA (former Caixaweb, Serviços Técnicos e de Consultoria, SA)
Portal Executivo – Sociedade de Serviços, Consultoria e Informação de Gestão, SA (Portal Executivo)
Imoportal.com – Multimédia, SA (Imoportal)

In 2006 Caixaweb, SGPS, SA was liquidated in the scope the re-organisation of the presence of CGD Group in the WEB. The merger of Caixaweb – Serviços Técnicos e de Consultoria, SA with Imoportal was approved as from the beginning of 2007, the resulting company being named Caixatec – Tecnologias de Comunicação, SA. This company became exclusively dedicated to the development of the portal associated with the Group's business activities. Dissolution of Portal Executivo was also approved in the Shareholders' General Meeting.

Fundo de Capital de Risco para Investidores Qualificados – Energias Renováveis – Caixa Capital ("FIQ" Energias Renováveis – Caixa Capital)

Fundo de Capital de Risco para Investidores Qualificados – Energias Renováveis – Caixa Capital was founded on 16 January 2006 with share capital of EUR 50 000 thousand corresponding to 2 000 trust fund units. Caixa – Banco de Investimento, SA subscribed for 1 820 trust fund units with a nominal value of EUR 45 500 thousand, of which EUR 36 700 thousand were not paid up at 31 December 2006.

Caixa Seguros, SGPS, SA (Caixa Seguros)

A deed to decrease and increase Caixa Seguros' share capital was signed on 3 March 2005 under the following terms:

- Decrease share capital from EUR 994 000 thousand to EUR 397 600 thousand to cover losses of EUR 596 400 thousand, by decrease in the nominal value of the shares from EUR 5 to EUR 2; and simultaneously,

- Increase share capital by EUR 50 800 thousand through the issuance of 25 400 000 shares with a nominal value of EUR 2 each, subscribed for at the price of EUR 9.26 each resulting in an issue premium of EUR 7.26 per share. The amount subscribed for by Caixa totalled EUR 235 204 thousand.

Caixa – Brasil, SGPS, SA (Caixa Brasil)

Caixa Brasil had direct and indirect participations in the Brazilian bank Unibanco – União de Bancos Brasileiros. In September 2005 Caixa Brasil sold these participations, recognising a capital gain of EUR 145 413 thousand net of transaction costs and tax withheld in Brazil (Note 8).

The Shareholders' General Meeting held on 24 November 2005 decided to dissolve Caixa Brasil. It also approved that under the liquidation process, all the assets and liabilities would be transferred to the shareholder Caixa Geral de Depósitos, SA, the shareholder Caixa – Participações, SGPS, SA receiving cash compensation in the amount corresponding to its percentage participation in Caixa Brasil's equity.

Império Bonança, SGPS, SA (Império Bonança)

On 16 July 2004 Caixa, Caixa Seguros and Banco Comercial Português, SA (BCP) entered into a "Contract for the purchase and sale of shares – Spot, forward and mandate" ("the contract"). The contract refers to the shares of Império Bonança which, at 31 December 2004, was the sole shareholder of the following entities ("the companies"):

- Império Bonança – Companhia de Seguros, SA;
- Seguro Directo Gere – Companhia de Seguros, SA;
- Impergesto – Assistência e Serviços, SA; and
- Servicomercial – Consultoria e Informática, Lda..

The contract was subject to the approval and declaration of non-opposition by the competent authorities (Portuguese Insurance Institute and Competition Authority), which were granted at the end of 2004. Under the terms of the contract, the purchase and sale of the shares was formalised on 28 January 2005 ("Formalisation date"), when the management of the companies was, effectively, transferred to Caixa.

The contract established the following operations:

- Acquisition, on the Formalisation date, by Caixa Seguros from BCP, of shares of Império Bonança representing 70% of its capital;
- Forward acquisition, by Caixa Seguros from BCP of the remaining 30% of Império Bonança's share capital.

The final price of the shares acquired in January 2005 was EUR 257 173 thousand.

The price of the shares to be acquired on the forward transaction was fixed at EUR 102 900 thousand, of which EUR 14 939 thousand was paid on the Formalisation date. The remaining EUR 87 961 thousand, plus the monetary correction as from the Formalisation date (Note 26). BCP has the option to anticipate this term, in the event that the shares of a Holding company to be incorporated by Caixa to congregate its investments in the insurance sector are listed on the Stock Exchange. In this case of the remaining amount payable will be adjusted based on the market value of the Holding company's shares. Caixa Seguros is entitled to receive the full amount of all dividends or any other equity rights due after the Formalisation date relating to the shares acquired under the forward transaction.

The acquisition cost after the above mentioned corrections, is as follows:

Cost of shares acquired in January 2005	257 173
Cost of shares to be acquired under the forward transaction	102 900
Costs incurred with the acquisition	1 822
Portion of the price relating to Seguro Directo	(17 000)
Adjustment to the acquisition price paid by Caixa Seguros	2 963
Other expenses	74
	347 932

Goodwill on the acquisition of Império Bonança was determined as follows:

Acquisition cost as at 31 December 2005	347 932
Book equity of the acquired companies	**166 713**
Adjustments to equity	
- Calculation of the "value in force" (Note 15)	46 386
- Other adjustments	(15 867)
	197 232
Goodwill (Note 15)	**150 700**

As a result of the conditions imposed by the Competition Authority at the end of 2004 for the operation to be realised, Caixa mandated BCP Investimentos to sell the investment in Seguro Directo Gere – Companhia de Seguros, SA, thus reducing acquisition cost by EUR 17 000 thousand.

Caixa Geral Finance Limited (Caixa Geral Finance)

Caixa Geral Finance, with registered office in the Cayman Islands issued in 2005 non-voting preference shares totalling EUR 350 000 thousand (Note 29). Although Caixa did not subscribe for these issues, it holds all the ordinary shares.

4. Cash and Cash Equivalents at Central Banks

This heading comprises the following:

	2006	2005
Cash	434 768	421 134
Demand deposits with central banks		
Principal	1 806 639	1 566 245
Accrued interest	1 886	1 521
	2 243 293	**1 988 900**

The demand deposits at the Bank of Portugal are to comply with the legal requirements for minimum cash reserves of the European Central Banks System (ECBS). These deposits earn interest, and correspond to 2% of the deposits and debt securities with terms of up to two years, except for deposits and debt securities of entities subject to the minimum cash reserve requirements of the ECBS.

The funds deposited at central banks by Caixa and the Group banks at 31 December 2006 and 2005, complied with the minimum limits defined by the regulations in force in the countries in which they operate.

5. Cash Balances at Other Credit Institutions

This heading comprises the following:

	2006	2005
Cheques for collection		
Portugal	393 719	309 662
Abroad	22 815	25 456
	416 534	**335 118**
Demand deposits		
Portugal	88 628	148 861
Abroad	173 818	122 466
	262 446	**271 327**
Accrued interest	2	-
	262 448	**271 327**
	678 982	**606 445**

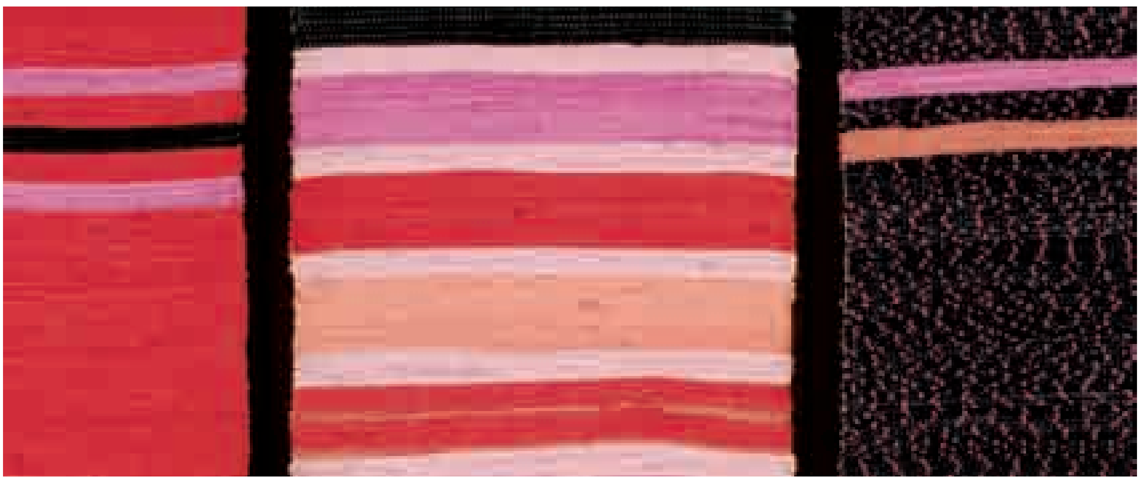
"Cheques for collection" correspond to cheques of customers of other banks sent for settlement. These amounts are collected on the first days of the subsequent year.

6. Loans and Advances to Credit Institutions

This heading comprises the following:

	2006	2005
Interbank Money Market	**138 000**	**848 875**
Term deposits		
Portugal	92 956	142 695
Abroad	5 780 540	4 113 958
Loans		
Portugal	607 150	270 415
Abroad	997 094	595 741
Other applications		
Portugal	244 635	28.713
Abroad	379 629	3 169 607
Purchase operations with resale agreement	186 495	66 027
	8 426 499	**9 236 031**
Accrued interest	34 757	19 152
Overdue interest pending settlement	1	1 554
Deferred income	(454)	(1 146)
	8 460 803	**9 255 591**
Impairment	(2 355)	(890)
	8 458 448	**9 254 701**

The changes in impairment of loans and advances to credit institutions in 2006 and 2005 are presented in Note 39.



7. Financial Assets at Fair Value Through Profit or Loss

These headings comprise the following:

	2006			2005		
	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	523 074	1 235	524 309	408 970	-	408 970
. Treasury bills	22 473	15 454	37 927	94 681	106 410	201 091
. Bonds of other public issuers:						
Domestic	2 768	17 351	20 119	3 042	17 323	20 365
Foreign	1 107 270	10 849	1 118 119	1 589 885	46 057	1 635 942
- Issued by international financial organisations	142 530	92 411	234 941	86 037	9 010	95 047
- Other issuers:						
. Bonds and other securities:						
Issued by residents	287 322	884 227	1 171 549	321 732	1 450 845	1 772 577
Issued by non-residents	2 298 597	1 095 418	3 394 015	1 469 144	975 879	2 445 023
	4 384 034	**2 116 945**	**6 500 979**	**3 973 491**	**2 605 524**	**6 579 015**
Equity instruments						
Issued by residents	60 170	47 660	107 830	7 455	217	7 672
Issued by non-residents	58 694	14	58 708	55 531	3 268	58 799
	118 864	**47 674**	**166 538**	**62 986**	**3 485**	**66 471**
Other financial instruments						
- Trust fund units						
Issued by residents	388 719	407 023	795 742	180 269	366 365	546 634
Issued by non-residents	6 243	-	6 243	21 965	-	21 965
- Other						
Issued by residents	-	2 500	2 500	-	-	-
Issued by non-residents	-	7 224	7 224	-	11 342	11 342
	394 962	**416 747**	**811 709**	**202 234**	**377 707**	**579 941**
Loans and receivables	**12 397**	**-**	**12 397**	**17 322**	**-**	**17 322**
Derivatives with positive fair value (Note 10)						
- Swaps	298 452	-	298 452	325 582	-	325 582
- Futures and other forward operations	7 198	-	7 198	9 146	-	9 146
- Options	38 845	-	38 845	16 412	-	16 412
- Caps and floors	6 838	-	6 838	844	-	844
	351 333	**-**	**351 333**	**351 984**	**-**	**351 984**
	5 261 590	**2 581 366**	**7 842 956**	**4 608 017**	**2 986 716**	**7 594 733**

Financial assets held for trading and other financial assets at fair value through profit or loss at 31 December 2006 and 2005 include participating units in investment funds managed by Group entities, in the amounts of EUR 783 190 thousand and EUR 501 430 thousand, respectively.

The heading "Debt instruments" at 31 December 2006 and 2005 includes securities with a book value of EUR 1 623 453 thousand and EUR 1 580 813 thousand, respectively, given as collateral to several entities. In Note 23 these securities are reflected at their nominal value.

The caption "Bonds and other securities issued by non residents" at 31 December 2005 includes bonds issued by a company with head office in Luxembourg in the net amount of EUR 71 192 thousand. Losses recorded on these bonds in 2005 amounted to EUR 32 828 thousand. These bonds were sold in March 2006 for 102 000 000 US Dollars (EUR 86 463 thousand at the exchange rate in force on 31 December 2005) resulting in a gain of EUR 13 833 thousand in the year.

8. Available-for-Sale Financial Assets

This heading comprises the following:

	2006	2005
Debt instruments:		
Public debt	198 902	538 325
Other public issuers	3 157 141	4 115 317
International financial organisations	180 040	15 157
Other issuers	5 215 545	3 623 275
Interest receivable	413 494	-
	9 165 122	**8 292 074**
Equity instruments:		
Measured at fair value	2 551 245	1 935 469
Measured at historical cost	60 704	199 007
	2 611 949	**2 134 476**
Other instruments	654 937	677 910
	12 432 008	**11 104 460**

The "Other instruments" heading at 31 December 2006 and 2005 included participating units in funds managed by Group entities in the amounts of EUR 453 055 thousand and EUR 388 069 thousand, respectively.

The Equity instruments heading includes the following investments:

	2006						
	Banking	Insurance	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net	Effective participating interest (%)
Measured at fair value							
EDP – Energias de Portugal, SA	670 549	23 021	-	693 570	-	693 570	4.94
Portugal Telecom, SA	508 794	57 686	-	566 480	-	566 480	5.10
Banco Comercial Português, SA	401 846	41 739	-	443 585	(220 867)	222 718	2.20
Instituto Nacional de Habitação	91 288	-	-	91 288	-	91 288	52.49
Cimpor, SGPS, SA	83 731	2 594	-	86 325	-	86 325	2.04
Galp Energia, SGPS, SA	57 550	14 765	-	72 315	-	72 315	1.26
La Seda Barcelona, SA	-	-	50 429	50 429	-	50 429	5.00
PT Multimédia, SGPS, SA	57 570	4 007	-	61 577	(19 160)	42 417	1.41
Euronext N.V.	38 654	-	-	38 654	-	38 654	0.38
SICAV Novenergia 2010	-	-	14 253	14 253	-	14 253	20.06
Finpro, SGPS, SA	-	-	13 658	13 658	-	13 658	17.15
Banif, SGPS, SA	-	9 142	-	9 142	-	9 142	0.69
Sonae, SGPS, SA	-	5 863	-	5 863	-	5 863	0.19
Brisa - Auto-Estradas de Portugal, SA	-	5 197	-	5 197	-	5 197	0.09
Banco BPI, SA	-	3 450	-	3 450	-	3 450	0.08
Foreign entities' shares	786	617 258	4 082	622 126	(2 795)	619 331	
Other	-	14 585	12 952	27 537	(11 382)	16 155	
	1 910 768	**799 307**	**95 374**	**2 805 449**	**(254 204)**	**2 551 245**	
Measured at historical cost							
Fundo Margueira Capital	47 438	-	-	47 438	-	47 438	21.13
VAA - Vista Alegre Atlantis, SA	15 863	-	-	15 863	(15 863)	-	14.07
Other	16 686	1 767	1 155	19 608	(6 342)	13 266	
	79 987	**1 767**	**1 155**	**82 909**	**(22 205)**	**60 704**	
	1 990 755	**801 074**	**96 529**	**2 888 358**	**(276 409)**	**2 611 949**	

	2005						
	Banking	Insurance	Investment banking and venture capital	Value before impairment	Accumulated impairment	Total	Effective participating interest (%)
Measured at fair value							
Portugal Telecom, SA	442 093	44 222	-	486 315	-	486 315	5.04
EDP – Energias de Portugal, SA	454 017	8 744	-	462 761	-	462 761	4.87
Banco Comercial Português, SA	394 455	21 662	-	416 117	(234 535)	181 582	2.31
PT Multimédia, SGPS, SA	57 138	359	-	57 497	(19 160)	38 337	1.29
Cimpor, SGPS, SA	37 200	687	-	37 887	-	37 887	1.21
Euronext N.V.	19 003	-	-	19 003	-	19 003	0.38
Silger, SGPS, SA	-	-	18 606	18 606	-	18 606	15.21
Visabeira, SGPS, SA	-	-	16 500	16 500	-	16 500	4,00
Finpro, SGPS, SA	-	-	13 166	13 166	-	13 166	17.15
Banif, SGPS, SA	-	11 555	-	11 555	-	11 555	1.77
Banco BPI, SA	-	7 823	-	7 823	-	7 823	0.27
Teixeira Duarte - Engenharia e Construções, SA	-	5 499	-	5 499	-	5 499	0.98
SICAV Novenergia 2010	-	-	4 163	4 163	-	4 163	10.11
Sonae, SGPS, SA	-	638	-	638	-	638	0.03
Brisa - Auto-Estradas de Portugal, SA	-	627	-	627	-	627	0.01
Foreign entities' shares	2 453	601 528	-	603 981	-	603 981	
Other	1 555	8 153	37 842	47 550	(20 524)	27 026	
	1 407 914	**711 497**	**90 277**	**2 209 688**	**(274 219)**	**1 935 469**	
Measured at historical cost							
Instituto Nacional de Habitação	120 525	-	-	120 525	-	120 525	52.49
Fundo Margueira Capital	47 438	-	-	47 438	-	47 438	21.13
CGD USA Holding Company Inc.	24 150	-	-	24 150	(2 958)	21 192	51.00
Other	15 016	3	1 083	16 102	(6 250)	9 852	
	207 129	**3**	**1 083**	**208 215**	**(9 208)**	**199 007**	
	1 615 043	**711 500**	**91 360**	**2 417 903**	**(283 427)**	**2 134 476**	

The following criteria were used to prepare the above tables:

- The "Insurance" column includes securities held by Caixa Seguros and Garantia;

- The "Investment banking and venture capital" column includes the securities held by Caixa - Banco de Investimento and the Group's venture capital area, including consolidated venture capital funds (Note 3);

- Securities held by the remaining entities were allocated to "Banking activity".

The changes to the main equity instruments recorded as "Available-for-sale financial assets" in 2006 and 2005 were as follows:

EDP – Energias de Portugal, SA (EDP)

In 2005, CGD sold a block of 179 372 198 non-re-privatised shares to Parpública, for of EUR 408 969 thousand, based on their closing listed price on 31 August 2005. In this operation Caixa realised a gain of EUR 8 969 thousand (Note 33).

In 2006, Caixa acquired 17 750 635 shares for EUR 53 096 thousand, which were subsequently sold for EUR 53 155 thousand. As the shares are valued at weighted average cost, the Group recorded a gain of EUR 13 342 thousand (Note 33).

Banco Comercial Português, SA (BCP)

In 2005, CGD sold 16 000 000 BCP shares for EUR 36 800 thousand, recognising a gain of EUR 8 443 thousand (Note 33).

In July 2006, CGD sold 4 000 000 BCP shares for EUR 10 665 thousand, recognising a gain of EUR 3 585 thousand (Note 33).

Cimpor, SGPS, SA (Cimpor)

On 30 December 2005, CGD acquired 8 000 000 Cimpor shares at a cost of EUR 36 800 thousand. During 2006, CGD increased its position in the company's shareholder core acquiring 5 311 824 shares for a total amount of EUR 27 821 thousand. The Group's equity participation in Cimpor's share capital was, by the end of the year, 2.04%.

Galp Energia, SGPS, SA (Galp)

On 28 March 2006, CGD acquired 1 658 502 shares representing 1% of Galp 's share capital for EUR 50 752 thousand. On 3 August 2006 Galp made a stock split in the proportion of 5 new shares of EUR 1 each, for each share previously held. As a result of this operation, Caixa held 8 292 510 shares of Galp at 31 December 2006.

Unibanco – União de Bancos Brasileiros ("Unibanco") and Unibanco Holdings

In September 2005, Caixa Brasil sold its investments in Unibanco and Unibanco Holdings. For this purpose shares held by Caixa Brasil were converted into 86 149 216 Units, comprising one preference share of Unibanco Holdings and one preference share of Unibanco.

The sale was made in two instalments:

1) Base offer corresponding to 74 912 362 Units;

2) Green shoe offer corresponding to an option given to the banks coordinating the offer to acquire, within a period of 30 days, a supplementary lot of 11 236 854 Units, under the same conditions and price as the Units initially offered in the base offer.

The Public Sales Offer was registered on 14 September 2005. The Green shoe offer was exercised on 20 September, financial settlement being completed on 23 September 2005.

The final total amount of the Units offered was US Dollars 758 147 491. The amount of the sale, net of charges and expenses, was as follows:

Amount of the sale (gross)	617 252
Fees and commissions	(12 345)
Other	(1 586)
Total	**603 321**
Acquisition cost	**(419 398)**
Capital gain (Note 33))	183 923

Income tax of EUR 38 510 thousand on the capital gain was withheld in Brazil.

VAA – Vista Alegre Atlantis, SGPS, SA (Vista Alegre)

On 3 February 2006 a contract for the restructuring of Vista Alegre's financial debt was signed, which was amended on 21 April 2006. Under the terms of this contract, Vista Alegre's share capital saw an increase to EUR 29 008 thousand through the issuance of 59 091 735 shares, CGD having subscribed 20 394 740 shares for the total amount of EUR 4 080 thousand, through the conversion of the company's loans.

In addition, loans in the amount of EUR 11 783 thousand were converted into supplementary capital contributions. The referred to capital contributions do not earn interest and can only be repaid if, after repayment thereof, Vista Alegre's shareholders' equity does not became less than the sum of share capital and legal reserve.

CGD recorded an impairment loss of EUR 15 863 thousand (Note 39) corresponding to the total amount of the shares and supplementary capital contributions received from this operation, thus offsetting the impairment previously recorded for converted loans.

CGD USA Holding Company (CGD USA)

On 3 March 2006, CGD Group sold its 51% participation interest in CGD USA Holding Company, Inc. which, in turn, held all share capital of Crown Bank, N.A.. This sale price was USD 25 000 000, USD 7 000 000 having been received at the date of the sale. The remaining USD 18 000 000 will be paid in one year and will earn interest at the 12 month Libor interest rate (EUR 13 645 thousand at the exchange rate in force at 31 December 2006). Received interest at 31 December 2006 amounted to EUR 209 thousand (Note 19). This operation generated a capital gain of EUR 470 thousand (Note 33).

La Seda Barcelona, SA

In 2006, Caixa Capital, Caixa Desenvolvimento and Fundo de Capital de Risco para Investidores Qualificados Grupo CGD – Caixa Capital participated in a capital increase of La Seda Barcelona (listed on the Madrid stock exchange) having acquired 8 400 000 subscription rights for EUR 864 thousand and, subsequently, subscribed for 16 800 000 shares at a price of EUR 1.5 each, totalling EUR 26 064 thousand. Up to the end of 2006 the referred to entities acquired, also on the stock exchange, 4 038 733 shares at a cost of EUR 8 095 thousand.

Fespect – Serviços de Consultoria, SA (Fespect)

In October 2004, Caixa Capital acquired 21 250 shares in Fespect for EUR 21 thousand. In addition, in December 2004 it participated in a capital increase in that company, having subscribed for 616 250 shares with a nominal value of EUR 1 each, at a cost of EUR 616 thousand.

In December 2005, Caixa Capital sold its investment in Fespect for EUR 6 289 thousand, realising a gain of EUR 5 652 thousand (Note 33).

9. Unit-linked Products

The "Unit-linked investments" correspond to assets managed by the Group's insurance companies whose risk is borne by the policyholders. Therefore these assets are stated at fair value, the liability to the policyholders being reflected in the heading "Liability to subscribers of unit-linked products". Investments recorded in this heading at 31 December 2006 and 2005 comprise the following:

	2006	2005
Debt instruments	636 275	464 164
Equity instruments	5 247	5 628
Other instruments	57 249	12 690
Derivatives	855	1 468
Loans and advances to credit institutions	148 775	185 272
	848 401	**669 222**
Liability to subscribers of unit-linked products	**847 369**	**669 222**

10. Derivatives

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

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

At 31 December 2006 and 2005 these operations were valued in accordance with the criteria explained in Note 2.7. c). The notional and book values of these operations on the above mentioned dates were as follows:

	2006							
	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	-	-	-	3 852	(2 434)	-	-	1 418
Purchase	32 181	190	32 371	-	-	-	-	-
Sale	149 023	184	149 207	-	-	-	-	-
NDF's (No Deliverable Forward)	-	-	-	1 127	(1 281)	-	-	(154)
Purchase	87 764	-	87 764	-	-	-	-	-
Sale	87 708	-	87 708	-	-	-	-	-
FRA (Forward Rate Agreements)	805 800	-	805 800	269	(279)	-	-	(10)
Swaps								
Currency swaps	-	-	-	28 957	(83 888)	-	-	(54 931)
Purchase	5 819 161	-	5 819 161	-	-	-	-	-
Sale	5 866 984	-	5 866 984	-	-	-	-	-
Interest rate swaps and cross currency								
Interest rate swaps	-	-	-	255 188	(258 072)	108 190	(626 163)	(520 857)
Purchase	36 525 966	5 908 702	42 434 668	-	-	-	-	-
Sale	36 503 887	5 994 621	42 498 508	-	-	-	-	-
Loan swaps	-	-	-	5 494	(955)	-	-	4 539
Purchase	700 228	-	700 228	-	-	-	-	-
Sale	700 228	-	700 228	-	-	-	-	-
Shares and indexes	-	-	-	8 813	-	-	-	8 813
Purchase	20 764	-	20 764	-	-	-	-	-
Sale	20 764	-	20 764	-	-	-	-	-
Futures								
Currency	-	-	-	-	-	-	-	-
Long positions	16 507	-	16 507	-	-	-	-	-
Spot positions	-	-	-	-	-	-	-	-
Interest rate	-	-	-	913	-	-	-	913
Long positions	(16 856)	-	(16 856)	-	-	-	-	-
Spot positions	882 102	-	882 102	-	-	-	-	-
Shares and indexes	-	-	-	-	(99)	-	-	(99)
Long positions	288 578	-	288 578	-	-	-	-	-
Spot positions	39 669	-	39 669	-	-	-	-	-
Other								
. Traded on behalf of customers	-	-	-	-	-	-	-	-
Long positions	30 061	-	30 061	-	-	-	-	-
Spot positions	38 340	-	38 340	-	-	-	-	-
Options								
Currency	-	-	-	6 396	(4 560)	-	-	1 836
Purchase	340 889	-	340 889	-	-	-	-	-
Sale	342 983	-	342 983	-	-	-	-	-
Shares and indexes	-	-	-	32 449	(67 573)	-	-	(35 124)
Purchase	353 706	-	353 706	-	-	-	-	-
Sale	236 277	-	236 277	-	-	-	-	-
Interest rate (Caps & Floors)	-	-	-	6 838	(6 839)	-	-	(1)
Purchase	1 091 061	-	1 091 061	-	-	-	-	-
Sale	974 338	-	974 338	-	-	-	-	-
Other	-	-	-	1 037	(5 126)	-	-	(4 089)
	91 938 113	**11 903 697**	**103 841 810**	**351 333**	**(431 106)**	**108 190**	**(626 163)**	**(597 746)**

The heading "Liabilities held for trading" at 31 December 2006, includes EUR 158 798 thousand relating to the short selling of fixed interest securities.

	2005							
	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	-	-	-	8 961	(14)	-	-	8 947
Purchase	301 178	-	301 178	-	-	-	-	-
Sale	438 688	-	438 688	-	-	-	-	-
FRA (Forward Rate Agreements)	5 800	-	5 800	-	(36)	-	-	(36)
Swaps								
Currency swaps	-	-	-	85 713	(11 144)	-	-	74 569
Purchase	4 239 790	-	4 239 790	-	-	-	-	-
Sale	4 168 106	-	4 168 106	-	-	-	-	-
Interest rate swaps and cross currency interest rate swaps	-	-	-	239 830	(304 631)	199 186	(414 529)	(280 144)
Purchase	25 188 508	5 157 029	30 345 537	-	-	-	-	-
Sale	24 914 115	5 121 311	30 035 426	-	-	-	-	-
Loan swaps	-	-	-	39	(77)	-	-	(38)
Purchase	67 126	-	67 126	-	-	-	-	-
Sale	67 126	-	67 126	-	-	-	-	-
Futures								
Interest rate	-	-	-	185	(46)	-	-	139
Long positions	10 872	-	10 872	-	-	-	-	-
Spot positions	1 632 377	-	1 632 377	-	-	-	-	-
Shares and indexes	-	-	-	-	-	-	-	-
. Traded on behalf of customers								
Spot positions	15 433	-	15 433	-	-	-	-	-
. Other								
Long positions	6 547	-	6 547	-	-	-	-	-
Spot positions	7 111	-	7 111	-	-	-	-	-
Options								
Currency	-	-	-	2 264	(1 209)	-	-	1 055
Purchase	294 450	-	294 450	-	-	-	-	-
Sale	165 846	-	165 846	-	-	-	-	-
Shares and Indexes	-	-	-	14 148	(34 090)	-	-	(19 942)
Purchase	158 087	-	158 087	-	-	-	-	-
Sale	164 435	-	164 435	-	-	-	-	-
Interest rate (Caps & Floors)	-	-	-	844	(410)	-	-	434
Purchase	334 010	-	334 010	-	-	-	-	-
Sale	592 560	-	592 560	-	-	-	-	-
Other	-	-	-	-	(1 291)	-	-	(1 291)
	62 772 165	**10 278 340**	**73 050 505**	**351 984**	**(352 948)**	**199 186**	**(414 529)**	**(216 307)**

The Group's derivative transactions at 31 December 2006 and 2005, by residual terms to maturity, are as follows:

	2006					
	⩽ 3 months	> 3 months ⩽ 6 months	> 6 months ⩽1year	> 1year ⩽ 5 years	> 5 years	Total
Forward foreign exchange transactions						
Foreign exchange						
Purchase	9 079	1 052	1 109	21 131	-	32 371
Sale	9 441	1 177	137 398	1 191	-	149 207
NDF's (No Deliverable Forward)						
Purchase	87 764	-	-	-	-	87 764
Sale	87 708	-	-	-	-	87 708
FRA (Forward Rate Agreements)	-	200 000	200 000	405 800	-	805 800
Swaps						
Currency swaps						
Purchase	4 878 350	701 509	239 302	-	-	5 819 161
Sale	4 917 765	707 257	241 962	-	-	5 866 984
Interest rate swaps and cross currency Interest rate swaps						
Purchase	9 803 388	2 679 781	3 914 571	19 089 938	6 946 990	42 434 668
Sale	9 740 017	2 690 022	3 914 610	19 161 348	6 992 511	42 498 508
Loan swaps						
Purchase	-	-	-	361 245	338 983	700 228
Sale	-	-	-	361 245	338 983	700 228
Shares and indexes						
Purchase	-	-	-	20 764	-	20 764
Sale	-	-	-	20 764	-	20 764
Futures						
Currency						
Long positions	-	16 507	-	-	-	16 507
Spot positions	-	-	-	-	-	-
Interest rate						
Long positions	(16 856)	-	-	-	-	(16 856)
Spot positions	633 958	84 684	163 460	-	-	882 102
Shares and indexes						
Long positions	288 578	-	-	-	-	288 578
Spot positions	9 359	-	-	30 310	-	39 669
Other						
Traded on behalf of customers						
Long positions	23 207	-	6 854	-	-	30 061
Spot positions	35 256	-	3 084	-	-	38 340
Options (Currency and shares and indexes)						
Purchase	117 144	103 889	180 811	286 437	6 314	694 595
Sale	143 522	116 815	166 230	152 693	-	579 260
Caps & Floors						
Purchase	-	6 983	39 835	653 543	390 700	1 091 061
Sale	-	56 984	51 870	483 549	381 935	974 338
	30 767 680	**7 366 660**	**9 261 096**	**41 049 958**	**15 396 416**	**103 841 810**

	2005					
	⩽ 3 months	> 3 months ⩽ 6 months	> 3 months ⩽ 6 months	> 1year ⩽ 5 years	> 5 anos	Total
Forward foreign exchange transactions						
Foreign exchange						
Purchase	293 924	3 836	3 418	-	-	301 178
Sale	431 723	3 760	3 205	-	-	438 688
FRA (Forward Rate Agreements)	-	-	-	5 800	-	5 800
Swaps						
Currency swaps						
Purchase	374 861	2 951	3 051 140	810 838	-	4 239 790
Sale	368 523	2 901	2 999 553	797 129	-	4 168 106
Interest rate swaps and cross currency interest rate swaps						
Purchase	4 353 443	2 678 849	4 626 932	13 942 313	4 744 000	30 345 537
Sale	4 308 953	2 651 473	4 579 648	13 799 832	4 695 520	30 035 426
Loan swaps						
Purchase	-	-	-	67 126	-	67 126
Sale	-	-	-	67 126	-	67 126
Futures						
Interest rate						
Long positions	10 872	-	-	-	-	10 872
Spot positions	1 279 377	36 000	86 000	231 000	-	1 632 377
Shares and indexes						
. Traded on behalf of customers	15 433	-	-	-	-	15 433
. Other						
Long positions	6 547	-	-	-	-	6 547
Spot positions	3 787	3 324	-	-	-	7 111
Options (Currency and shares and indexes)						
Purchase	30 000	113 820	238 307	64 049	6 361	452 537
Sale	45 000	111 461	88 361	85 459	-	330 281
Caps & Floors						
Purchase	-	-	10 000	252 560	71 450	334 010
Sale	100 000	105 000	45 000	342 560	-	592 560
	11 622 443	**5 713 375**	**15 731 564**	**30 465 792**	**9 517 331**	**73 050 505**

The Group's derivative transactions at 31 December 2006 and 2005, by type of counterparty, are as follows:

	2006		2005	
	Notional Value	Book Value	Notional Value	Book Value
Forward foreign exchange transactions				
Foreign exchange				
Financial institutions	494	(2 372)	514 586	5 366
Customers	181 084	3 790	225 280	3 581
	181 578	**1 418**	**739 866**	**8 947**
NDF's (Non Deliverable Forward)				
Financial institutions	85 254	(1 281)	-	-
Customers	90 218	1 127	-	-
	175 472	**(154)**	**-**	**-**
FRA (Forward Rate Agreements)				
Financial institutions	805 800	(10)	5 800	(36)
Swaps				
Currency swaps				
Financial institutions	11 680 185	(54 747)	8 407 896	74 569
Customers	5 960	(184)	-	-
	11 686 145	**(54 931)**	**8 407 896**	**74 569**
Interest rate swaps and cross currency interest rate swaps				
Financial institutions	82 741 334	(532 114)	59 729 277	(315 407)
Customers	2 191 842	11 257	651 686	35 263
	84 933 176	**(520 857)**	**60 380 963**	**(280 144)**
Loans swaps				
Financial institutions	1 400 456	4 539	134 252	(38)
Shares and indexes				
Financial institutions	41 528	8 813	-	-
Futures				
Currency				
Financial institutions	16 507	-	1 643 249	139
Interest rate				
Financial institutions	11 500	-	-	-
Stock exchange	853 746	913	-	-
	865 246	**913**	**-**	**-**
Shares and indexes				
Stock exchange	326 536	(99)	13 658	-
Customers	1 711	-	15 433	-
	328 247	**(99)**	**29 091**	**-**
Other				
Stock exchange	68 401	-	-	-
Options (Shares and indexes)				
Financial institutions	930 461	24 288	780 835	(4 238)
Customers	308 794	(57 839)	1 983	(14 649)
Stock exchange	34 600	263	-	-
	1 273 855	**(33 288)**	**782 818**	**(18 887)**
Caps & Floors				
Financial institutions	1 309 296	(2 497)	610 494	(55)
Customers	756 103	2 496	316 076	489
	2 065 399	**(1)**	**926 570**	**434**
Other				
Financial institutions	-	(4 089)	-	(1 291)
	103 841 810	**(597 746)**	**73 050 505**	**(216 307)**

11. Loans and Advances to Customers

This heading comprises the following:

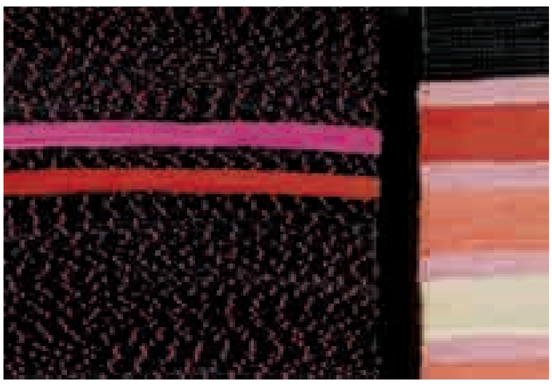
	2006	2005
Domestic and foreign loans		
Loans	42.556 807	38 865 345
Current account loans	3 317 286	4 167 700
Other	6 139 068	3 840 580
Other loans and amounts receivable - Commercial Paper	1 082 746	-
Property leasing operations	1 058 123	915 385
Discounts and other loans secured by bills	993 163	772 413
Purchase operations with repurchase agreement	698 093	28 274
Equipment leasing operations	641 593	526 245
Loans taken - factoring	395 996	396 984
Overdrafts	257 825	268 904
Adjustment to assets under hedging operations	1 436	5 647
	57 142 136	**49 787 477**
Accrued interest	480 534	309 372
Deferred income, commissions and other cost and income associated with amortised cost	(61 816)	(14 316)
	57 560 854	**50 082 533**
Overdue loans and interest	1 263 566	1 254 717
	58 824 420	**51 337 250**
Impairment (Note 39)	(1 556 149)	(1 401 319)
	57 268 271	**49 935 931**

The "Domestic and foreign – other loans" heading at 31 December 2006 and 2005 includes EUR 72 543 thousand and EUR 70 259 thousand, respectively, relating to mortgage and personal loans granted by CGD to its employees.

As explained in Note 2.7. a) i), in 2005 commercial paper was recorded in the "Other financial assets at fair value through profit or loss" heading (Note 7), its book value at that date amounting to EUR 1 218 958 thousand.

On 31 December 2006, "Commissions and other costs and income associated with amortised cost" heading includes deferred costs incurred with the taking of loan contracts at 31 December 2005, totalled EUR 28 127 thousand and were recorded in "Other assets" (Note 19). It also includes deferred income relating to commissions and fees charged for setting up loan contracts which, at 31 December 2005, amounted to EUR 103 564 thousand and were recorded in the "Other liabilities" heading (Note 26).

The changes in impairment during 2006 and 2005 are presented in Note 39.



The "Loans" heading at 31 December 2006 and 2005 includes mortgage loans and consumer finance ceded by Caixa in securitisation operations, which were recorded in the balance sheet due to consolidation of the special purpose entities (SPEs) created for those operations. The changes in these loans in 2006 and 2005 were as follows:

	Consumer	Mortgage	Total
Balances at 31 December 2004	**364 672**	**899 161**	**1 263 833**
Sale of new loans	205 280	-	205 280
Payments	(203 479)	(91 084)	(294 563)
Write-offs	(951)	-	(951)
Other	(5)	(120)	(125)
Balances at 31 December 2005	**365 517**	**807 957**	**1 173 474**
Sale of new loans	201 306	-	201 306
Payments	(197 078)	(82 855)	(279 933)
Write-offs	(1 092)	-	(1 092)
Other	(422)	-	(422)
Balances at 31 December 2006	**368 231**	**725 102**	**1 093 333**

These loans serve as collateral for the securities issued by the SPEs in these operations, which amounted to EUR 1 131 803 thousand and EUR 1 216 589 thousand, respectively, at 31 December 2006 and 2005 (Note 22).

The heading "Loans" at 31 December 2006 includes mortgage loans given as collateral in the issue of covered bonds with a book value of EUR 2 418 820 thousand (Note 22).

At 31 December 2006 and 2005 the aging of "Overdue loans and interest", was as follows:

	2006	2005
Up to three months	140 343	135 400
Three to six months	61 505	49 938
Six months to one year	121 659	191 462
One to three years	368 424	353 640
Over three years	571 635	524 277
	1 263 566	**1 254 717**

On 18 May 2006, CGD entered into an assignment of credit agreement under which it sold for EUR 22 935 thousand a number of overdue mortgage loans with a book value (before impairment) of EUR 34 761 thousand. Impairment recorded for these loans in the consolidated accounts, in accordance with the evaluation made as of 31 December 2005, amounted to EUR 12 448 thousand.

Loans and advances to customers at 31 December 2006 and 2005, by business activity, are made up as follows:

	2006								
	Central and local government and State companies			Companies and individuals			Total		
	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total
Companies									
Agriculture, cattle breeding, hunting and forestry	374	-	374	254 538	18 468	273 006	254 912	18 468	273 380
Fishing	20	-	20	70 544	900	71 444	70 564	900	71 464
Mining industries									
Energy products	-	-	-	64 031	320	64 352	64 031	320	64 352
Mining industries except for energy products	1 636	-	1 636	148 773	3 702	152 475	150 409	3 702	154 111
Manufacturing industries									
Food, beverages and tobacco	584	1	586	561 605	8 766	570 370	562 189	8 767	570 956
Textiles	9 645	-	9 645	293 762	16 431	310 193	303 407	16 431	319 838
Leather and by-products	-	-	-	36 052	5 804	41 856	36 052	5 804	41 856
Wood and cork	-	-	-	146 912	4 635	151 546	146 912	4 635	151 546
Pulp, paper, printing and publishing	-	-	-	191 962	2 826	194 788	191 962	2 826	194 788
Coal, oil products and nuclear fuel	19	-	19	73 855	-	73 855	73 874	-	73 874
Chemical products and synthetic or artificial fibres	114	-	114	97 969	1 486	99 455	98 083	1 486	99 569
Rubber and plastic goods	-	-	-	105 811	892	106 703	105 811	892	106 703
Non-metallic mineral products	-	-	-	235 241	4 928	240 169	235 241	4 928	240 169
Basic metallurgy industries and metallic products	25	-	25	229 249	4 204	233 453	229 274	4 204	233 478
Machinery and equipment	1	-	1	154 712	4 411	159 123	154 712	4 411	159 123
Electrical and optical equipment	-	-	-	137 086	6 410	143 496	137 086	6 410	143 496
Transport equipment	1 792	-	1 792	58 059	1 365	59 424	59 851	1 365	61 216
Miscellaneous manufacturing industries	87	-	87	776 190	19 117	795 306	776 277	19 117	795 393
Electricity, water and gas	28 786	4	28 790	1 238 512	3 638	1 242 150	1 267 298	3 642	1 270 940
Building	1 384 101	760	1 384 861	3 442 669	132 364	3 575 032	4 826 770	133 124	4 959 893
Wholesale/retail trade and repair of cars, motorcycles and personal and domestic goods	1 225	-	1 225	2 257 233	60 685	2 317 917	2 258 458	60 685	2 319 143
Restaurants and hotels	322	-	322	540 546	16 357	556 903	540 868	16 357	557 225
Transport, warehousing and communications	65 425	13	65 438	1 204 050	9 024	1 213 074	1 269 474	9 038	1 278 512
Financial activities									
Financial intermediation excluding insurance and pension funds	25	-	25	1 032 499	8 013	1 040 511	1 032 524	8 013	1 040 537
Insurance, pension funds and supplementary social security activities	2 621	-	2 621	16 335	24	16 359	18 956	24	18 980
Other financial intermediation activities	-	-	-	588 350	28	588 378	588 350	28	588 378
Real estate activities, rentals and services provided to companies									
Real estate activities	2 981	-	2 981	2 829 060	49 241	2 878 301	2 832 041	49 241	2 881 282
Other activities	26 232	1	26 233	3 069 830	19 392	3 089 222	3 096 062	19 393	3 115 455
Public administration, defence and mandatory social security contributions	1 824 894	51 832	1 876 726	85 527	1 356	86 884	1 910 422	53 188	1 963 610
Education	592	-	592	111 151	2 563	113 714	111 743	2 563	114 306
Healthcare and welfare	8 274	11 955	20 229	229 951	5 135	235 086	238 226	17 090	255 315
Other activities and social and personal services	37 046	436	37 482	797 266	27 599	824 865	834 312	28 035	862 347
Families with domestic employees	-	-	-	20	-	20	20	-	20
International entities and other institutions	-	-	-	6 518	86	6 603	6 518	86	6 603
	3 396 822	**65 002**	**3 461 825**	**21 085 867**	**440 168**	**21 526 035**	**24 482 689**	**505 171**	**24 987 860**
Individuals									
Housing	-	-	-	30 331 623	670 207	31 001 830	30 331 623	670 207	31 001 830
Other	-	-	-	2 746 541	88 189	2 834 730	2 746 541	88 189	2 834 730
	-	**-**	**-**	**33 078 164**	**758 396**	**33 836 560**	**33 078 164**	**758 396**	**33 836 560**
	3 396 822	**65 002**	**3 461 825**	**54 164 031**	**1 198 564**	**55 362 595**	**57 560 854**	**1 263 566**	**58 824 420**

	2005								
	Central and local government and State companies			Companies and individuals			Total		
	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total
Companies									
Agriculture, cattle breeding, hunting and forestry	3	-	3	226 315	15 565	241 880	226 318	15 565	241 883
Fishing	-	-	-	29 671	319	29 990	29 671	319	29 990
Mining industries									
Energy products	-	-	-	44 519	451	44 970	44 519	451	44 970
Mining industries except for energy products	-	-	-	92 948	2 496	95 444	92 948	2 496	95 444
Manufacturing industries									
Food, beverages and tobacco	168	2	170	423 266	6 301	429 567	423 434	6 303	429 737
Textiles	10 524	-	10 524	278 332	27 085	305 417	288 856	27 085	315 941
Leather and by-products	-	-	-	37 043	4 264	41 307	37 043	4 264	41 307
Wood and cork	-	-	-	159 413	11 486	170 899	159 413	11 486	170 899
Pulp, paper, printing and publishing	266	-	266	176 821	1 771	178 592	177 087	1 771	178 858
Coal, oil products and nuclear fuel	21	-	21	17 220	-	17 220	17 241	-	17 241
Chemical products and synthetic or artificial fibres	7	-	7	104 888	1 062	105 950	104 895	1 062	105 957
Rubber and plastic goods	-	-	-	98 834	1 130	99 964	98 834	1 130	99 964
Non-metalic mineral products	-	-	-	324 163	4 918	329 081	324 163	4 918	329 081
Basic metallurgy industries and metallic products	1 206	-	1 206	242 086	5 992	248 078	243 292	5 992	249 284
Machinery and equipment	1	-	1	101 711	4 400	106 111	101 712	4 400	106 112
Electrical and optical equipment	-	-	-	62 724	305	63 029	62 724	305	63 029
Transport equipment	10 000	-	10 000	189 368	1 045	190 413	199 368	1 045	200 413
Unspecified manufacturing industries	-	-	-	455 326	14 345	469 671	455 326	14 345	469 671
Electricity, water and gas	18 236	-	18 236	644 883	311	645 194	663 119	311	663 430
Building	1 342 604	11 943	1 354 547	3 404 984	75 116	3 480 100	4 747 588	87 059	4 834 647
Wholesale/retail trade and repair of cars, motorcycles and personal and domestic goods	39	23	62	2 009 754	60 449	2 070 203	2 009 793	60 472	2 070 265
Restaurants and hotels	280	-	280	390 541	50 425	440 966	390 821	50 425	441 246
Transport, warehousing and communications	38 767	58	38 825	787 073	10 020	797 093	825 840	10 078	835 918
Financial activities									
Financial intermediation excluding insurance and pension funds	-	-	-	572 819	21 369	594 188	572 819	21 369	594 188
Insurance, pension funds and supplementary social security activities	3 514	-	3 514	4 911	158	5 069	8 425	158	8 583
Other financial intermediation activities	-	-	-	33 664	15	33 679	33 664	15	33 679
Real estate activities, rentals and services provided to companies									
Real estate activities	1 173	-	1 173	2 076 267	36 907	2 113 174	2 077 440	36 907	2 114 347
Other activities	189 921	-	189 921	3 032 806	77 211	3 110 017	3 222 727	77 211	3 299 938
Public administration, defence and mandatory social security contributions	1 452 248	12 946	1 465 194	32 886	37	32 923	1 485 134	12 983	1 498 117
Education	1 330	-	1 330	110 325	10 512	120 837	111 655	10 512	122 167
Healthcare and welfare	3 146	90	3 236	201 277	5 464	206 741	204 423	5 554	209 977
Other activities and social and personal services	31 455	2 628	34 083	804 467	15 174	819 641	835 922	17 802	853 724
Families with domestic employees	-	-	-	332	12	344	332	12	344
International entities and other institutions	-	-	-	197	5	202	197	5	202
	3 104 909	**27 690**	**3 132 599**	**17 171 834**	**466 120**	**17 637 954**	**20 276 743**	**493 810**	**20 770 553**
Individuals									
Housing	-	-	-	27 999 646	669 950	28 669 596	27 999 646	669 950	28 669 596
Other	-	-	-	1 806 144	90 957	1 897 101	1 806 144	90 957	1 897 101
	-	**-**	**-**	**29 805 790**	**760 907**	**30 566 697**	**29 805 790**	**760 907**	**30 566 697**
	3 104 909	**27 690**	**3 132 599**	**46 977 624**	**1 227 027**	**48 204 651**	**50 082 533**	**1 254 717**	**51 337 250**

12. Non-Current Assets and Liabilities Held for Sale

At 31 December 2006 and 2005, these headings comprised the following:

	2006	2005
ASSETS		
Property and equipment	95 582	35 977
Subsidiaries - Nutricafés - Cafés e Restauração, SA	-	66 541
	95 582	**102 518**
Impairment of property and equipment (Note 39)	(17 317)	(9 990)
	78 265	**92 528**
LIABILITIES		
Subsidiaries - Nutricafés - Cafés e Restauração, SA	**-**	**5 541**

The "Non-current assets and liabilities – subsidiaries" headings at 31 December 2005 correspond to the total amount of assets and liabilities of Nutricafés – Cafés e Restauração, SA (Nutricafés), including goodwill arising on the acquisition of that company. These balances were reflected in total in this heading in accordance with IFRS 5, since this subsidiary was acquired with the purpose of sale, and the Group believed that the company would be sold in 2006.

The book values (without fair value adjustments) of the main asset and liabilities of Nutricafés at 31 December 2005 are as follows:

Non-current assets held for sale	
Tangible and intangible assets	37 124
Inventories	2 700
Customers	5 109
Cash	224
Other assets	1 533
	46 690
Goodwill (in relation to book value)	**19 851**
	66 541
Non-current liabilities held for sale	
Trade and other third party liabilities	(2.948)
Other liabilities	(2.593)
	(5 541)
Acquisition cost (Note 3)	**61 000**

The investment in Nutricafés was sold in 2006 having generated a capital gain of EUR 6 808 thousand in relation to its acquisition cost (Note 34).

As explained in Note 2.8, at 31 December 2006 the Group recorded in this heading, property and other assets obtained in the recovery of credit, except for those that do not meet the conditions established in IFRS 5 which are recorded in "Other assets".

The changes in theses assets during 2006 and 2005 were as follows:

	Balance at 31.12.2005			Sales and write-offs	
	Gross value	**Accumulated impairment**	**Adjustments**	**Gross value**	**Accumulated impairment**
Non-current assets held for sale					
Investments in subsidiaries	66 541	-	-	(66 541)	-
Property	33 169	(7 221)	9 822	(11 526)	1 889
Other	2 808	(2 769)	2 312	(3 790)	-
	102 518	**(9 990)**	**12 134**	**(81 857)**	**1 889**
Other assets (Note 19)					
Assets received as payment for loans	155 271	(13 970)	43 507	(29 448)	-
	257 789	**(23 960)**	**55 641**	**(111 305)**	**1 889**

	Balance at 31.12.2004			Sales and write-offs	
	Gross value	**Accumulated impairment**	**Adjustments**	**Gross value**	**Accumulated impairment**
Non-current assets held for sale					
Investments in subsidiaries	-	-	66 541	-	-
Property	24 211	(7 033)	13 816	(7 516)	-
Other	3 775	(2 146)	4 158	(3 535)	-
	27 986	**(9 179)**	**84 515**	**(11 051)**	**-**
Other assets (Note 19)					
Assets received as payment for loans	145 479	(10 618)	9 792	-	-
	173 465	**(19 797)**	**94 307**	**(11 051)**	**-**

Tranfers of tangible assets (Note 14)	Transfers Gross value	Transfers Accumulated impairment	Impairment (Note 39)	Other entries	Balance at 31.12.2006 Gross value	Balance at 31.12.2006 Accumulated impairment (Note 39)
2006						
-	-	-	-	-	-	-
-	61 860	(8 874)	(1 788)	(20)	93 305	(15 994)
-	947	-	1 446	-	2 277	(1 323)
-	**62 807**	**(8 874)**	**(342)**	**(20)**	**95 582**	**(17 317)**
1 322	(63 224)	8 874	(14 987)	(30)	107 398	(20 083)
1 322	**(417)**	**-**	**(15 329)**	**(50)**	**202 980**	**(37 400)**

Tranfers of tangible assets (Note 14)	Impairment (Note 39)	Other entries	Balance at 31.12.2005 Gross value	Balance at 31.12.2005 Accumulated impairment (Note 39)
2005				
-	-	-	66 541	-
2 661	(188)	(3)	33 169	(7 221)
-	(623)	(1 590)	2 808	(2 769)
2 661	**(811)**	**(1 593)**	**102 518**	**(9 990)**
-	(3 352)	-	155 271	(13 970)
2 661	**(4 163)**	**(1 593)**	**257 789**	**(23 960)**

The column "Transfers of assets"in 2006, basically corresponds to transfers made by Caixa. In 2005 these assets were recorded in "Other assets" since all the required information in order to classify them in this item was not available (Note 19).

In 2006 and 2005, net capital gains in non-current assets held for sale, excluding subsidiaries, amounted to EUR 4 432 thousand and EUR 6 070 thousand, respectively (Note 34).

13. Investment Property

The changes in the heading "Investment property" in 2005 and 2006 were as follows:

Balances at 31 December 2004	**247 128**
Acquisition of subsidiaries:	
• Império Bonança	79 725
Acquisitions	6 996
Revaluations	(7 914)
Sales	(15 105)
Transfers and adjustments	655
Exchange differences	2
Balances at 31 December 2005	**311 487**
Acquisitions	27 404
Revaluations	2 588
Sales	(2 158)
Transfers and adjustments	223
Exchange differences	(9)
Balances at 31 December 2006	**339 535**

14. Other Tangible Assets

The changes in this heading in 2006 and 2005 were as follows:

	Balance at 31.12.2005				
	Gross book value	Accumulated depreciation and impairment losses	Acquisition/ (sale) of subsidiaries	Additions	Exchange differences
Premises for own use					
Land	118 915	-	2 364	5 966	(285)
Buildings	931 494	(276 741)	19 278	22 795	(3 656)
Leasehold improvements	82 434	(49 604)	-	7 300	(1 222)
Equipment					
Fittings and office equipment	96 406	(79 224)	(4)	6 126	(183)
Machinery and tools	34 403	(27 042)	549	2 619	(96)
Computer equipment	160 829	(142 344)	(9)	10 256	(668)
Indoor facilities	303 734	(239 476)	-	9 120	(63)
Transport material	9 056	(5 091)	89	1 369	(224)
Safety/security equipment	22 016	(16 967)	-	1 329	(52)
Other equipment	28 425	(18 093)	32 120	2 766	(147)
Assets under finance lease	53 091	(21 853)	-	9 824	-
Other tangible assets	14 605	(10 228)	844	552	-
Tangible assets in progress	18 864	-	3 181	24 246	(167)
	1 874 272	**(886 663)**	**58 412**	**104 268**	**(6 763)**

	Balance at 31.12.2004				
	Gross book value	Accumulated depreciation and impairment losses	Acquisition/ (sale) of subsidiaries	Additions	Exchange differences
Premises for own use					
Land	113 137	-	10 087	641	35
Buildings	902 290	(265 700)	36 493	17 696	1 744
Leasehold improvements	69 828	(41 773)	-	1 678	(308)
Equipment					
Fittings and office equipment	90 827	(72 881)	1 338	5 913	(22)
Machinery and tools	35 302	(26 203)	536	2 245	(3)
Computer equipment	176 585	(166 284)	(105)	17 033	(68)
Indoor facilities	263 186	(207 709)	2 425	9 278	(20)
Transport material	11 552	(7 665)	17	2 059	(34)
Safety/security equipment	24 124	(18 171)	-	866	(13)
Other equipment	24 128	(15 205)	395	3 248	(16)
Assets under finance lease	52 611	(20 046)	12	9 182	10
Other tangible assets	14 730	(8 627)	6	155	5
Tangible assets in progress	32 966	-	262	20 739	169
	1 811 266	**(850 264)**	**51 466**	**90 733**	**1 479**

2006

Transfers	Other transfers and adjustments	Depreciation for the year	Impairment losses reversed in the year (Note 39)	Sales and write-offs	Net book value in 2006
42 430	2 264	-	-	(1 641)	170 013
(40 559)	(924)	(19 905)	(2 789)	(8 711)	620 282
8 161	-	(6 610)	-	(70)	40 389
75	995	(5 416)	-	(143)	18 632
49	949	(2 656)	-	(32)	8 743
1 297	1 918	(11 329)	-	(2 970)	16 980
9 063	2 229	(16 547)	-	(3 376)	64 684
23	97	(1 248)	-	(605)	3 466
-	(30)	(1 697)	-	(272)	4 327
-	(3 521)	(8 560)	-	(31)	32 959
(1 459)	986	(9 099)	-	(1 746)	29 744
-	156	(1 467)	-	(46)	4 416
(19 080)	(2 805)	-	-	(958)	23 281
-	**2 314**	**(84 534)**	**(2 789)**	**(20 601)**	**1 037 916**

2005

Transfers	Other transfers and adjustments	Depreciation for the year	Impairment losses reversed in the year (Note 39)	Sales and write-offs	Net book value in 2005
2 283	(1 154)	-	-	(6 114)	118 915
(1 611)	(3 919)	(17 623)	828	(15 445)	654 753
5 245	4 136	(5 659)	-	(317)	32 830
295	(1 805)	(6 500)	-	17	17 182
(764)	(1 418)	(1 535)	-	(799)	7 361
3 455	4 500	(13 974)	-	(2 657)	18 485
11 596	2 317	(15 212)	-	(1 603)	64 258
78	(348)	(1 331)	-	(363)	3 965
(3)	(11)	(1 741)	-	(2)	5 049
661	(1 149)	(2 070)	-	340	10 332
(598)	(1 959)	(6 854)	-	(1 120)	31 238
(208)	(551)	(1 128)	-	(5)	4 377
(20 429)	(8 278)	-	-	(6 565)	18 864
-	**(9 639)**	**(73 627)**	**828**	**(34 633)**	**987 609**

The changes in "Acquisition/(sale) of subsidiaries" in 2006 reflect, basically, the consolidation of Compal (Note 3). In 2005, these changes correspond essentially to the balances of Império Bonança at the beginning of the year (Note 3).

Accumulated impairment of other tangible assets at 31 December 2006 and 2005 amounted to EUR 18 533 thousand and EUR 16 118 thousand, respectively (Note 39).

In 2006, the column "Other transfers and adjustments" includes EUR 1 322 thousand relating to the reclassification of premises for own use to "Non-current assets held for sale".

15. Intangible Assets

The changes in this heading in 2006 and 2005 were as follows:

	2006									
	Balance at 31.12.2005		Acquisition/ sale of subsidiaries	Additions	Net disposals	Transfers and adjustments	Exchange differences	Amortisation for the year	Impairment losses reversed in the year (Note 39)	Net book value in 2006
	Gross book value	Accumulated amortisation								
Goodwill (Note 3)	149 500	-	-	-	-	1 200	-	-	-	150 700
Value-in-force - Império Bonança (Note 3)	46 386	(3 866)	-	-	-	-	-	(3 866)	-	38 654
Computer software	348 556	(262 804)	(126)	20 045	-	107 689	(343)	(59 151)	6 449	160 315
Other intangible assets	12 744	(12 216)	296 593	3 176	(11 205)	(83)	-	(5 077)	(40 020)	243 912
Intangible assets in progress	120 355	-	1 921	33 911	-	(109 996)	-	-	-	46 191
	677 541	**(278 886)**	**298 388**	**57 132**	**(11 205)**	**(1 190)**	**(343)**	**(68 094)**	**(33 571)**	**639 772**

	2005								
	Balance at 31.12.2004		Acquisition of subsidiaries	Additions	Net disposals	Transfers and adjustments	Exchange differences	Amortisation for the year	Net book value in 2005
	Gross book value	Accumulated amortisation							
Goodwill (Note 3)	-	-	149 500	-	-	-	-	-	149 500
Value-in-force - Império Bonança (Note 3)	-	-	46 386	-	-	-	-	(3 866)	42 520
Computer software	287 086	(201 603)	21 930	15 029	(12 239)	22 556	46	(47 053)	85 752
Other intangible assets	14 617	(13 084)	60	2 143	(3 304)	654	(2)	(556)	528
Intangible assets in progress	96 532	-	-	51 770	-	(27 944)	(3)	-	120 355
	398 235	**(214 687)**	**217 876**	**68 942**	**(15 543)**	**(4 734)**	**41**	**(51 475)**	**398 655**

Intangible assets in progress at 31 December 2006 and 2005 refer essentially to costs incurred with the development of computer software, which had not yet started operating on those dates.

The column "Acquisition of subsidiaries" in 2006, corresponds essentially to the acquisition of Compal (Note 3). In 2005, the balances relate mostly to the acquisition of Império Bonança.

The heading "Other intangible assets" at 31 December 2006 includes a net balance before impairment of EUR 281 143 thousand corresponding to the brands of Compal, of which EUR 265 328 thousand results from the allocation of goodwill arising from the acquisition (Note 3).

At 31 December 2006, accumulated impairment of intangible assets amounted EUR 44 710 thousand (Note 39).

16. Investments in Associates

This heading includes the following:

	2006		2005	
	Effective participating interest (%)	Net book value	Effective participating interest (%)	Net book value
REN - Rede Eléctrica Nacional, SA	20.00	205 286	20.00	184 791
AdP - Águas de Portugal, SA	20.37	94 866	20.37	95 626
SIBS - Sociedade Interbancária de Serviços, SA	21.60	13 522	21.60	13 397
Prado Cartolinas da Lousã, SA	38.14	2 462	38.14	2 768
Prado Karton - Companhia de Cartão, SA	38.14	2 264	38.14	2 536
Banco Internacional de São Tomé e Príncipe, SA	27.00	2 103	27.00	1 532
SCI Imobiliária, SA	42.00	1 584	42.22	2 064
Resortpart, SA	25.00	1 500	-	-
Companhia de Papel do Prado, SA	38.14	1 239	38.14	1 235
Other		3 962		4 317
		328 788		**308 266**
Impairment (Note 39)		(569)		-
		328 219		**308 266**

Financial data of the principal associated companies at 31 December 2006 and 2005 is as follows:

Business sector/Entity	Registered office	2006 Assets	Liabilities	Equity (a)	Net income	Total income
Banking						
Banco Internacional de São Tomé e Príncipe	São Tomé	29 623	21 761	7 862	432	2 769
Property						
SCI Imobiliária	Maputo	3 023	1 438	1 585	(93)	4
Resortpart	Lisbon	230 509	224 508	6 001	(1 999)	-
Other						
AdP - Águas de Portugal, SGPS, SA	Lisbon	n.a.	n.a.	465 624	(5 000)	n.a.
Companhia de Papel do Prado, SA	Tomar	4 478	1 230	3 248	-	4
Prado - Cartolinas da Lousã, SA	Lousã	16 161	9 708	6 453	653	21 579
Prado Karton - Companhia do Cartão, SA	Tomar	16 175	10 240	5 935	(589)	16 526
REN - Rede Eléctrica Nacional, SA	Lisbon	3 969 179	2 929 590	1 031 074	550 051	3 772 096
SIBS - Sociedade Interbancária de Serviços, SA	Lisbon	130 422	66 529	63 893	8 959	124 595

(a) Equity includes net income for the year and excludes minority interest.
n.a. - Not available.

Business sector/Entity	Registered office	2005 Assets	Liabilities	Equity (a)	Net income	Total income
Banking						
Banco Internacional de São Tomé e Príncipe	São Tomé	28 341	22 579	5 762	171	2 336
Property						
SCI Imobiliária	Maputo	3 801	1 738	2 063	(117)	10
Other						
AdP - Águas de Portugal, SGPS, SA	Lisbon	3 924 132	3 320 366	470 624	13 446	578 749
Companhia de Papel do Prado, SA	Tomar	4 693	1 455	3 238	(6)	0
Prado - Cartolinas da Lousã, SA	Lousã	17 171	9 908	7 263	1 534	19 769
Prado Karton - Companhia do Cartão, SA	Tomar	16 226	9 578	6 648	132	17 301
REN - Rede Eléctrica Nacional, SA	Lisbon	2 973 662	2 049 858	923 804	109 970	3 147 159
SIBS - Sociedade Interbancária de Serviços, SA	Lisbon	128 623	66 898	61 725	5 097	113 701

(a) Equity includes net income for the year and excludes minority interest.

Net income of REN – Rede Eléctrica Nacional, SA (REN) for 2006 includes EUR 523 893 thousand relating to the sale of shares of Galp, SGPS, SA. In the second half 2006, Caixa received dividends from REN for the amount of EUR 88 405 thousand.

In 2005, there was a capital increase of EUR 2 000 thousand in Locarent through the issuance of 400 000 new shares with nominal value of EUR 5 each. CGD subscribed for 180 000 shares for EUR 900 thousand.

17. Income Tax

Current tax assets and liabilities at 31 December 2006 and 2005 are made up as follows:

	2006	2005
Current tax assets		
Income tax recoverable	32.487	7 142
Other	275	3 471
	32 762	**10 613**
Current tax liabilities		
Income tax payable	(138 788)	(105 678)
Other	(7)	(6)
	(138 795)	**(105 684)**
Deferred tax assets	547 151	436 869
Deferred tax liabilities	(199 432)	(97 675)
	347 719	**339 194**

The changes in deferred tax in 2006 and 2005 were as follows:

	2006						
		Acquisition/	Change in		Transfer		
	Balance at 31.12.2005	sale of subsidiaries	Equity	Profit or loss	to current asset	Other	Balance at 31.12.2006
Impairment of and adjustments to property and tangible and intangible assets	11 271	-	1 561	(988)	-	249	12 093
Provisions and impairment temporarily not tax deductible	193 323	(33)	(2 064)	21 897	(8 869)	3 992	208 246
Measurement of derivatives	42 017	-	-	33 242	-	-	75 259
Measurement of available-for-sale assets	(47 065)	-	(39 230)	(637)	-	(63)	(86 995)
Measurement of securities	28 796	-	-	(204)	-	-	28 592
Tax loss carry forward	20 101	-	(25)	(13 138)	-	-	6 938
Employee benefits	108 663	-	6	(8 506)	-	10 579	110 742
Commissions	21 451	-	-	(1 661)	-	742	20 532
Legal revaluation of other tangible assets	(8 353)	(30)	-	929	-	-	(7 454)
Pluriannual costs	-	-	-	(3 143)	-	-	(3 143)
Tax loans	-	-	-	2 532	-	-	2 532
Other	(31 010)	-	(4 062)	16 055	-	(606)	(19 623)
	339 194	**(63)**	**(43 814)**	**46 378**	**(8 869)**	**14 893**	**347 719**

The column "Other" includes EUR 16 089 thousand deferred tax of Banco Caixa Geral that at 31 December 2005 was recorded in "Other assets" heading.

	2005							
				Change in				
	Balance at 31.12.2004	Acquisition of subsidiaries	Transition to IAS 39 (Note 44)	Equity	Profit or loss	Transfer to current asset	Other	Balance at 31.12.2005
Impairment of and adjustments to property and tangible and intangible assets	11 211	-	-	-	(648)	2 067	(1 359)	11 271
Provisions and impairment temporarily not tax deductible	88 929	16 165	15 422	-	40 977	33 268	(1 438)	193 323
Measurement of derivatives	20 683	-	(3 163)	-	20 206	3 329	962	42 017
Measurement of available-for-sale assets	-	-	(3 821)	(43 244)	-	-	-	(47 065)
Measurement of securities	48 564	12 721	(36 386)	-	(909)	6 998	(2 192)	28 796
Tax loss carry forward	38 409	28 985	-	-	(47 508)	-	215	20 101
Employee benefits	142 297	606	-	-	(2 754)	(20 615)	(10 871)	108 663
Commissions	3 240	-	21 443	-	(3 118)	-	(114)	21 451
Legal revaluation of other tangible assets	(9 633)	-	-	-	1 065	-	215	(8 353)
Other	(21 651)	10	2 050	(471)	(1 696)	-	(9 252)	(31 010)
	322 049	**58 487**	**(4 455)**	**(43 715)**	**5 615**	**25 047**	**(23 834)**	**339 194**

Income tax for the year, as well as the tax burden measured by the ratio of income tax to pre-tax income, are as follows:

	2006	2005
Current tax		
For the year	173 575	134 140
Prior year adjustments (net)	92 225	(9 530)
	265 800	**124 610**
Deferred tax	**(46 378)**	**(5 615)**
Total income tax	**219 422**	**118 995**
Consolidated income before tax and minority interest	986 742	673 778
Tax charge	22.24%	17.66%

The heading "Prior year adjustments" in 2006 is as follows:

Tax adjustments from 2000 to 2003	148 232
Excess of estimated tax for 2005	(60.627)
Other	4 620
	92 225

In 2005 the heading "Prior year adjustments" includes a gain of EUR 10 829 thousand relating to amounts received by Caixa under claims regarding additional income tax assessments for 1998 and 2002.

In 2006, article 25º of the Tax Benefits Code, which exempted from income tax capital gains generated by State owned companies in certain transactions, was considered by the European Community Commission to be incompatible with the rules of the European Union Treaty and the Common Market. As a result of this resolution, benefits originally granted to CGD as a result of that article, namely tax exemption on capital gains on the sale of the investment in Banco Itaú, SA in the years 2000 to 2003, were subject to adjustment. Caixa was notified of the amount of the adjustments to be made to taxable income for these years.

In December 2006, Caixa paid the tax and the late payments interest in arrears relating to 2002 in the amount of EUR 17 940 thousand. An additional cost of EUR 130 292 thousand made up as follows, was recorded at 31 December 2006 in the "Income tax" heading to face contingencies arising from that resolution:

- the estimated adjustment relating to capital gains obtained in 2003 in the amount of EUR 10 039, was recorded by corresponding entry to the "Income tax payable" heading;

- Caixa believes that tax on capital gains for the years 2000 and 2001 is not payable because the Portuguese legislation establishes that such a liability expires four years, from the year in which the taxable fact occurred. Since there is no resolution upon this matter, Caixa has recorded a provision for other risks and charges of EUR 120 253 thousand (Note 23) to cover this contingency.

At 31 December 2005, Caixa did not recognise deferred tax assets of approximately EUR 156 000 thousand relating to a deduction for negative changes in equity considered in the income tax return for 2004, since at that date it was still waiting for an answer from the tax authorities to a request made regarding deductibility of that amount and there are still doubts regarding this matter. In 2006, as a result of a favourable ruling from the Secretary of State for Tax Affairs, Caixa deducted tax losses carried forward in the income tax return for 2005. Consequently, the excess tax estimated for 2005, in relation to the amount effectively paid, was EUR 60 627 thousand. In addition, Caixa considered remaining tax losses carried forward as a deduction to corporate income tax payable for 2006, which decreased the liability by EUR 82 340 thousand. This decrease was reflected in "Current tax for the year".

Reconciliation between the nominal rate and effective tax rate for 2006 and 2005 is as follows:

	2006		2005	
	Rate	Tax	Rate	Tax
Income before income tax		**986 742**		**673 778**
Tax at the nominal rate	27.12%	267 604	27.12%	182 729
Impact of companies with tax rates different from the nominal rate in Portugal	(0.34%)	(3 330)	(0.84%)	(5 672)
Impact of capital gain on the sale of Unibanco	-	-	(1.39%)	(9 393)
Madeira Offshore Financial Branch (Note 2.13)	(0.48%)	(4 693)	(0.36%)	(2 427)
Investments recorded in accordance with the equity method	(2.99%)	(29 534)	(0.34%)	(2 260)
Definitive differences to be deducted:				
Dividends from available-for-sale equity instruments	(1.78%)	(17 564)	(2.75%)	(18 497)
Tax loss of the corporate groupings	(0.22%)	(2 217)	(0.38%)	(2 561)
Other	(1.60%)	(15 755)	(1.10%)	(7 381)
Definitive differences to be added:				
Non tax deductible provisions	0.80%	7 871	(0.09%)	(620)
Other	1.21%	11 964	1.09%	7 367
Tax benefits:				
New job creation	(0.32%)	(3 196)	(0.41%)	(2 771)
Dividends from privatised shares	(0.76%)	(7 509)	(0.37%)	(2 522)
Other	(0.11%)	(1 073)	(0.29%)	(1 938)
Autonomous taxation	0.10%	993	0.16%	1 100
Deduction of tax losses	(8.44%)	(83 303)	-	-
Change in the tax rate	1.74%	17 151	-	-
Other	(1.03%)	(10 212)	(0.98%)	(6 628)
	12.89%	**127 197**	**19.08%**	**128 525**
Tax adjustments relating to prior years				
Adjustments to the taxable income from 2000 to 2003 (capital gains on the sale of investments)	15.02%	148 232	-	-
Excess of tax estimate relative to 2005	(6.14%)	(60 627)	-	-
Tax repayment relating to 1998 and 2002 - CGD	-	-	(1.61%)	(10 829)
Other	0.47%	4 620	0.19%	1 299
	9.35%	**92 225**	**(1.42%)**	**(9 530)**
	22.24%	**219 422**	**17.66%**	**118 995**

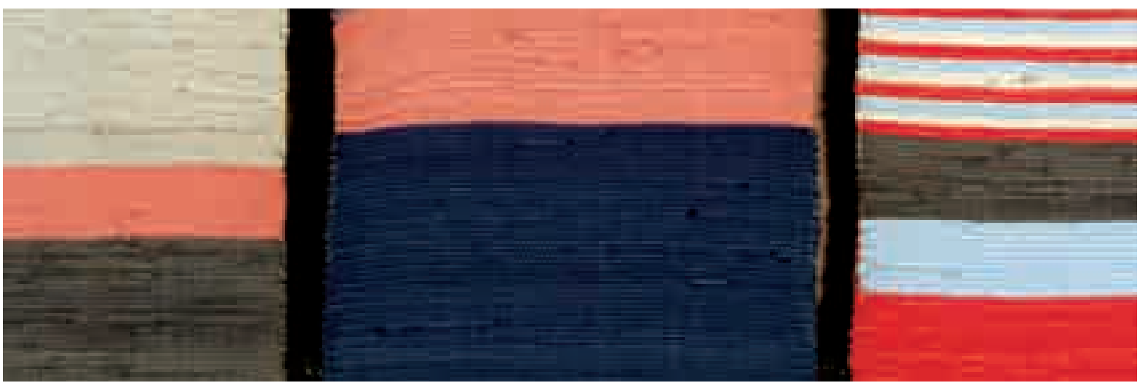
In 2006 and 2005, CGD's nominal tax rate considering the municipal surcharge (derrama) applicable to its operations was 27.12%. Because of the change in the form of calculation of the municipal surcharge following the approval of the new Local Finances Law (effective as from 1 January 2007), the nominal tax rate used by CGD to calculate its deferred assets and liabilities reversible in future years was reduced to 26.12%. As a result of this reduction, CGD recognised in 2006 a cost of EUR 10 194 thousand.

The tax authorities may normally review the tax situation during a defined period, which in Portugal is four years (six years for the years reporting tax losses). This review can result in possible corrections to taxable income of prior years (2003 to 2006 in the case of companies based in Portugal), as a result of different interpretations of the law. Given the nature of possible corrections that may be made, they cannot be quantified at present. However, Caixa's Board of Directors believes that any corrections relating to the above years will not have a significant effect on the consolidated financial statements.

18. Technical Provisions for Outwards Reinsurance

This heading is made up as follows as at 31 December 2006 and 2005:

	2006	2005
Caixa Seguros		
Life insurance:		
Mathematical provision	**4 820**	**3 606**
Provision for claims:		
Reported claims	12 053	7 298
Unreported claims (IBNR)	8 422	6 748
	20 475	**14 046**
Total life insurance	**25 295**	**17 652**
Non-life insurance:		
Provision for unearned premiums	**32 479**	**48 323**
Provision for claims:		
Reported claims	166 520	153 543
Unreported claims (IBNR)	11 476	9 355
	177 996	**162 898**
Other technical provisions		
Provision for ageing	485	485
Total non-life insurance	210 960	211 706
Caixa Seguros sub-total	**236 255**	**229 358**
Other	926	2 570
	237 181	**231 928**



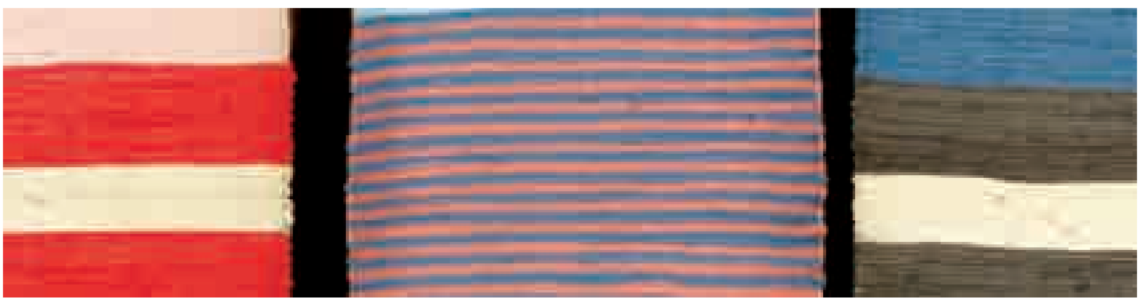
The provision for unearned premiums for outwards reinsurance at 31 December 2006 and 2005 is made up as follows:

	2006			2005		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
Labour accident	33	-	33	6	-	6
Personal and passenger accident	3 441	1	3 442	5 605	(78)	5 527
Health	964	-	964	5 002	-	5 002
Fire and other damage	22 909	(2 930)	19 979	30 923	(2 373)	28 550
Motor	217	-	217	1 817	-	1 817
Marine, air and transport	4 526	8	4 534	5 038	(114)	4 924
General third party liability	2 186	(41)	2 145	1 888	(49)	1 839
Credit and guarantees	62	-	62	588	(21)	567
Legal protection	104	-	104	-	-	-
Assistance	301	-	301	305	-	305
Miscellaneous	896	(198)	698	-	(214)	(214)
	35 639	**(3 160)**	**32 479**	**51 172**	**(2 849)**	**48 323**

The provision for outwards reinsurance claims at 31 December 2006 and 2005 is made up as follows:

	2006			2005		
	Reported	Not reported	Total	Reported	Not reported	Total
Life insurance:	**12 053**	**8 422**	**20 475**	**7 298**	**6 748**	**14 046**
Non-life insurance:						
Labour accident	1 514	38	1 552	2 729	38	2 767
Personal and passenger accident	1 793	301	2 094	4 328	345	4 673
Health	80	21	101	64	21	85
Fire and other damage	69 021	8 295	77 316	71 758	6 195	77 953
Motor	32 454	381	32 835	24 648	530	25 178
Marine, air and transport	38 685	212	38 897	17 318	655	17 973
General third party liability	19 526	1 654	21 180	30 031	1 166	31 197
Credit and guarantees	393	8	401	422	8	430
Legal protection	-	213	213	-	213	213
Miscellaneous	3 054	353	3 407	2 245	184	2 429
	166 520	**11 476**	**177 996**	**153 543**	**9 355**	**162 898**
	178 573	**19 898**	**198 471**	**160 841**	**16 103**	**176 944**

Changes in the technical provisions for outwards reinsurance for 2006 and 2005 are summarised in Note 24.



19. Other Assets

This heading comprises the following:

	2006	2005
Other assets		
Assets received as settlement of defaulting loans	107 398	155 271
Debt certificates of the Territory of Macau	177 515	166 465
Other	34 391	19 604
Debtors and other applications		
Premiums receivable - Insurance	162 515	195 673
Other debtors	543 415	389 917
Central and local government	35 197	11 794
Shareholders' loans	146 213	32 161
Debtors - security operations	24 062	25 156
Debtors - futures contracts	17 163	28 357
CGD USA Holding (Note 8)	13 854	-
Grants receivable from		
The State	25 332	53 174
Other entities	20 351	24 396
Amount receivable from the sale of Barraqueiro	13 962	27 925
Amount receivable from sale of assets received as settlement of defaulting loans	4 383	4 258
Other	976 179	434 180
Liability for pensions and other benefits:		
Excess coverage of liabilities		
Caixa Seguros (Note 37)	3 007	4 363
Actuarial gains and losses:		
CGD (Note 37)	173 948	160 586
Caixa Seguros (Note 37)	12 121	1 180
Other	(973)	(1 912)
Income receivable	37 584	20 825
Deferred costs		
Rent	4 308	3 355
Underwriting cost on loan contracts	-	28 127
Other	35 189	23 696
Deferred income	(580)	(3 319)
Asset operations pending settlement	739 510	693 443
Others	55	913
	3 306 099	**2 499 588**
Impairment		
Assets received as payment (Notes 12 and 39)	(20 083)	(13 970)
Other assets (Note 39)	(161 690)	(155 847)
	(181 773)	**(169 817)**
	3 124 326	**2 329 771**

The changes in impairment of debtors and other applications in 2006 and 2005 are presented in Note 39.

The amounts recorded in the "Assets received as settlement of defaulting loans" heading correspond mainly to property and equipment received in payment of defaulting loans granted. Impairment corresponds to the estimated loss on the sale of these assets (including the costs to be incurred up to the respective sale). Assets received as settlement of defaulting loans in which the sale is highly probable and are available for immediate sale, are classified in the "Non-current assets held for sale" heading (Note 12).

Under the terms of the contract to issue notes entered into between Banco Nacional Ultramarino, SA (Macau) and the Territory of Macau, the bank has undertaken to provide the Territory with foreign currency corresponding to the countervalue of the notes in circulation, and in return, receives a promissory note for an equivalent amount to cover the liability resulting from the currency issue (Note 26). The amounts to be provided by BNU to the Territory are reconciled on a monthly basis during the first fifteen days of each month, based on the average daily balance of the preceding month. The promissory note of the Macau Government at 31 December 2006 and 2005 amounted to EUR 177 515 thousand and EUR 166 465 thousand, respectively. No interest is received on the promissory note, remuneration for the functions entrusted to Banco Nacional Ultramarino, SA (Macau) being obtained by means of a permanent non interest-bearing deposit.

The amount receivable from the sale of Barraqueiro results from the sale by Caixa Desenvolvimento, in 2002, of its investment in Barraqueiro, SGPS, SA. Under the terms of the contract signed on 27 June 2002 the sale price plus supplementary capital contributions granted totalled EUR 50 856 thousand, of which EUR 22 931 thousand was received immediately and EUR 27 925 thousand was receivable in three equal instalments on 31 December 2003, 2004 and 2005, which did not occur as payment was deferred. However the respective interest has been paid. In February 2006 an additional amendment to the initial contract was signed. Caixa Desenvolvimento received 50% of the outstanding principal. The remaining part will be paid in four increasing instalments up to 30 June 2010.

At 31 December 2006 shareholders' loans granted were made up as follows:

Locarent – Companhia Portuguesa de Aluguer de Viaturas	90 000
Resortpart, SA (Note 3)	28 000
Other	28 213
	146 213

In 2006 costs incurred to obtain on loan contracts started being recorded in the "Loans and advances to customers" heading (Note 11).

20. Resources of Central Banks and Other Credit Institutions

This heading comprises the following:

	2006	2005
Resources of central banks		
Deposits and other resources		
Of domestic credit institutions	387	377
Of foreign credit institutions	16 764	14 983
Very short term resources		
Of foreign credit institutions	-	848
Loans		
From foreign credit institutions	136 301	67 020
Other resources	85	248
Accrued interest	213	56
	153 750	**83 532**
Resources of other credit institutions		
Deposits and other resources		
Of domestic credit institutions	377 227	842 651
Of foreign credit institutions	2 293 681	2 233 156
Interbank Money Market resources	475 000	47 636
Very short term resources		
Of domestic credit institutions	159 051	52 576
Of foreign credit institutions	1 358 086	569 831
Loans		
From domestic credit institutions	112 901	93 737
From foreign credit institutions	493 649	419 576
Sales operations with repurchase agreement	-	10 210
Resources of international financial entities	49 307	8 731
Accrued interest	31 144	24 227
	5 350 046	**4 302 331**
	5 503 796	**4 385 863**

21. Customer Resources

This heading comprises the following:

	2006	2005
Savings deposits	**8 218 914**	**8 614 529**
Other debts		
Repayable on demand	**18 225 740**	**17 233 193**
Term		
Deposits	23 672 022	20 686 407
Fixed rate products - Insurance	2 183 915	2 205 213
Mandatory deposits	833 100	847 962
Other resources:		
Cheques and orders payable	300.802	106 989
Sales operations with repurchase agreement	25 947	62 706
Loans	60 123	20 617
Other	36 958	190 521
	27 112 867	**24 120 415**
Accrued interest	220 356	191 346
Deferred costs net of deferred income	2 061	(1 835)
Adjustments to liabilities under hedging operations	(4 764)	4 315
Commissions associated with amortised cost	(7 338)	-
	53 767 836	**50 161 963**

The "Fixed rate products – insurance" heading corresponds to life insurance products classified as investment contracts (Note 2.16.) which, in a similar way to the customer deposits in the banking activity, are recorded in accordance with IAS 39.

22. Debt Securities

This heading comprises:

	2006	2005
Bonds issued:		
Bonds issued under the EMTN Program		
Remuneration indexed to interest rates	3 143 190	2 863 210
Fixed interest rate	339 892	371 946
Remuneration indexed to shares/indexes	1 739 285	1 582 631
Remuneration indexed to exchange rates	321 073	435 677
	5 543 440	**5 253 464**
Cash-Bonds - Zero Coupon		
Remuneration indexed to shares/indexes	85 633	105 609
Remuneration indexed to interest rates	-	44 758
Other cash bonds		
Remuneration indexed to interest rates	140 994	395 124
Remuneration indexed to shares/indexes	114 858	146 724
Fixed interest rate		
Mortgage bonds	1 997 365	-
Increasing interest rate products	684 705	684 705
Other	133 499	166 487
	8 700 494	**6 796 871**
Other:		
Issues under the Euro Commercial Paper and Certificate Commercial Paper Programme		
Commercial Paper	2 565 295	1 945 440
Deposit Certificates	518 497	1 193 084
	3 083 792	**3 138 524**
Issues under the US Commercial Paper Programme		
Commercial Paper	460 956	380 442
Other deposit certificates in:		
South African Rands	122 027	130 570
US Dollars	279 802	122 913
Mozambican Meticais	10 451	4 312
Securities issued under securitisation operations (Note 11):		
Mortgage loans	731 858	816 650
Consumer credit	399 945	399 939
Other liabilities	1 001	1 372
	5 089 832	**4 994 722**
Adjustments to liabilities under hedging operations	(484 704)	(198 127)
Deferred expenses, net of income	(76 758)	(55 475)
Accrued interest	131 480	114 046
	13 360 344	**11 652 037**

At 31 December 2006 and 2005, debt securities issued under the Euro Commercial Paper and Certificate Commercial Paper programmes were in the following foreign currencies:

	2006	2005
Euros	1 768 000	1 802 500
US dollars	798 026	903 196
Pounds	396 873	418 795
Swiss francs	113 262	-
Canadian dollars	5 235	10 929
Australian dollars	2 396	3 104
	3 083 792	**3 183 524**

To diversify its funding sources, CGD uses to the following specific programmes:

(i) Euro Commercial Paper and Certificate Commercial Paper

Under the "EUR 5 000 000 000 Euro Commercial Paper and Certificate Deposits" programme, CGD (directly or through the France and London Branches) is able to issue deposit certificates (DC) and Notes with maximum maturity of five years and one year, respectively, in Euros, US dollars, Pounds, Japanese yens or any other currency the parties agree to. These issues may bear interest at fixed or variable rates, or be indexed to the performance of indexes or shares.

(ii) US Commercial Paper

Under this programme CGD North America Finance LLC may issue Notes up to a total of two billion US dollars. The Notes have a maximum maturity of one year and a minimum amount of 250 000 US dollars. The Notes may be issued at a discount or at par. All the issues are guaranteed by CGD.

(iii) Euro Medium Term Notes (EMTN)

Under this programme the CGD Group, through CGD (directly or through the France, London and Madeira Branches) and CGD Finance, may issue debt securities up to a maximum of EUR 10 000 000 000. The France Branch guarantees all the issues of CGD Finance.

Bonds may be issued in any currency with minimum maturities of one month and 5 years for subordinated and unsubordinated bonds, respectively. Maximum maturities for these operations are not defined.

These securities may be issued at a discount and bear interest at fixed or variable rates or indexed to the performance of indexes or shares.

(iv) Covered bonds

In November 2006, CGD started a programme for the direct issue of covered bonds up to the maximum amount of EUR 10 000 000 thousand. The bonds are backed by a mortgage loan portfolio that must always comply with the minimum conditions required by the applicable regulation for this kind of assets, namely Decree Law 59/2006, Notices 5, 6, 7 and 8 and Instruction 13 of the Bank of Portugal.

The issues can be made in any currency with a minimum term of 2 years and a maximum term of 50 years. The bonds can be remunerated at fixed or variable interest rates or be indexed to the performance of indexes and shares.

These bonds endow their holders a special credit privilege – over any other creditors – over a portfolio of that is segregated in the balance sheet of the issuing entity and guarantee the liabilities the bond holders having access to it, in case of insolvency.

Assets eligible for the constitution of an autonomous portfolio comprise mortgage bonds for housing or commercial purposes located in a member State of the EU or loans on central governments or regional and local authorities of one of the EU member States, as well as loans with the express and legally binding guarantee of those entities. In the case of mortgage loans, the amount cannot exceed 80% of the mortgaged assets given as collateral in the case of housing property (60% for other property).

In addition and in accordance with the issue conditions defined under the terms of the programme, during the issue course, the following criteria must be complied with:

• The total nominal value of mortgage bonds in circulation cannot exceed 95% of the total value of mortgage loans and other assets related to the bonds;

• The average maturity of the mortgage bonds issued cannot exceed, for all issues, the average life of associated mortgage loans;

• The total amount of accrued interest on the mortgage bonds cannot exceed, for all issues, the amount of interest receivable from the borrowers of mortgage loans related to the bonds;

• The present value of the mortgage bonds cannot exceed the present value of the related assets, the relationship being maintained for parallel shifts of 200 b.p. of the yield curve.

The autonomous portfolio may also include assets in substitution, up to a maximum of 20 % of its value, namely deposits at the Bank of Portugal or eligible securities under the Eurosystem credit operations, among others defined by law.

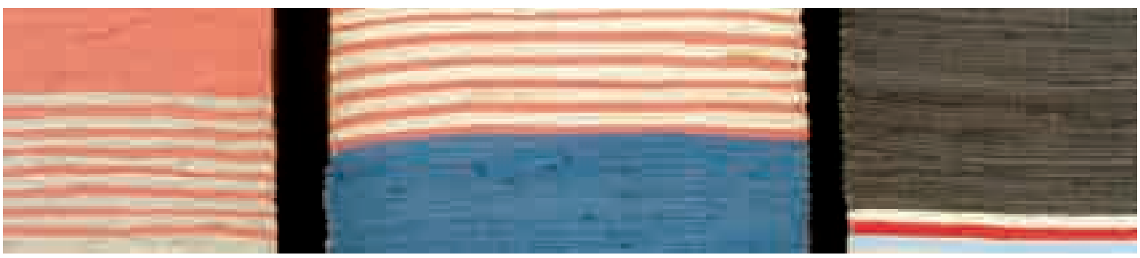
On 6 December 2006, CGD made the first issue of mortgage bonds in the amount of EUR 2 000 000 thousand, with maturity on 6 December 2016. The autonomous portfolio guaranteing the issue is made up exclusively of home loans originated in Portugal and its balance sheet value was EUR 2 418 820 thousand at 31 December 2006 (Note 11).

The covered bonds were listed on the Euronext Lisboa stock exchange and bear interest, paid yearly on 6 December, at a 3.785% fixed interest rate. Moody's awarded these covered bonds an AAA rating.

At 31 December 2006 and 2005 the bonds issued, by type of remuneration and residual term to maturity, were as follows:

	2006					
	EMTN Programme					
	Type of asset or underlying index used to calculate the remuneration					
	Shares/ Indexes	Exchange rate	Interest rate	Subtotal	Other bonds	Total
Up to one year	20 625	-	1 597 453	1 618 078	516 067	2 134 145
One to five years	1 210 982	19 800	1 554 879	2 785 661	643 622	3 429 283
Five to ten years	335 233	5 735	228 382	569 350	1 997 365	2 566 715
Over ten years	172 445	295 538	102 368	570 351	-	570 351
	1 739 285	**321 073**	**3 483 082**	**5 543 440**	**3 157 054**	**8 700 494**

	2005					
	EMTN Programme					
	Type of asset or underlying index used to calculate the remuneration					
	Shares/ Indexes	Exchange rate	Interest rate	Subtotal	Other bonds	Total
Up to one year	62 230	-	214 370	276 600	574 331	850 931
One to five years	559 051	19 800	2 655 183	3 234 034	969 076	4 203 110
Five to ten years	785 472	5 300	263 060	1 053 832	-	1 053 832
Over ten years	175 878	410 577	102 543	688 998	-	688 998
	1 582 631	**435 677**	**3 235 156**	**5 253 464**	**1 543 407**	**6 796 871**



Derivatives have been contracted for the majority of issues under the EMTN Programme under which their amounts in foreign currencies are transformed into Euro and the respective interest is transformed to 3 or 6 month Euribor rates plus or minus a spread.

23. Provisions and Contingent Liabilities

Provisions

The changes in the provisions for employee benefits and provisions for other risks in 2006 and 2005 were as follows:

	2006							
	Balance at 31.12.2005	Acquisition of subsidiaries	Additions	Reversals	Utilisations	Exchange differences	Other	Balances at 31.12.2006
Provision for employee benefits	471 719	-	12 463	(1 195)	(24 906)	(838)	38 627	495 870
Provisions for litigation	12 427	453	18 524	(1 707)	(33)	(74)	-	29 590
Provision for guarantees and other commitments	38 190	-	17 802	(1 800)	-	(13)	4 736	58 915
Provision for other risks and charges	198 576	-	124 516	(62 245)	(8 322)	(1 150)	128 633	380 008
	249 193	**453**	**160 842**	**(65 752)**	**(8 355)**	**(1 237)**	**133 369**	**468 513**
	720 912	**453**	**173 305**	**(66 947)**	**(33 261)**	**(2 075)**	**171 996**	**964 383**

	2005								
	Balance at 31.12.2004	Acquisition subsidiaries	Transition to IAS 39	Additions	Reversals	Utilisations	Exchange differences	Other	Balance at 31.12.2005
Provision for employee benefits	361 838	28 069	-	7 969	(79)	(27 222)	277	100 867	471 719
Provisions for litigation	9 250	-	-	3 018	(52)	(113)	90	234	12 427
Provision for guarantees and other commitments	28 081	-	-	9 412	(192)	(169)	-	1 058	38 190
Provision for other risks and charges	233 036	13 662	(381)	164 717	(120 767)	(100 633)	864	8 078	198 576
	270 367	**13 662**	**(381)**	**177 147**	**(121 011)**	**(100 915)**	**954**	**9 370**	**249 193**
	632 205	**41 731**	**(381)**	**185 116**	**(121 090)**	**(128 137)**	**1 231**	**110 237**	**720 912**

The breakdown and changes in the provision for employee benefits are shown in Note 37.

The provision for litigation corresponds to the best estimate of the Group as to the amounts to be spent on their resolution, based on estimates of the Legal Department and lawyers that accompany the processes.

At 31 December 2006 the heading "Provision for other risks and charges" includes an addition of EUR 120 253 thousand to cover for the possible taxation of capital gains realised on the sale of Caixa's participation in Banco Itaú in 2000 and 2001 which as recorded as against "Income tax" (Note 17).

The heading "Acquisition of subsidiaries" in 2006 reflects, essentially, the acquisition of Compal (Note 3).
In 2005, this heading corresponds essentially to the balances of Império - Bonança, at the beginning of the year (Note 3).

Contingent Liabilities and Commitments

The contingent liabilities relating to the banking activity, which are reflected in off-balance sheet headings, are made up as follows:

	2006	2005
Contingent liabilities		
Guarantees and sureties	3 171 379	3 060 897
Assets given as collateral	2 973 256	2 056 385
Stand by letters of credit	168 475	399 205
Open documentary credits	146 266	99 735
Transactions with recourse	452	1 404
Acceptances and endorsements	778	749
Bonds and indemnities	658	-
Other contingent liabilities	30 736	37.239
	6 492 000	**5 655 614**
Commitments		
Revocable commitments	18 003 215	11 419 596
Securities subscribed for	1 030 827	2 138 083
Other irrevocable commitments	1 577 461	1 573 253
Irrevocable lines of credit	2 226 707	796 378
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	149 146	147 476
Investors' indemnity system	9 601	9 600
Term operations	86 140	92 180
Forward deposit agreements	1 576 079	348 845
Other	122 801	123 099
	24 781 977	**16 648 510**
Deposit and custody of securities	**93 596 081**	**75 424 278**

Assets given as collateral cannot be used freely by the Group in its operations and are recorded at their nominal value. At 31 December 2006 and 2005 these assets corresponded to the following situations:

	2006	2005
Consigned resources		
European Development Bank	1 720 500	802 500
KfW	918 000	918 000
Bank of Portugal	314 537	315 666
Royal Bank of Scotland	15 000	15 000
Investors Indemnity System (futures)	4 450	4 450
Other	769	769
	2 973 256	**2 056 385**

At 31 December 2006 and 2005, assets given as collateral correspond to debt instruments, except for guarantees given to the European Development Bank which include loans granted by Caixa in the amount of EUR 1 610 500 thousand and EUR 692 500 thousand, respectively.

In addition, CGD gave securities in the amount of EUR 178 781 thousand as collateral for term commitments relating to annual contributions to the Deposit Guarantee Fund and Investor Indemnity System.

The Deposit Guarantee Fund (DGF) is to guarantee deposits of customers, in accordance with limits established in the General Regime of Credit Institutions. Regular annual contributions are made for this purpose. The annual contribution to the DGF for 2006 and 2005, in accordance with the applicable regulations, was EUR 11 112 thousand and EUR 14 878 thousand, respectively. Part of this commitment, in the amounts of EUR 1 670 thousand and EUR 4 904 thousand, respectively, was assumed through an irrevocable commitment to pay the contributions when required to do so by the Fund. These amounts are not charged to costs. The total amount the commitments assumed since 1996 is EUR 149 146 thousand and EUR 147 476 thousand, respectively.

Banco Bandeirantes' Contingencies

In 2000, Caixa acquired a participation in Unibanco Holdings, SA and Unibanco - União de Bancos Brasileiros (both referred to as "Unibanco"), in exchange for shares it held in Banco Bandeirantes, SA (Bandeirantes). Under the terms of the Contract of Association, Caixa assumed the liability to pay potential costs arising from contingencies of Banco Bandeirantes, namely those relating to the liquidation of Banco Banorte, SA (Banorte) and tax and other processes. In addition, the contract established that Unibanco could claim, up to December 2006, general contingencies not specifically identified at the transaction date.

Up to 31 December 2004 CGD paid 26 045 thousand Brazilian reais (EUR 8 453 thousand) relating to these matters.

At 31 December 2004, part of the provision for other risks and charges was to cover CGD's estimate of the amounts payable under the terms of the Contract of Association entered into with Unibanco.

In 2005 Caixa signed a "Transaction and Settlement Contract" with Unibanco. Under the terms of the contract Caixa paid 238 600 thousand Brazilian reais (EUR 76 096 thousand), having used the provision for other risks and charges to cover the amount. In exchange, both parties agreed on the full and irrevocable settlement of all liabilities and responsibilities assumed under the Contract of Association, except for contingencies relating to certain tax processes against Bandeirantes.

Considering the evolution of the tax contingencies and the existence of some rulings favourable to Bandeirantes, the Board of Directors believes that the probability of Caixa having to make any payments relating to these tax contingencies is remote and so no provisions have been recorded for this purpose.

24. Technical Provision for Insurance Contracts

At 31 December 2006 and 2005 this heading is made up as follows:

	2006	2005
Caixa Seguros		
Direct insurance and inwards reinsurance:		
Life insurance:		
Mathematical provision		
Insurance contracts	250 967	238 714
Investment contracts with discretionary profit sharing	4 928 270	4 217 141
	5 179 237	**4 455 855**
Provision for profit sharing	**41 999**	**39 798**
Provision for claims		
Reported claims	123 957	46 339
Unreported claims (IBNR)	44 411	22 971
	168 368	**69 310**
Total life insurance	**5 389 604**	**4 564 963**
Non-life insurance:		
Provision for unearned premiums	**367 938**	**398 223**
Provision for claims:		
Reported claims	1 924 056	1 908 464
Unreported claims (IBNR)	123 034	118 201
	2 047 090	**2 026 665**
Provision for risks in progress	17 021	13 410
Other technical provisions		
Provision for ageing	-	303
Provision for profit sharing	499	253
Total non-life insurance	**2 432 548**	**2 438 854**
Guarantee	**5 884**	**6 623**
	7 828 036	**7 010 440**

The mathematical provision for life insurance and provision for profit sharing in direct insurance and inwards reinsurance at 31 December 2006 and 2005 are made up as follows:

	2006			2005		
	Mathematical provision	Provision for profit sharing	Total	Mathematical provision	Provision for profit sharing	Total
Insurance contracts:						
Rendas	6 849	4 255	11 104	2 005	-	2 005
Grupo com Participação nos Resultados	70	-	70	58	-	58
Grupo sem Participação nos Resultados	23	-	23	24	-	24
Individual com Participação nos Resultados	209	-	209	114	-	114
TAR Grupo Taxa Fixa	182	-	182	91	-	91
Rendas Individual 4%	29 485	2 719	32 204	8 521	5 342	13 863
Risco	4 897	133	5 030	4 822	272	5 094
Rendas Grupo 4%	10 974	224	11 198	10 092	224	10 316
Capital Vida 4%	37 222	-	37 222	23 182	-	23 182
Individual sem Participação nos Resultados	31 650	7 430	39 080	33 030	2 692	35 722
Protecção Sénior	6 092	102	6 194	6 348	102	6 450
Educação Garantida	-	156	156	10 612	-	10 612
Seguro de Dependência	-	-	-	2 113	-	2 113
Educação Segura 3 5%	123 314	661	123 975	133 921	266	134 187
Postal Protecção Vida	-	-	-	3 781	6 145	9 926
	250 967	**15 680**	**266 647**	**238 714**	**15 043**	**253 757**
Investment contracts with discretionary profit sharing:						
Top Reforma 4% - Ind.	96 621	41	96 662	109 132	41	109 173
Seg Poupança 1st S 4%	80 876	-	80 876	95 353	-	95 353
Seg Poupança 2nd S 2.75%	19 083	150	19 233	20 972	99	21 071
Seg Poupança 3rd / 4th S 3.5%	96 664	578	97 242	133 745	600	134 345
Valorização 2nd S 4.1%	41 645	257	41 902	40 086	283	40 369
Garantia Crescente 2.75% - Bco	15 093	1	15 094	15 401	1	15 402
Super Garantia 2.75% (Med)	19 070	2	19 072	18 620	2	18 622
PIR 4%	82 548	4 231	86 779	106 908	5 478	112 386
Postal Poup Invest 3.25%	12 539	-	12 539	12 715	-	12 715
Postal Poup Futuro 3%	12 291	-	12 291	-	-	-
Seg Poupança 5th S 2.75%	808 571	2 386	810 957	530 581	2 424	533 005
Seg Poupança 6th S 2.25%	183 263	620	183 883	188 473	433	188 906
Postal Poup Futuro Série B	2 739	22	2 761	-	-	-
Postal Poupança Segura	2 422	35	2 457	1 971	-	1 971
F .Poupança 7th S 2%	202 169	1 287	203 456	-	-	-
Caixa Seguro 4.5%	101 077	-	101 077	-	-	-
Caixa Seguro 4.25%	100 487	-	100 487	-	-	-
Caixa Seguro Liquidez 2%	79 489	-	79 489	-	-	-
Caixa Seguro 4.4%	48 238	-	48 238	-	-	-
Top Reforma 4% Grupo	6 172	16	6 188	6 294	1	6 295
Top Reforma 2.75% Grupo	7 724	86	7 810	6 629	27	6 656
Complementos Reforma	4 781	8	4 789	4 712	22	4 734
PPR/E Fidelidade 4%	217 910	1 939	219 849	232 582	2 725	235 307
PPR/E Rendimento 1st / 2nd S 3.5%	349 353	997	350 350	415 878	1 899	417 777
PPR (Clássico) 4%	69 606	1 856	71 462	80 078	1 337	81 415
Multiplano PPR/E 3%	16 517	10	16 527	18 594	10	18 604
PPR/E MC Série A 3%	59 974	-	59 974	78 866	-	78 866
Postal PPR/E Série A 3.25%	21 870	-	21 870	30 327	-	30 327
PPR/E Rend . 3rd S 2.75%	678 694	3 196	681 890	666 135	4 500	670 635
PPR/E MC Série B 2.75%	244 430	611	245 041	96 092	400	96 492
Postal PPR /E Série B 2.75%	33 894	161	34 055	33 466	123	33 589
PPR/E Capital Garantido	5 107	137	5 244	1 680	14	1 694
PPR/E Rend . 4th S 2.25%	182 302	855	183 157	121 276	-	121 276
PPR/E Investimento Garantido 1st Series	34 560	221	34 781	7 352	-	7 352
PPR/E Capital Mais FRN	74 302	-	74 302	-	-	-
Capitalização /Universal Life /Operações de Cap.	-	-	-	801 341	2 186	803 527
Epargne Libre (FRF) 3	231 817	2 094	233 911	190 487	1 987	192 474
Poupança Reforma Individual	223 409	1 074	224 483	-	-	-
Plano Império Investimento	467	22	489	-	-	-
Poupinveste	3	-	3	-	-	-
PUR	35 336	310	35 646	-	-	-
PUR 3.25%	32 131	99	32 230	-	-	-
PUR 2.4%	22 865	186	23 051	-	-	-
Poupaunverste 2nd Series	2 561	-	2 561	-	-	-
Grupo Capitalização	7 752	31	7 783	-	-	-
PPR	167 598	1 865	169 463	-	-	-
PPR 3%	54 322	297	54 619	-	-	-
Império Bonança PPR/E 412	67 794	185	67 979	-	-	-
Império Bonança PPR/E 413	37 862	405	38 267	-	-	-
Império Bonança PPR/E Ganha Mais	10 402	47	10 449	-	-	-
PPR Ganha +	17 106	-	17 106	-	-	-
Operações de capitalização	1 540	-	1 540	-	-	-
IB - Luxemburgo	3 224	1	3 225	3 167	-	3 167
Postal Poup Futuro Série A - 3%	-	-	-	12 596	-	12 596
Postal Poup Futuro Série B - 2.25%	-	-	-	2 247	-	2 247
Fundo Poupança 7th S 2%	-	-	-	133 385	162	133 547
	4 928 270	**26 319**	**4 954 589**	**4 217 141**	**24 754**	**4 241 895**
	5 179 237	**41 999**	**5 221 236**	**4 455 855**	**39 797**	**4 495 652**

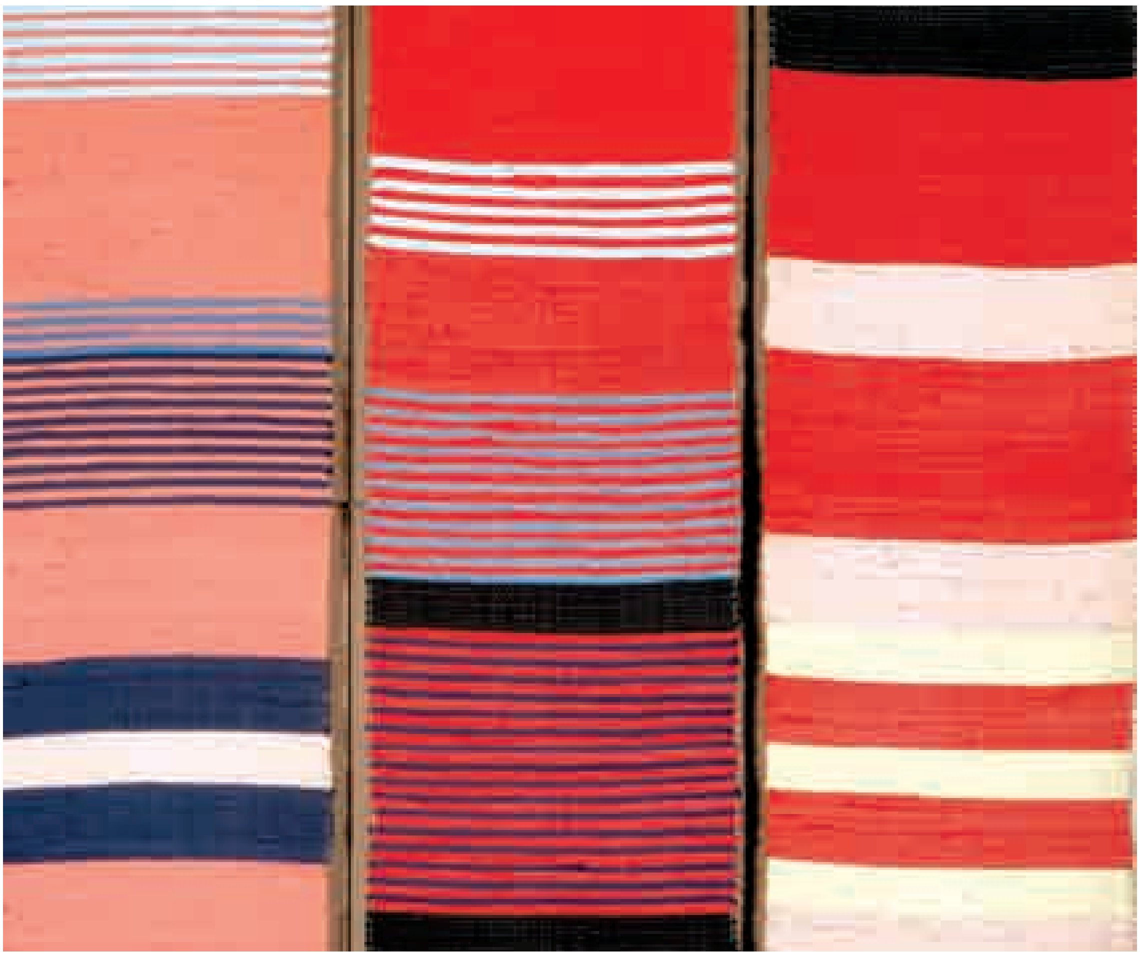
Changes in mathematical provision and provision for profit sharing in direct insurance and inwards reinsurance and mathematical provision for outwards reinsurance in 2006 and 2005 are as follows:

	2006			
	Opening balance	**Liabilities originated in period and interest paid**	**Profit sharing**	**Closing balance**
Direct insurance and inwards reinsurance:				
Mathematical provision:				
- Insurance contracts	238 714	6 983	5 270	250 967
- Investment contracts with profit sharing having a discretionary component	4 217 141	688 636	22 493	4 928 270
	4 455 855	**695 619**	**27 763**	**5 179 237**
Provision for profit sharing:				
- Insurance contracts	15 043	33 830	(31 550)	17 323
- Investment contracts with profit sharing having a discretionary component	24 755	156	(235)	24 676
	39 798	**33 986**	**(31 785)**	**41 999**
	4 495 653	**729 605**	**(4 022)**	**5 221 236**
Outwards reinsurance:				
Mathematical provision:				
- Insurance contracts	3 605	1 215	-	4 820
- Investment contracts with profit sharing having a discretionary component	1	(1)	-	-
	3 606	**1 214**	**-**	**4 820**
	4 499 259	**730 819**	**(4 022)**	**5 226 056**

	2005				
	Opening balance	**Acquisition/ sale of subsidiaries**	**Liabilities originated in period and interest paid**	**Profit sharing**	**Closing balance**
Direct insurance and inwards reinsurance:					
Mathematical provision:					
- Insurance contracts	97 304	124 556	16 570	284	238 714
- Investment contracts with profit sharing having a discretionary component	2 660 162	816 969	727 261	12 749	4 217 141
	2 757 466	**941 525**	**743 831**	**13 033**	**4 455 855**
Provision for profit sharing:					
- Insurance contracts	8 282	3 818	6 499	(3 556)	15 043
- Investment contracts with profit sharing having a discretionary component	14 071	23 072	491	(12 879)	24 755
	22 353	**26 890**	**6 990**	**(16 435)**	**39 798**
	2 779 819	**968 415**	**750 821**	**(3 402)**	**4 495 653**
Outwards reinsurance:					
Mathematical provision:					
- Insurance contracts	3 323	11	271	-	3 605
- Investment contracts with profit sharing having a discretionary component	1	-	-	-	1
	3 324	**11**	**271**	**-**	**3 606**
	2 783 143	**968 426**	**751 092**	**(3 402)**	**4 499 259**

The provision for unearned premiums on direct insurance and inwards reinsurance at 31 December 2006 and 2005 is made up as follows:

	2006			2005		
	Deferred premiums	**Deferred costs**	**Net**	**Deferred premiums**	**Deferred costs**	**Net**
Labour accidents	20 167	(3 451)	16 716	20 331	(3 039)	17 292
Personal and passenger accidents	14 455	(2 600)	11 855	19 539	(2 947)	16 592
Health	24 331	(2 577)	21 754	20 966	(2 925)	18 041
Fire and other damage	88 698	(15 477)	73 221	98 022	(16 088)	81 934
Motor	270 190	(50 565)	219 625	289 776	(50 544)	239 232
Marine, air and transport	7 341	(649)	6 692	7 284	(846)	6 438
General third party liability	10 581	(1 875)	8 706	11 013	(1 924)	9 089
Credit and guarantees	319	(59)	260	322	(63)	259
Legal protection	3 338	(536)	2 802	5 185	(458)	4 727
Assistance	5 005	(520)	4 485	2 783	(518)	2 265
Miscellaneous	2 097	(275)	1 822	2 666	(312)	2 354
	446 522	**(78 584)**	**367 938**	**477 887**	**(79 664)**	**398 223**



Changes in provisions for unearned premiums and deferred acquisition costs for direct insurance and outwards reinsurance in 2006 and 2005 are as follows:

	2006			
	Opening balance	**Liabilities originated in period**	**Exchange differences**	**Closing balance**
Direct insurance and inwards reinsurance:				
Provision for unearned premiums:				
Labour accident	20 331	(164)	-	20 167
Personal and passenger accidents	19 539	(5 084)	-	14 455
Health	20 966	3 365	-	24 331
Fire and other damage	98 022	(9 328)	4	88 698
Motor	279 047	(8 857)	-	270 190
Marine, air and transport	7 284	42	15	7 341
General third party liability	11 013	(433)	-	10 580
Credit and guarantees	553	(235)	-	318
Legal protection	5 185	(1 851)	5	3 339
Assistance	13 512	(8 507)	-	5 005
Miscellaneous	2 435	(336)	-	2 099
	477 887	**(31 388)**	**24**	**446 523**
Deferred acquisition costs:				
Labour accident	(3 039)	(412)	-	(3 451)
Personal and passenger accidents	(2 947)	347	-	(2 600)
Health	(2 925)	348	-	(2 577)
Fire and other damage	(16 088)	611	-	(15 477)
Motor	(50 544)	(22)	-	(50 566)
Marine, air and transport	(846)	197	-	(649)
General third party liability	(1 924)	50	-	(1 874)
Credit and guarantees	(63)	4	-	(59)
Legal protection	(458)	(77)	-	(535)
Assistance	(518)	(2)	-	(520)
Miscellaneous	(312)	36	-	(276)
	(79 664)	**1 080**	**-**	**(78 584)**
	398 223	**(30 308)**	**24**	**367 939**
Outwards reinsurance:				
Provision for unearned premiums:				
Labour accidents	6	28	-	34
Personal and passenger accidents	5 605	(2 165)	-	3 440
Health	5 002	(4 038)	-	964
Fire and other damage	30 922	(8 009)	(4)	22 909
Motor	1 817	(1 600)	-	217
Marine, air and transport	5 038	(506)	(6)	4 526
General third party liability	1 888	298	-	2 186
Credit and guarantees	588	(527)	-	61
Legal protection	-	104	-	104
Assistance	306	(5)	-	301
Miscellaneous	-	897	-	897
	51 172	**(15 523)**	**(10)**	**35 639**
Deferred acquisition costs:				
Personal and passenger accidents	(79)	79	-	-
Fire and other damage	(2 373)	(558)	-	(2 931)
Marine, air and transport	(114)	121	-	7
General third party liability	(49)	7	-	(42)
Credit and guarantees	(21)	21	-	-
Miscellaneous	(213)	19	-	(194)
	(2 849)	**(311)**	**-**	**(3 160)**
	48 323	**(15 834)**	**(10)**	**32 479**

	2005				
	Opening balance	Acquisition/ sale of subsidiaries	Liabilities originated in period	Exchange differences	Closing balance
Direct insurance and inwards reinsurance:					
Provision for unearned premiums:					
Labour accident	11 596	8 847	(112)	-	20 331
Personal and passenger accidents	21 284	2 701	(4 450)	4	19 539
Health	9 718	9 138	2 110	-	20 966
Fire and other damage	59 533	38 024	451	14	98 022
Motor	198 729	89 592	(9 274)	-	279 047
Marine, air and transport	2 628	5 049	(393)	-	7 284
General third party liability	7 300	6 126	(2 418)	5	11 013
Credit and guarantees	192	234	(104)	-	322
Legal protection	1 739	2 864	582	-	5 185
Assistance	9 702	2 207	1 603	-	13 512
Miscellaneous	1 408	1 027	231	-	2 666
	323 829	**165 809**	**(11 774)**	**23**	**477 887**
Deferred acquisition costs:					
Labour accident	(1 571)	(1 647)	179	-	(3 039)
Personal and passenger accidents	(2 191)	(541)	(215)	-	(2 947)
Health	(1 944)	(1 275)	294	-	(2 925)
Fire and other damage	(9 663)	(7 374)	949	-	(16 088)
Motor	(38 153)	(17 653)	5 262	-	(50 544)
Marine, air and transport	(480)	(948)	582	-	(846)
General third party liability	(1 312)	(1 005)	393	-	(1 924)
Credit and guarantees	(38)	(45)	20	-	(63)
Legal protection	(79)	(489)	110	-	(458)
Assistance	(202)	(441)	125	-	(518)
Miscellaneous	(158)	(200)	46	-	(312)
	(55 791)	**(31 618)**	**7 745**	**-**	**(79 664)**
	268 038	**134 191**	**(4 029)**	**23**	**398 223**
Outwards reinsurance:					
Provision for unearned premiums:					
Labour accident	-	-	6	-	6
Personal and passenger accidents	4 841	-	761	3	5 605
Health	-	6 158	(1 156)	-	5 002
Fire and other damage	21 327	11 618	(2 027)	5	30 923
Motor	33	1 645	139	-	1 817
Marine, air and transport	1 646	3 957	(565)	-	5 038
General third party liability	2 783	1 121	(2 016)	-	1 888
Credit and guarantees	76	138	374	-	588
Legal protection	-	21	(21)	-	-
Assistance	80	-	225	-	305
Miscellaneous	1 840	491	(2 331)	-	-
	32 626	**25 149**	**(6 611)**	**8**	**51 172**
Deferred acquisition costs:					
Labour accident	(101)	-	23	-	(78)
Fire and other damage	(1 125)	-	(1 248)	-	(2 373)
Marine, air and transport	(107)	-	(7)	-	(114)
General third party liability	(48)	-	-	(1)	(49)
Credit and guarantees	(12)	-	(9)	-	(21)
Miscellaneous	(204)	-	(11)	1	(214)
	(1 597)	**-**	**(1 252)**	**-**	**(2 849)**
	31 029	**25 149**	**(7 863)**	**8**	**48 323**

The provision for claims for direct insurance and inwards reinsurance at 31 December 2006 and 2005 comprises the following:

	2006			2005		
	Reported	Not reported	Total	Reported	Not reported	Total
Life insurance	123 957	44 411	168 368	46 339	22 971	69 310
Non-life insurance:						
Labour accident:						
Mathematical provision	465 154	11 621	476 775	464 818	11 689	476 507
Provision for lifelong assistence	104 422	4 379	108 801	111 716	1 805	113 521
Provision for temporary assistance	123 163	4 321	127 484	61 511	5 545	67 056
	692 739	**20 321**	**713 060**	**638 045**	**19 039**	**657 084**
Other insurance:						
Personal and passenger accident	13 444	2 004	15 448	15 816	1 694	17 510
Health	21 228	19 931	41 159	14 378	20 721	35 099
Fire and other damage	124 103	15 992	140 095	140 173	11 626	151 799
Motor	909 277	47 071	956 348	935 407	55 913	991 320
Marine, air and transport	51 716	1 021	52 737	32 830	875	33 705
General third party liability	94 876	14 217	109 093	116 398	7 355	123 753
Credit and guarantees	1 181	32	1 213	1 388	33	1 421
Legal protection	3 662	1 870	5 532	4 233	207	4 440
Assistance	7 984	103	8 087	6 607	384	6 991
Miscellaneous	3 846	472	4 318	3 189	354	3 543
	1 231 317	**102 713**	**1 334 030**	**1 270 419**	**99 162**	**1 369 581**
	1 924 056	**123 034**	**2 047 090**	**1 908 464**	**118 201**	**2 026 665**
	2 048 013	**167 445**	**2 215 458**	**1 954 803**	**141 172**	**2 095 975**

The changes in provisions for direct insurance and inwards reinsurance and outwards reinsurance claims during 2006 and 2005 were as follows:

	2006				
	Opening balance	Liabilities originated in the period	Claims	Exchange differences	Closing balance
Direct insurance and inwards reinsurance:					
Provision for claims					
Life insurance:	**69 310**	**695 867**	**(596 813)**	**4**	**168 368**
Non-life insurance:					
Labour accident	**657 084**	**202 371**	**(146 392)**	**1**	**713 064**
Other insurance:					
Personal and passenger accident	17 510	6 796	(8 858)	1	15 449
Health	35 098	110 896	(104 835)	-	41 159
Fire and other damage	151 799	64 547	(76 247)	3	140 102
Motor	991 320	414 662	(449 633)	-	956 349
Marine, air and transport	33 705	29 350	(10 318)	-	52 737
General third party liability	123 754	1 742	(16 403)	-	109 093
Credit and guarantees	1 421	75	(283)	-	1 213
Legal protection	4 440	1 772	(680)	-	5 532
Assistance	6 991	22 713	(21 618)	-	8 086
Miscellaneous	3 543	5 441	(4 678)	-	4 306
	1 369 581	**657 994**	**(693 553)**	**4**	**1 334 026**
	2 026 665	**860 365**	**(839 945)**	**5**	**2 047 090**
	2 095 975	**1 556 232**	**(1 436 758)**	**9**	**2 215 458**
Outwards reinsurance:					
Provision for claims					
Life insurance	**14 046**	**13 809**	**(7 380)**	**-**	**20 475**
Non-life insurance:					
Labour accident	**2 767**	**478**	**(1 693)**	**-**	**1 552**
Other insurance:					
Personal and passenger accident	4 673	(1 938)	(642)	-	2 093
Health	85	108	(92)	-	101
Fire and other damage	77 952	30 010	(30 646)	-	77 316
Motor	25 178	13 617	(5 960)	-	32 835
Marine, air and transport	17 973	27 676	(6 752)	-	38 897
General third party liability	31 197	(3 448)	(6 569)	-	21 180
Credit and guarantees	430	114	(143)	-	401
Legal protection	213	-	-	-	213
Miscellaneous	2 430	3 133	(2 155)	-	3 408
	160 131	**69 272**	**(52 959)**	**-**	**176 444**
	162 898	**69 750**	**(54 652)**	**-**	**177 996**
	176 944	**83 559**	**(62 032)**	**-**	**198 471**

	2005					
	Opening balance	Acquisition/ sale of subsidiaries	Liabilities originated in the period	Claims	Exchange differences	Closing balance
Direct insurance and inwards reinsurance:						
Provision for claims						
Life insurance	**101 193**	**17 465**	**839 963**	**(889 313)**	**2**	**69 310**
Non-life insurance:						
Labour accident	**318 300**	**253 520**	**213 687**	**(128 423)**	**-**	**657 084**
Other insurance:						
Personal and passenger accident	9 318	4 555	13 625	(9 988)	-	17 510
Health	21 833	10 795	98 296	(95 825)	-	35 099
Fire and other damage	86 758	68 387	83 541	(86 887)	-	151 799
Motor	570 906	364 274	483 831	(427 691)	-	991 320
Marine, air and transport	7 755	21 217	17 570	(12 837)	-	33 705
General third party liability	74 546	39 350	25 645	(15 788)	-	123 753
Credit and guarantees	1 519	1 461	(1 411)	(148)	-	1 421
Legal protection	2 416	1 666	1 123	(765)	-	4 440
Assistance	5 185	1 218	22 382	(21 794)	-	6 991
Miscellaneous	1 590	2 482	3 105	(3 634)	-	3 543
	781 826	**515 405**	**747 707**	**(675 357)**	**-**	**1 369 581**
	1 100 126	**768 925**	**961 394**	**(803 780)**	**-**	**2 026 665**
	1 201 319	**786 390**	**1 801 357**	**(1 693 093)**	**2**	**2 095 975**
Outwards reinsurance:						
Provision for claims						
Life insurance	**6 804**	**176**	**15 881**	**(8 815)**	**-**	**14 046**
Non-life insurance:						
Labour accident:						
Mathematical provision	**625**	**1 462**	**1 774**	**(1 094)**	**-**	**2 767**
Other insurance:						
Personal and passenger accident	1 802	871	3 930	(1 930)	-	4 673
Health	-	9 312	143	(9 370)	-	85
Fire and other damage	60 009	35 010	18 870	(35 936)	-	77 953
Motor	10 865	14 649	5 437	(5 773)	-	25 178
Marine, air and transport	4 857	10 918	11 760	(9 562)	-	17 973
General third party liability	24 630	1 677	13 214	(8 324)	-	31 197
Credit and guarantees	589	372	(482)	(49)	-	430
Legal protection	-	-	212	1	-	213
Miscellaneous	1 151	1 611	1 120	(1 453)	-	2 429
	103 903	**74 420**	**54 204**	**(72 396)**	**-**	**160 131**
	104 528	**75 882**	**55 978**	**(73 490)**	**-**	**162 898**
	111 332	**76 058**	**71 859**	**(82 305)**	**-**	**176 944**

The changes in the provision for risks in progress of direct insurance and inwards reinsurance during 2006 and 2005 were as follows:

	2006			
	Opening balance	Appropriations in period	Exchange differences	Closing balance
Direct insurance and inwards reinsurance:				
Personal and passenger accident	228	96	-	324
Health	2 680	4 668	-	7 348
Fire and other damage	1 555	15	1	1 571
Motor	5 342	(341)	2	5 003
Marine, air and transport	378	(170)	-	208
General third party liability	2 148	(260)	-	1 888
Credit and guarantees	25	(25)	-	-
Assistance	749	(388)	-	361
Miscellaneous	305	13	-	318
	13 410	**3 608**	**3**	**17 021**

	2005				
	Opening balance	Acquisition/ sale of subsidiaries	Appropriations in period	Exchange differences	Closing balance
Direct insurance and inwards reinsurance:					
Personal and passenger accident	-	83	145	-	228
Health	4 844	311	(2 475)	-	2 680
Fire and other damage	76	2 703	(1 225)	1	1 555
Motor	4 434	719	189	-	5 342
Marine, air and transport	24	992	(638)	-	378
General third party liability	207	423	1 518	-	2 148
Credit and guarantees	2	57	(34)	-	25
Assistance	6	1 120	(377)	-	749
Miscellaneous	-	-	305	-	305
	9 593	**6 408**	**(2 592)**	**1**	**13 410**

25. Other Subordinated Liabilities

This heading comprises the following:

	2006	2005
CGD Finance - EUR 400 000 000 6.25 percent Notes due 2009	400 000	400 000
CGD Finance - EUR 10 000 000 Floating Rate Subordinated Notes due 2010	10 000	10 000
CGD Finance - EUR 200 000 000 Floating Rate Subordinated Notes due 2011	27 221	121 540
CGD Finance - EUR 110 000 000 Floating Rate Undated Subordinated Notes	110 000	110 000
CGD Finance - USD 265 000 000 Floating Rate Subordinated Notes due 2016	201 215	-
CGD (France Branch) - EUR 110 000 000 Floating Rate Undated Subordinated Notes	110 000	110 000
CGD (France Branch) - EUR 250 000 000 Floating Rate Subordinated Notes	250 000	250 000
CGD (France Branch) - EUR 21 000 000 Floating Rate Subordinated Notes	21 000	21 000
CGD (France Branch) - EUR 40 000 000 Fixed Rate Note due 2016	40 000	-
CGD (France Branch) - EUR 40 000 000 Fixed Rate Note due 2016	40 000	-
CGD (France Branch) - EUR 40 000 000 Fixed Rate Note due 2016	40 000	-
CGD (France Branch) - EUR 40 000 000 Fixed Rate Note due 2016	40 000	-
CGD (France Branch) - EUR 40 000 000 Fixed Rate Note due 2016	40 000	-
CGD (France Branch) - EUR 2 000 000 Index Linked to Floating Rate Notes Due 2016 (5 issues)	10 000	-
CGD (France Branch) - JPY 15 000 000 000 Fixed Rate Subordinated Notes Dues 2036	95 584	-
Subordinated Cash Bonds - Renda Mais 2002/2012	150 000	150 000
Subordinated Cash Bonds - Renda Mais 2005/2015	104 890	104 890
Subordinated Cash Bonds - Renda Mais 2001/2011 - 1st issue	-	100 000
Subordinated Cash Bonds - Renda Mais 2001/2011 - 2nd issue	-	173 368
Subordinated Cash Bonds BNU Subordinadas/97	41 135	49 862
Subordinated Cash Bonds BNU Subordinadas/98	37 933	49 880
Subordinated Cash Bonds - CGD 2006/2016	99 987	-
Schuldschein Loan "Caja Madrid"	37 965	42 383
	1 906 930	**1 692 923**
Interest payable	19 317	10 184
Deferred expenses	(584)	(809)
	1 925 663	**1 702 298**

The conditions of the principal issues are as follows:

Bonds	Nominal	Date of issue	Date of redemption	Interest payment
CGD Finance - € 400 000 000 6.25 percent Notes due 2009	400 000	12.10.1999	12.10.2009	12 October each year.
CGD Finance - € 10 000 000 Floating Rate Notes due 2010	10 000	27.07.2000	27.07.2010	Quarterly, on 27 January, April, July and October.
CGD Finance - € 200 000 000 Floating Rate Subordinated Notes due 2011	200 000	03.12.2001	03.12.2011	Quarterly, on 3 March, June, September and December.
CGD Finance - € 110 000 000 Floating Rate Undated Subordinated Notes	110 000	18.12.2002	Perpetual	Quarterly, on 18 March, June, September and December.
CGD Finance - USD 265 000 000 Floating Rate Subordinated Notes due 2016	265 000	06.12.2006	20.12.2016	Quarterly, on 20 March, June, September and December.
CGD (France Branch) - € 110 000 000 Floating Rate Undated Subordinated Notes	110 000	18.12.2002	Perpetual	Quarterly, on 18 March, June, September and December.
CGD (France Branch) - € 250 000 000 Floating Rate Subordinated Notes	250 000	27.04.2005	27.04.2015	Quarterly, on 27 January, April, July and October.
CGD (France Branch) - € 21 000 000 Floating Rate Subordinated Notes	21 000	14.07.2005	28.06.2016	Half yearly, on 28 June and December.
CGD (France Branch) - € 40 000 000 Fixed Rate Note Due 2016	40 000	12.06.2006	13.06.2016	First payment on 12 June 2007. From 12 September 2011 onwards up to redemption date, quarterly, on 12 March, June, September and December.
CGD (France Branch) - € 40 000 000 Fixed Rate Note Due 2016	40 000	12.06.2006	13.06.2016	First payment on 12 June 2008. From 12 September 2011 onwards up to redemption date, quarterly, on 12 March, June, September and December.

Remuneration	Nominal interest rate at 31.12.2006	31.12.2005	Early redemption clause
Fixed rate	6.25%	6.25%	N/A
3 month Euribor rate 0.60%	4.14%	2.84%	N/A
3 month Euribor rate 0.65%	4.29%	3.14%	From 3 December 2006 onwards. If there is no early redemption, after this date the applicable interest rate will be the 3 month Euribor rate plus 1.15%.
3 month Euribor rate 1.30%	4.98%	4.42%	From 18 December 2012 onwards. If there is no early redemption, after this date the applicable interest rate will be the 3 month Euribor rate plus 2.80%.
Up December 2011: 3 month USD Libor rate + 0.25%; remainder period up to the maturity date: 3 month USD Libor rate + 0.75%	5.60%	-	For the last five years, Caixa, with prior authorisation from the Bank of Portugal, may redeem the loan early.
3 month Euribor rate 1.30%	4.98%	4.42%	From 18 December 2012 onwards. If there is no early redemption, after this date the applicable interest rate will be the 3 month Euribor rate plus 2.80%.
3 month Euribor rate 0.25%	3.79%	2.68%	From 27 April 2010 onwards. If there is no early redemption, after this date the applicable interest rate will be the 3 month Euribor rate plus 0.75%.
6 month Euribor rate 0.22%	4.05%	2.65%	N/A
15.5% fixed rate (first coupon); 3 month Euribor rate + 0.65%	15.50%	-	For the last five years, Caixa, with prior authorisation from the Bank of Portugal, may redeem the loan early.
16.5% fixed rate (first coupon); 3 month Euribor rate + 0.65%	16.50%	-	For the last five years, Caixa, with prior authorisation from the Bank of Portugal, may redeem the loan early.

Bonds	Nominal	Date of issue	Date of redemption	Interest payment
CGD (France Branch) - € 40 000 000 Fixed Rate Note Due 2016	40 000	12.06.2006	13.06.2016	First payment on 12 June 2008. From 12 September 2011 onwards up to redemption date, quarterly, on 12 March, June, September and December .
CGD (France Branch) - € 40 000 000 Fixed Rate Note Due 2016	40 000	12.06.2006	13.06.2016	From 12 September 2011 onwards up to redemption date, quarterly, on 12 March, June, September and December. On 14 June 2010 a variable remuneration indexed to the performance of a funds basket will be paid.
CGD (France Branch) - € 40 000 000 Fixed Rate Note Due 2016	40 000	12.06.2006	13.06.2016	From 12 September 2011 onwards up to redemption date, quarterly, on 12 March, June, September and December. On 13 June 2011 a variable remuneration indexed to the performance of a funds basket will be paid.
CGD (France Branch) - € 2 000 000 Index Linked to Floating Rate Note Due 2016 (five issues of equal amount, global amount of € 10 000 000)	10 000	07.08.2006	08.08.2016	From 8 August 2011 onwards up to the redemption date, quarterly,on 8 February, May, August and November. On 11 August 2011 a variable remuneration indexed to the performance of a funds basket will be paid.
CGD (France Branch) JPY 15 000 000 000 Fixed Rate Note Due 2036	95 584	15.12.2006	15.12.2036	Half yearly on 15 June and December.
Obrigações de Caixa Subordinadas - Renda Mais 2002/2012	150 000	31.10.2002	31.10.2012	Half yearly on 2 May and 31 October.
Obrigações de Caixa Subordinadas - Renda Mais 2005/2015	104 891	29.06.2005	03.07.2015	Half yearly on 3 January and July.
Obrigações de Caixa BNU Subordinadas/97	49 880	15.10.1997	15.10.2007	Half yearly on 15 April and October.
Obrigações de Caixa BNU Subordinadas/98	49 880	01.10.1998	01.10.2008	Half yearly on 1 April and October.
Obrigações de Caixa Subordinadas - CGD 2006/2016	99 987	28.12.2006	28.12.2016	On 28 December each year.
Schuldschein Loan "Caja Madrid "	42 383	18.08.2005	18.08.2015	Quarterly on 18 February, May, August and November.

Remuneration	Nominal interest rate at 31.12.2006	Nominal interest rate at 31.12.2005	Early redemption clause
18% fixed rate (first coupon); 3 month Euribor rate + 0.65%	18.00%	-	For the last five years, Caixa, with prior authorisation from the Bank of Portugal, may redeem the loan early.
3 month Euribor rate + 0.65%	4.32%	-	For the last five years, Caixa, with prior authorisation from the Bank of Portugal, may redeem the loan early.
3 month Euribor rate 0.65%	4.32%	-	For the last five years, Caixa, with prior authorisation from the Bank of Portugal, may redeem the loan early.
3 month Euribor rate 0.62%	4.19%	-	For the last five years, Caixa, with prior authorisation from the Bank of Portugal, may redeem the loan early.
Fixed rate	2.88%	-	From 15 December 2016 Caixa, with prior authorisation from the Bank of Portugal, may redeem the loan early.
6 month Euribor rate 0.50%	4.20%	2.87%	From 3 December 2006 onwards. If there is no early redemption,after this date the applicable interest rate will be the 6 month Euribor rate plus 1%.
6 month Euribor rate 0.25%	3.50%	2.37%	From 3 July 2010 onwards. If there is no early redemption,after this date the applicable interest rate will be the 6 month Euribor rate plus 0.75%.
6 month Euribor rate 0.15%	3.79%	2.44%	For the last five years, Caixa, with prior authorisation from the Bank of Portugal, may redeem the loan early, in full or in part.
6 month Euribor rate 0.15%	3.72%	2.44%	For the last five years, Caixa, with prior authorisation from the Bank of Portugal, may redeem the loan early, in full or in part.
1st year: 4.10%, increasing 0.10% each year up to the 5th year	4.10%	-	From 28 December 2011 onwards, Caixa with prior authorisation from the Bank of Portugal, may redeem the loan early, in full or in part. If there is no early redemption,after this date the applicable interest rate will be the 12 month Euribor rate plus 0.5%.
Fixed rate	5.15%	5.15%	For the last five years, Caixa, with prior authorisation from the Bank of Portugal, may redeem the loan early, in full or in part.

26. Other Liabilities

This heading comprises the following:

	2006	2005
Creditors:		
Consigned resources	2 563 352	2 525 299
Suppliers of finance leasing assets	53 446	40 513
Other suppliers	104 911	91 900
Resources - collateral account	62 137	30 141
Resources - subscription account	14 800	11 273
Resources - secured account	3 328	3 103
Other creditors:		
Creditors for direct insurance and reinsurance	190 847	118 493
For the acquisition of Império Bonança (Note 3)	87 961	87 961
Caixa Geral de Aposentações	98 062	156 510
Creditors for factoring ceded	33 685	48 123
Creditors for operations on securities	3 707	9 818
Creditors for futures contracts	2 842	632
Other	1 167 010	580 916
Other liabilities:		
Notes in circulation - Macau (Note 19)	175 677	187 774
Withholding taxes	56 433	55 086
Social Security contributions	15 859	13 428
Other taxes payable	13 126	13 234
Collections on behalf of third parties	2 216	3 515
Other	31 169	30 449
Deferred expenses:		
Credit and other resources	(14)	(25)
Accrued costs:		
Interest and similar costs	28 655	12 619
Staff costs		
Long service bonus - CGD (Note 37)	38 628	44 375
Other	150 288	132 198
General administrative costs	19 804	10 071
Other accrued costs	81 539	52 672
Deferred income:		
Commissions and fees charged on credit agreements	-	103 564
Other	69 830	26 876
Liabilities pending settlement	401 254	466 478
Stock exchange operations	9 878	-
	5 480 430	**4 856 996**

In 2006, deferred commissions and fees charged on credit agreements were recorded in the "Loans and advances to customers" heading (Note 11).

At 31 December 2006 and 2005 accrued staff costs included EUR 36 000 thousand and EUR 26 500 thousand, respectively, relating to productivity bonuses payable to CGD's employees.

At 31 December 2006, the conditions of the consigned resources were as follows:

Operation	Counterparty	Agreed balance	Balance at 31.12.2006	Starting date	Maturity
KfW 900 Mio	KfW - Kreditanstalt für Wiederaufbau	900 000	900 000	12.12.2005	25.09.2015
KfW 300 Mio	KfW - Kreditanstalt für Wiederaufbau	300 000	300 000	07.04.2004	17.03.2014
KfW 250 Mio	KfW - Kreditanstalt für Wiederaufbau	250 000	250 000	22.11.2004	22.11.2013
CGD - Empréstimo Global XII	European Investment Bank	200 000	200 000	19.11.2004	15.09.2024
CGD Empréstimo Global XI	European Investment Bank	200 000	200 000	25.06.2003	15.06.2023
CGD Empréstimo Global X	European Investment Bank	200 000	200 000	21.11.2002	15.09.2022
CGD Reabilitação Urbana	European Investment Bank	150 000	150 000	11.12.2003	15.09.2012
CGD/BNU Global Loan IX	European Investment Bank	150 000	150 000	27.10.2000	15.12.2023
Framework Loan Agreement	CEB - Council of Europe Development Bank	100 000	100 000	11.12.2002	15.09.2024
CGD - Empréstimo Global XIII	European Investment Bank	75 000	75 000	12.10.2006	15.09.2026
Projecto Municipal Infra EG - III	European Investment Bank	27 434	8 168	18.04.1995	15.09.2012
Projecto Municipal Infra EG - III - B	European Investment Bank	27 434	13 665	14.11.1997	15.09.2010
CEB Pré-Escolar	CEB - Council of Europe Development Bank	10 475	6 176	07.04.2005	25.10.2012
CGD Reabilitação Urbana	European Investment Bank	12 470	4 210	19.12.1996	15.06.2011
Infraestruturas Municipais II	KfW - Kreditanstalt für Wiederaufbau	9 293	1 863	30.01.1991	31.12.2010
Operations carried out by BCI Moçambique			3.418		
Other			852		
			2 563 352		

At 31 December 2006 and 2005, CGD's consigned resources bore interest at the annual average rate of 2.99% and 2.37%, respectively.

27. Share Capital

At 31 December 2006 and 2005 CGD's share capital, made up of 590 000 000 shares of EUR 5 each, was totally held by the Portuguese State.

In 2005 Caixa did not distribute a dividend out of net income for the previous year. The Shareholder's General Meeting held on 17 June 2005 decided the use of EUR 300 000 thousand of the share premium and EUR 538 933 thousand of the legal reserve to cover the negative balance of retained earnings.

The Shareholder's General Meeting held in May 2006 decided to distribute a dividend of EUR 0.33 per share out of net income for 2005 to the State, corresponding to a total of EUR 195 000 thousand.

28. Reserves, Retained Earnings and Net Income

At 31 December 2006 and 2005 this heading comprises the following:

	2006	2005
Fair value reserve, net of deferred tax	656 405	565 467
Other reserves and retained earnings		
Legal reserve - CGD	467 251	397 097
Other reserves	(168 206)	(464 847)
Retained earnings	(319 452)	(346 719)
	(20 407)	**(414 469)**
Net income attributable to the shareholder of CGD	733 808	537 667
	1 369 806	**688 665**

In accordance with CGD's Articles of Association a minimum of 20% of annual net income must be transferred to the legal reserve. This reserve can only be used to cover accumulated losses or for capital increases.

The "Other reserves and retained earnings" heading includes the CGD's legal reserve amounting to EUR 467 251 thousand at 31 December 2006, and the legal reserves, free reserves and legal revaluation reserves of its subsidiaries and associates. The legal revaluation reserve can only be used to cover accumulated losses or for capital increases. CGD's reserves which are not distributable for this reason amounted to EUR 241 027 thousand at 31 December 2006, and were recorded in compliance with the following legislation:

Tangible fixed assets:	
Decree-Law 219/82, of 2 June	32 157
Decree-Law 399 - G/84, of 28 December	19 469
Decree-Law 118 - B/86, of 27 May	28 439
Decree-Law 111/88, of 2 April	15 325
Decree-Law 49/91, of 25 January	39 836
Decree-Law 264/92, of 24 November	41 897
Decree-Law 31/98, of 11 February	63 181
Financial fixed assets	723
	241 027

The "Fair value reserve" reflects unrealised gains and losses in available-for-sale financial assets, net of the corresponding tax effect.

The currency translation reserve, which reflects the effect of translating the foreign currency financial statements of subsidiaries, is included in "Other reserves".

CGD's consolidated net income was determined as follows:

		2006	2005
Caixa Geral de Depósitos, SA			
Caixa Geral de Depósitos and International Financial Branch		546 916	333 685
Timor Branch		(24 395)	3 048
Madeira Offshore Financial Branch		8 075	3 376
France Branch		6 130	4 320
London Branch		5 889	2 115
Cayman Branch		1 906	1 921
New York Branch		1 766	2 195
Luxembourg Branch		830	829
Zhuhai Branch		211	139
Monaco Branch		102	132
		547 430	**351 760**
Dividends received by CGD		(134 820)	(18 332)
Elimination of gains/losses in the sale of investments		-	(169 618)
	(A)	**412 610**	**163 810**
Contribution of subsidiaries to net income:			
Caixa Seguros, SGPS, SA[a]		152 601	118 440
Caixa - Banco de Investimento, SA[a]		28 575	24 909
Banco Nacional Ultramarino, SA (Macau)		20 771	20 720
Mercantile Bank Holdings, Ltd.		10 866	7 753
Caixa Leasing e Factoring - IFIC, SA		9 400	14 834
Banco Comercial e de Investimentos, SARL		6 879	3 422
Nostrum Mortgages (Fund and Plc)		5 394	1 395
Nostrum Consumer (Fund and Plc)		1 790	185
Caixagest - Técnicas de Gestão de Fundos, SA		4 534	4 085
Fundimo - Sociedade Gestora de Fundos de Investimento Imobiliário, SA		4 068	3 201
Caixaweb, SCPS, SA		(2 319)	(1 171)
Imocaixa - Gestão Imobiliária, SA		1 530	333
Venture Capital Fund for Qualified Investors - CGD Group		(1 099)	4 256
Banco Caixa Geral, SA [a]		583	(31 077)
Banco Comercial do Atlântico, SA		(557)	1 858
Caixa Participações, SGPS, SA		(424)	(12)
Esegur - Empresa de Segurança, SA		336	1 594
Garantia - Companhia de Seguros de Cabo Verde, SA		319	397
Caixa Brasil, SGPS, SA		-	160.054
Others		(1 663)	2 487
	(B)	**241 584**	**337 633**
Contribution of associates to net income:			
REN - Rede Eléctrica Nacional, SA		109 086	21 993
SIBS - Sociedade Interbancária de Serviços, SA		1 842	1 432
Others		(2 402)	1 624
	(C)	**108 526**	**25 049**
Adjustments to the Group's net income:			
Elimination of additions to and reversals of provisions for losses on investments, recorded in the non-consolidated accounts		(2 143)	(3 029)
Other		(26 769)	14 204
	(D)	**(29 505)**	**11 175**
Consolidated net income attributable to the shareholder of CGD	**(A+B+C+D)**	**733 808**	**537 667**

(a) Data taken from the consolidated financial statements.

Net income of Caixa - Brasil in 2005, results mainly from the realised gain on the sale of the investments in Unibanco and Unibanco Holdings (Note 8).

29. Minority Interest

Third party investments in subsidiary companies, by entity, are made up as follows:

	2006	2005
Caixa Geral Finance	600 180	600 094
Compal, SA	24 742	24 714
Banco Comercial e de Investimentos, SARL	22 289	20 024
Fundo de Investimento Imobiliário Fechado Saudeinvest	15 353	15 519
FIQ Grupo CGD - Caixa Capital	6 708	5 133
FIQ Energias Renováveis - Caixa Capital	4 474	-
FIQ PME - Caixa Capital	4 142	4 262
Mercantile Bank Holdings, Ltd.	5 905	6 100
Banco Comercial do Atlântico, SARL	4 190	5 143
Banco Interatlântico, SARL	1 659	1 594
A Promotora - Sociedade de Capital de Risco, SARL	1 178	1 189
Banco Caixa Geral, SA	978	977
Caixa - Banco de Investimento, SA	776	729
Garantia - Companhia de Seguros de Cabo Verde, SARL	695	719
Caixanet, Telemática e Comunicações, SA	345	344
Other	237	24
	693 851	**686 565**

Caixa Geral Finance is a company based on the Cayman Islands, with share capital of EUR 1 000. On 28 June 2004 the company issued non-voting preference shares totalling EUR 250 000 thousand. If it is decided to pay dividends, a quarterly dividend calculated on the basis of annual interest corresponding to the 3 month Euribor rate plus 0.8% up to 28 June 2014 and 1.8% as from that date, will be paid to the preference shareholders. Caixa Geral Finance may redeem the preference shares, in part or in full, as from 28 June 2014, at EUR 1 000 per share, plus the dividend accrued since the last payment.

On 30 September 2005 Caixa Geral Finance issued non-voting preference shares totalling EUR 350 000 thousand. If it is decided to pay dividends, a quarterly dividend calculated on the basis of annual interest corresponding to the 3 month Euribor rate plus 0.77% up to 30 September 2015 and 1.77% as from that date, will be paid to the preference shareholders. Caixa Geral Finance may redeem the preference shares, in part or in full, as from 30 September 2015, at EUR 50 per share, plus the dividend accrued since the last payment.

The proportion of consolidated net income attributable to minority shareholders for 2006 and 2005 is as follows:

	2006	2005
Caixa Geral Finance	22 548	10 067
Banco Comercial e de Investimentos, SARL	9 532	4 658
Mercantile Bank Holdings, Ltd.	977	711
Banco Comercial do Atlântico, SARL	(282)	1 231
Banco Interatlântico, SARL	275	197
Other 462	252	
	33 512	**17 116**

30. Interest and Similar Income and Costs

These headings are made up as follows:

	2006	2005
Interest and similar income:		
Interest on loans and advances to domestic credit institutions	37 992	19 874
Interest on loans and advances to foreign credit institutions	238 221	188 947
Interest on domestic credit	2 151 979	1 647 878
Interest on foreign credit	179 232	139 253
Interest on overdue credit	52 988	44 873
Interest on financial assets held for trading		
Derivatives	915 618	508 761
Securities	184 396	133 229
Other	1 865	1 224
Interest on financial assets at fair value through profit or loss	69 418	76 730
Interest on available-for-sale financial assets	67 173	105 294
Interest on hedging derivatives	168 857	142 494
Interest on held-to-maturity investments	2	4
Interest on debtors and other applications	12 841	9 972
Interest on cash equivalents	33 201	23 375
Interest on loans and other amounts receivable - Commercial Paper	27 262	-
Commissions received relating to amortised cost	90 328	58 468
Other interest and similar income	146 242	177 513
	4 377 615	**3 277 889**
Interest and similar costs		
Interest on deposits of		
Central and local government	57 683	40 884
Other residents	482 404	409 594
Emigrants	37 096	57 960
Other non-residents	134 701	85 072
Fixed rate products - insurance	85 695	48 352
Other	1 015	2 041
Interest on resources of foreign credit institutions	151 956	94 857
Interest on resources of domestic credit institutions	23 542	20 019
Interest on swaps	910 301	541 180
Interest on other trading liabilities	2 547	5 186
Interest on unsubordinated debt securities	388 727	334 306
Interest on hedging derivatives	173 912	117 642
Interest on subordinated liabilities	74 851	60 291
Other interest and similar costs	89 864	53 332
Commissions paid relating to amortised cost	7 043	4 247
Other	64 581	37 497
	2 685 918	**1 912 460**

31. Income from Equity Instruments

This heading comprises the following:

	2006	2005
Portugal Telecom, SGPS, SA	26 940	18 097
EDP - Energias de Portugal, SA	17 462	32 720
GALP Energia, SGPS, S.A.	10 930	-
Banco Comercial Português, SA	4 784	5 755
Cimpor	1 976	-
Unicre	1 795	569
Euronext	1 728	-
Fundo Margueira	1 353	-
PT Multimédia, SGPS, SA	1 082	1 005
Unibanco and Unibanco Holdings	-	18 547
Other	4 986	12 340
	73 036	**89 033**

32. Income and Costs from Services and Commissions

These headings comprise the following:

	2006	2005
Income from services rendered and commissions:		
Services rendered	303 156	309 138
Guarantees given	34 870	36 290
Operations carried out on behalf of third parties	14 447	12.178
Commitments to third parties	9 792	4 574
Operations on financial instruments	454	28
Other	78 541	30 782
	441 260	**392 990**
Cost of services and commissions:		
Banking services rendered by third parties	66 157	63 495
Operations carried out by third parties	5 688	4 489
Operations on financial instruments	2 218	2 636
Guarantees received	272	158
Other	6 510	2 772
	80 845	**73 550**

33. Results from Financial Operations

This heading comprises the following:

	2006	2005
Result of foreign exchange operations		
Revaluation of foreign exchange position	**215 591**	**(179 165)**
Result of financial assets and liabilities held for trading		
Securities:		
Debt instruments	(114 237)	28 212
Equity instruments	57 998	15 292
Other	37 352	12 198
	(18 887)	**55 702**
Derivatives:		
Currency	(132 877)	241 988
Interest rate	38 903	(113 797)
Shares	11 904	(16 322)
Credit	4 007	(109)
Other	3 034	5 003
	(75 029)	**116 763**
	(93 916)	**172 465**
Result of financial assets and liabilities at fair value through profit or loss		
Debt instruments	12 209	(42 810)
Equity instruments	1 599	4 296
Other	(18 778)	20 899
	(4 970)	**(17 615)**
Result of available-for-sale financial assets		
Debt instruments	1 788	4 927
Equity instruments (Note 8)		
EDP- Energias de Portugal, SA	13 342	8 969
Banco Comercial Português, SA	3 585	8 443
CGD USA Holding Company, Inc.	470	-
Unibanco and Unibanco Holdings, SA	-	183 923
Fespect - Serviços de Consultoria, SA	-	5 652
Other	7 847	9 653
	25 244	**216 640**
Other securities	430	-
	27 462	**221 567**
Result of hedging operations		
Interest rate swaps	(312 847)	58 201
Futures and other forward operations	(3)	(2 845)
Value adjustments of hedged assets and liabilities	300 101	52 867
	(12 749)	**108 223**
Other	(653)	(8 257)
	130 765	**297 218**

In 2005, the Group records in the "Result of hedging operations" heading, gains and losses on operations contracted for hedging purposes but that do not qualify as hedging operations under IAS 39.

34. Other Net Operating Income

This heading comprises the following:

	2006	2005
Other operating income		
Rendering of miscellaneous services	54 055	43 483
Expense reimbursement	7 705	7 499
Gains on subsidiaries and associates	149	625
Operating lease instalments	6 156	6 756
Gains on non-financial assets:		
Non-current assets held for sale	13 115	7 053
Other tangible assets	1 841	4 455
Investment property	31 416	2 657
Leased assets	521	248
Operating lease assets	8	-
Other non-financial assets	770	850
Secondment of employees to Caixa Geral de Aposentações and other entities	7 518	6 129
Sale of cheques	15 244	18 003
Other	46 913	11 161
	185 411	**108 919**
Other operating costs		
Donations and subscriptions	6 282	6 648
Losses on non-financial assets:		
Non-current assets held for sale	1 875	983
Investment property	1 102	500
Leased assets	66	48
Other tangible assets	934	561
Other taxes	16 221	16 082
Fines and penalties	1 206	1 756
Contribution to the Deposit Guarantee Fund	10 409	10 893
Other	19 722	29 821
	57 817	**67 292**
	127 594	**41 627**

The heading "Gains on non-financial assets - Investment property" for 2006 includes EUR 19 560 thousand relative to capital gains on the sale of property by Banco Caixa Geral.

In 2006 the heading "Non-current assets held for sale" includes EUR 6 808 thousand relative to capital gain from the sale of the investment in Nutricafés (Notes 3 and 12).

In 2006 "Income from other activities" corresponds to operating costs and income of Compal, is made up as follows:

Sales and services rendered	181 312
Cost of goods sold	(72 933)
	108 379

35. Technical Margin on Insurance Operations

35.1. Premiums, Net of Reinsurance

This caption for the years 2006 and 2005 is made up as follows:

	2006	2005
Caixa Seguros		
Direct insurance and inwards reinsurance		
Gross premiums written		
Life insurance	1 301 918	998 444
Non-life insurance	1 485 182	1 628 329
Outwards reinsurance premiums	(181 584)	(255 314)
	2 605 516	**2 371 459**
Other	21 139	4 767
	2 626 655	**2 376 226**

Earned premiums, net of reinsurance, issued by Caixa Seguros, are made up as follows:

	2006			2005		
	Direct insurance and inwards reinsurance	**Outwards reinsurance**	**Net**	**Direct insurance and inwards reinsurance**	**Outwards reinsurance**	**Net**
Life insurance:						
Insurance contracts						
Without profit sharing	119 251	(17 968)	101 283	90 579	(11 666)	78 913
With profit sharing	42 176	(2 754)	39 422	48 213	(2 480)	45 733
Investment contracts with						
discretionary profit sharing	1 140 491	(23)	1 140 468	859 652	(3 528)	856 124
	1 301 918	**(20 745)**	**1 281 173**	**998 444**	**(17 674)**	**980 770**
Non-life insurance:						
Gross premiums written						
Labour accident	252 010	(1 430)	250 580	264 599	(1 054)	263 545
Personal and passenger accident	46 153	(9 288)	36 865	50 007	(13 563)	36 444
Health	147 059	(3 399)	143 660	140 860	(7 331)	133 529
Fire and other damage	235 814	(94 408)	141 406	290 903	(152 419)	138 484
Motor	698 304	(6 086)	692 218	734 518	(1 013)	733 505
Marine, air and transport	39 610	(30 848)	8 762	43 964	(36 375)	7 589
General third party liability	34 096	(10 813)	23 283	37 172	(15 032)	22 140
Credit and guarantees	800	(213)	587	17 132	(10 495)	6 637
Legal protection	5 502	-	5 502	12 848	-	12 848
Assistence	12 693	2 097	14 790	36 322	(358)	35 964
Miscellaneous	13 141	(6 451)	6 690	4	-	4
	1 485 182	**(160 839)**	**1 324 343**	**1 628 329**	**(237 640)**	**1 390 689**
Total premiums, net of reinsurance	**2 787 100**	**(181 584)**	**2 605 516**	**2 626 773**	**(255 314)**	**2 371 459**
Change in provision for unearned premiums						
Labour accident	164	28	192	112	6	118
Personal and passenger accident	5 084	(2 165)	2 919	4 446	764	5 210
Health	(3 365)	(4 038)	(7 403)	(2 110)	(1 156)	(3 266)
Fire and other damage	9 324	(8 013)	1 311	437	(2 022)	(1 585)
Motor	8 857	(1 600)	7 257	9 274	139	9 413
Marine, air and transport	(57)	(512)	(569)	393	(565)	(172)
General third party liability	433	298	731	2 413	(2 016)	397
Credit and guarantees	235	(527)	(292)	(104)	374	270
Legal protection	1 847	104	1 951	(582)	(21)	(603)
Assistence	8 507	(4)	8 503	(1 603)	225	(1 378)
Miscellaneous	335	898	1 233	(231)	(2 331)	(2 562)
	31 364	**(15 531)**	**15 833**	**12 445**	**(6 603)**	**5 842**
Premiums earned:						
Labour accident	252 173	(1 403)	250 770	264 711	(1 048)	263 663
Personal and passenger accident	51 237	(11 453)	39 784	54 453	(12 799)	41 654
Health	143 694	(7 437)	136 257	138 749	(8 487)	130 262
Fire and other damage	245 138	(102 421)	142 717	290 438	(154 441)	135 997
Motor	707 160	(7 686)	699 474	743 792	(874)	742 918
Marine, air and transport	39 553	(31 360)	8 193	44 357	(36 940)	7 417
General third party liability	34 528	(10 515)	24 013	39 584	(17 048)	22 536
Credit and guarantees	1 035	(740)	295	17 005	(10 121)	6 884
Legal protection	7 349	103	7 452	12 266	(21)	12 245
Assistence	21 200	2 093	23 293	34 720	(133)	34 587
Miscellaneous	13 479	(5 554)	7 925	4	(2 331)	(2 327)
	1 516 546	**(176 373)**	**1 340 173**	**1 640 079**	**(244 243)**	**1 395 836**
Total	**2 818 464**	**(197 118)**	**2 621 346**	**2 638 523**	**(261 917)**	**2 376 606**

The changes in the provision for unearned premiums are recorded in the "Cost of claims - change in other technical provisions" heading (Note 35.3).

35.2. Result of Investments Relating to Insurance Contracts

This caption for 2006 and 2005 is made up as follows:

	2006			2005		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
Interest	121 562	56 136	177 698	79 990	50 809	130 799
Dividends	20 900	6 560	27 460	14 072	7 419	21 491
Net realised gains	41 645	43 131	84 776	77 437	3 296	80 733
Net unrealised gains	-	-	-	-	616	616
Other	4 381	17 894	22 275	2 155	10 158	12 313
	188 488	**123 721**	**312 209**	**173 654**	**72 298**	**245 952**

35.3. Cost of Claims, Net of Reinsurance

Following is a breakdown of this heading for the years 2006 and 2005:

	2006			2005		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
Caixa Seguros						
Direct insurance and inwards reinsurance						
Claims paid	596 813	839 946	1 436 759	476 341	803 780	1 280 121
Change in provision for claims	41 818	21 996	63 814	26 974	110 750	137 724
	638 631	**861 942**	**1 500 573**	**503 315**	**914 530**	**1 417 845**
Provision for profit sharing	44 063	334	44 397	31 616	162	31 778
Change in other technical provisions	717 962	3 308	721 270	582 662	(17 110)	565 552
	1 400 656	**865 584**	**2 266 240**	**1 117 593**	**897 582**	**2 015 175**
Balance of outwards reinsurance	(15 021)	(66 829)	(81 850)	(16 153)	(46 176)	(62 329)
Sub-total Caixa Seguros	**1 385 635**	**798 755**	**2 184 390**	**1 101 440**	**851 406**	**1 952 846**
Other	-	2 924	2 924	-	2 643	2 643
	1 385 635	**801 679**	**2 187 314**	**1 101 440**	**854 049**	**1 955 489**

The cost of claims relating to Caixa Seguros non-life insurance operations, by type of insurance, is made up as follows:

	2006					
	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
Direct insurance and inwards reinsurance:						
Labour accident	146 392	57 848	204 240	32	-	204 272
Personal and passenger accident	8 858	(1 812)	7 046	96	31	7 173
Health	104 835	5 647	110 482	4 366	249	115 097
Fire and other damages	76 247	(10 943)	65 304	17	-	65 321
Motor	449 633	(35 884)	413 749	(341)	-	413 408
Marine, air and transport	10 318	18 965	29 283	(170)	-	29 113
General third party liability	16 403	(14 804)	1 599	(260)	-	1 339
Credit and guarantees	283	257	540	(25)	-	515
Legal protection	680	1 097	1 777	96	-	1 873
Assistence	21 618	1 012	22 630	(388)	54	22 296
Miscellaneous	4 679	613	5 292	(115)	-	5 177
	839 946	**21 996**	**861 942**	**3 308**	**334**	**865 584**
Outwards reinsurance:						
Labour accident	(1 693)	1 215	(478)	-	-	(478)
Personal and passenger accident	(642)	2 580	1 938	-	-	1 938
Health	(92)	(16)	(108)	-	-	(108)
Fire and other damages	(30 646)	(1 996)	(32 642)	-	-	(32 642)
Motor	(5 960)	(7 657)	(13 617)	-	-	(13 617)
Marine, air and transport	(6 752)	(20 274)	(27 026)	-	-	(27 026)
General third party liability	(6 569)	14 875	8 306	-	-	8 306
Credit and guarantees	(143)	72	(71)	-	-	(71)
Legal protection	-	-	-	-	-	-
Assistence	-	-	-	-	-	-
Miscellaneous	(2 155)	(976)	(3 131)	-	-	(3 131)
	(54 652)	**(12 177)**	**(66 829)**	**-**	**-**	**(66 829)**
Net:						
Labour accident	144 699	59 063	203 762	32	-	203 794
Personal and passenger accident	8 216	768	8 984	96	31	9 111
Health	104 743	5 631	110 374	4 366	249	114 989
Fire and other damages	45 601	(12 939)	32 662	17	-	32 679
Motor	443 673	(43 541)	400 132	(341)	-	399 791
Marine, air and transport	3 566	(1 309)	2 257	(170)	-	2 087
General third party liability	9 834	71	9 905	(260)	-	9 645
Credit and guarantees	140	329	469	(25)	-	444
Legal protection	680	1 097	1 777	96	-	1 873
Assistence	21 618	1 012	22 630	(388)	54	22 296
Miscellaneous	2 524	(363)	2 161	(115)	-	2 046
	785 294	**9 819**	**795 113**	**3 308**	**334**	**798 755**

	2005					
	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
Direct insurance and inwards reinsurance:						
Labour accident	128 423	36 463	164 886	(112)	-	164 774
Personal and passenger accident	9 988	4 036	14 024	(4 300)	54	9 778
Health	95 825	2 563	98 388	(1 141)	100	97 347
Fire and other damages	86 887	(845)	86 042	(1 071)	-	84 971
Motor	427 691	54 513	482 204	(9 085)	7	473 126
Marine, air and transport	12 837	4 715	17 552	(1 031)	-	16 521
General third party liability	15 788	9 785	25 573	(996)	-	24 577
Credit and guarantees	148	(565)	(417)	(1 727)	-	(2 144)
Legal protection	765	377	1 142	576	-	1 718
Assistence	21 794	585	22 379	1 232	-	23 611
Miscellaneous	3 634	(877)	2 757	545	1	3 303
	803 780	**110 750**	**914 530**	**(17 110)**	**162**	**897 582**
Outwards reinsurance:						
Labour accident	(1 094)	(679)	(1 773)	(6)	-	(1 779)
Personal and passenger accident	(1 930)	(2 000)	(3 930)	(764)	-	(4 694)
Health	(9 370)	9 227	(143)	1 751	-	1 608
Fire and other damages	(35 936)	17 015	(18 921)	2 022	-	(16 899)
Motor	(5 773)	335	(5 438)	4 144	-	(1 294)
Marine, air and transport	(9 562)	(2 153)	(11 715)	565	-	(11 150)
General third party liability	(8 324)	(2 281)	(10 605)	2 016	-	(8 589)
Credit and guarantees	(49)	533	484	29	-	513
Legal protection	1	(213)	(212)	(716)	-	(928)
Assistence	-	-	-	(2 339)	-	(2 339)
Miscellaneous	(1 453)	333	(1 120)	495	-	(625)
	(73 490)	**20 117**	**(53 373)**	**7 197**	**-**	**(46 176)**
Net:						
Labour accident	127 329	35 784	163 113	(118)	-	162 995
Personal and passenger accident	8 058	2 036	10 094	(5 064)	54	5 084
Health	86 455	11 790	98 245	610	100	98 955
Fire and other damages	50 951	16 170	67 121	951	-	68 072
Motor	421 918	54 848	476 766	(4 941)	7	471 832
Marine, air and transport	3 275	2 562	5 837	(466)	-	5 371
General third party liability	7 464	7 504	14 968	1 020	-	15 988
Credit and guarantees	99	(32)	67	(1 698)	-	(1 631)
Legal protection	766	164	930	(140)	-	790
Assistence	21 794	585	22 379	(1 107)	-	21 272
Miscellaneous	2 181	(544)	1 637	1 040	1	2 678
	730 290	**130 867**	**861 157**	**(9 913)**	**162**	**851 406**

Information on the development of the cost of claims for insurance products in which the amount and timing of the payments are uncertain and where this uncertainty is usually not eliminated within a year, is set out in the following tables:

Type of insurance: Labour Accident

Accumulated amounts

Acounting year	2001	2002	2003	2004	2005	2006	Total
2001	161 384	-	-	-	-	-	161 384
2002	189 831	130 420	-	-	-	-	320 252
2003	199 621	142 655	142 469	-	-	-	484 745
2004	201 435	153 668	143 255	197 014	-	-	695 373
2005	207 368	161 276	155 076	182 114	172 376	-	878 211
2006	**213 686**	**162 666**	**160 052**	**195 728**	**193 813**	**171 468**	**1 097 412**

Costs of claims recorded in 2006:

Claims from 2001 to 2006	219 201
Claims from previous years	22 843
Costs charged to claims settlement	(39 783)
Costs with claims of inwards reinsurance	1 979
	204 240

Accumulated payments made to-date

	2001	2002	2003	2004	2005	2006	Total
2006	**152 398**	**141 552**	**145 441**	**142 669**	**128 693**	**70 029**	**780 782**

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

	2001	2002	2003	2004	2005	2006	Total
2006	**43 269**	**38 556**	**43 858**	**50 724**	**68 706**	**135 807**	**380 920**

Provision for claims prior to 2001	**317 280**
Total direct insurance	**698 200**
Provision for claims of inwards reinsurance	**14 860**
Total	**713 060**

Type of insurance: Fire and Other Damage

Accumulated amounts

Acounting year	2001	2002	2003	2004	2005	2006	Total
2001	145 524	-	-	-	-	-	145 524
2002	148 552	80 450	-	-	-	-	229 002
2003	148 756	85 868	82 113	-	-	-	316 737
2004	146 306	87 491	82 036	111 921	-	-	427 753
2005	145 862	87 737	85 556	112 070	94 631	-	525 857
2006	**145 851**	**85 815**	**83 938**	**110 019**	**96 767**	**84 220**	**606 609**

Costs of claims recorded in 2006:

Claims from 2001 to 2006	80 752
Claims from previous years	(3 922)
Costs charged to claims settlement	(13 011)
Costs with claims of inwards reinsurance	1 486
	65 304

Accumulated payments made to-date

	2001	2002	2003	2004	2005	2006	Total
2006	**134 925**	**86 831**	**77 273**	**100 852**	**66 415**	**45 309**	**511 606**

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

	2001	2002	2003	2004	2005	2006	Total
2006	**8 008**	**4 826**	**10 855**	**13 794**	**13 478**	**60 697**	**111 657**

Provision for claims prior to 2001	**19 978**
Total direct insurance	**131 635**
Provision for claims of inwards reinsurance	**8 460**
Total	**140 095**

Type of insurance:				Motor			
Accumulated amounts							
Acounting year	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**Total**
2001	563 211	-	-	-	-	-	563 211
2002	580 703	576 632	-	-	-	-	1 157 335
2003	624 281	600 484	550 502	-	-	-	1 775 267
2004	640 082	630 630	564 933	554 251	-	-	2 389 897
2005	637 346	643 504	579 156	536 454	498 157	-	2 894 617
2006	**638 812**	**641 486**	**587 860**	**541 005**	**482 713**	**450 344**	**3 342 220**

Costs of claims recorded in 2006:

Claims from 2001 to 2006	447 603
Claims from previous years	(4 135)
Costs charged to claims settlement	(48 968)
Costs with claims of inwards reinsurance	19 249
	413 749

Accumulated payments made to-date

	2001	2002	2003	2004	2005	2006	Total
2006	**579 832**	**552 517**	**495 720**	**427 421**	**359 625**	**219 247**	**2 634 363**

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

	2001	2002	2003	2004	2005	2006	Total
2006	**97 320**	**101 247**	**108 443**	**132 158**	**141 117**	**240 963**	**821 249**

Provision for claims prior to 2001	**111 785**
Total direct insurance	**933 034**
Provision for claims of inwards reinsurance	**23 314**
Total	**956 348**

Type of insurance:				Marine and Transports			
Accumulated amounts							
Acounting year	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**Total**
2001	4 336	-	-	-	-	-	4 336
2002	4 840	4 371	-	-	-	-	9 211
2003	4 927	4 168	2 546	-	-	-	11 642
2004	4 729	3 290	2 439	2 514	-	-	12 972
2005	4 650	3 385	2 527	2 739	3 810	-	17 111
2006	**4 637**	**3 347**	**2 307**	**2 408**	**3 878**	**2 329**	**18 907**

Costs of claims recorded in 2006:

Claims from 2001 to 2006	1 796
Claims from previous years	(174)
Costs charged to claims settlement	(123)
Costs with claims of inwards reinsurance	27
	1 526

Accumulated payments made to-date

	2001	2002	2003	2004	2005	2006	Total
2006	**4 192**	**3 063**	**2 925**	**1 879**	**3 263**	**1 110**	**16 433**

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

	2001	2002	2003	2004	2005	2006	Total
2006	**367**	**999**	**534**	**713**	**762**	**1 218**	**4 594**

Provision for claims prior to 2001	**301**
Total direct insurance	**4 895**
Provision for claims of inwards reinsurance	**1 098**
Total	**5 993**

Type of insurance:			Air				
Accumulated amounts							
Acounting year	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**Total**
2001	1 080	-	-	-	-	-	1 080
2002	1 269	686	-	-	-	-	1 955
2003	1 316	719	607	-	-	-	2 642
2004	1 216	672	1 111	3 117	-	-	6 116
2005	1 065	667	4 379	22 735	2 506	-	31 352
2006	**999**	**562**	**4 368**	**42 813**	**2 369**	**883**	**51 994**

Costs of claims recorded in 2006:

Claims from 2001 to 2006	20 641
Claims from previous years	2 366
Costs charged to claims settlement	(57)
Costs with claims of inwards reinsurance	621
	23 572

Accumulated payments made to-date

2006	**1 099**	**1 020**	**4 859**	**3 057**	**1 569**	**529**	**12 133**

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

2006	**132**	**2**	**150**	**20 016**	**995**	**356**	**21 652**

Provision for claims prior to 2001	**12 989**
Total direct insurance	**34 641**
Provision for claims of inwards reinsurance	**3 893**
Total	**38 534**

Type of insurance:			Transport of Goods				
Accumulated amounts							
Acounting year	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**Total**
2001	7 026	-	-	-	-	-	7 026
2002	8 954	6 685	-	-	-	-	15 639
2003	8 901	8 118	4 893	-	-	-	21 912
2004	8 762	7 030	4 320	4 796	-	-	24 908
2005	8 455	6 876	4 536	5 039	4 272	-	29 178
2006	**8 580**	**6 737**	**4 620**	**4 934**	**4 865**	**3 979**	**33 716**

Costs of claims recorded in 2006:

Claims from 2001 to 2006	**4.538**
Claims from previous years	**(83)**
Costs charged to claims settlement	**(650)**
Costs with claims of inwards reinsurance	**381**
	4 186

Accumulated payments made to-date

2006	**8 054**	**6 827**	**5 070**	**4 520**	**3 789**	**1 362**	**29 621**

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

2006	**1 219**	**668**	**626**	**693**	**1 142**	**2 625**	**6 973**

Provision for claims prior to 2001	**834**
Total direct insurance	**7 807**
Provision for claims of inwards reinsurance	**403**
Total	**8 210**

Type of insurance: **Third Party Liability**

Accumulated amounts

Acounting year	2001	2002	2003	2004	2005	2006	Total
2001	13 397	-	-	-	-	-	13 397
2002	15 961	12 802	-	-	-	-	28 762
2003	18 674	19 174	11 948	-	-	-	49 796
2004	21 878	17 817	28 066	13 042	-	-	80 803
2005	22 198	19 145	32 492	16 643	13 576	-	104 053
2006	**18 762**	**19 753**	**21 360**	**16 073**	**14 563**	**13 613**	**104 124**

Costs of claims recorded in 2006:

Claims from 2001 to 2006	70
Claims from previous years	2 744
Costs charged to claims settlement	(1 924)
Costs with claims of inwards reinsurance	708
	1 599

Accumulated payments made to-date

	2001	2002	2003	2004	2005	2006	Total
2006	**15 875**	**12 991**	**12 033**	**12 636**	**7 481**	**5 765**	**66 781**

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

	2001	2002	2003	2004	2005	2006	Total
2006	**6 723**	**7 537**	**8 892**	**5 407**	**8 102**	**10 224**	**46 883**

Provision for claims prior to 2001	22 769
Total direct insurance	69 652
Provision for claims of inwards reinsurance	39 441
Total	**109 093**

Type of insurance: **Miscellaneous Financial Losses**

Accumulated amounts

Acounting year	2001	2002	2003	2004	2005	2006	Total
2001	1 960	-	-	-	-	-	1 960
2002	2 062	2 207	-	-	-	-	4 269
2003	2 096	2 294	4 783	-	-	-	9 172
2004	2 159	2 385	4 340	7 095	-	-	15 979
2005	2 111	2 470	4 593	7 533	3 938	-	20 646
2006	**2 014**	**2 438**	**4 424**	**7 328**	**5 201**	**5 079**	**26 483**

Costs of claims recorded in 2006:

Claims from 2001 to 2006	5 837
Claims from previous years	267
Costs charged to claims settlement	(287)
Costs with claims of inwards reinsurance	195
	6 013

Accumulated payments made to-date

	2001	2002	2003	2004	2005	2006	Total
2006	**2 009**	**2 282**	**5 322**	**7 361**	**3 569**	**2 130**	**22 671**

Liabilities recognised in the balance sheet (Provision for direct insurance claims)

	2001	2002	2003	2004	2005	2006	Total
2006	**70**	**4**	**89**	**246**	**634**	**2 952**	**3 996**

Provision for claims prior to 2001	**115**
Total direct insurance	**4 111**
Provision for claims of inwards reinsurance	**186**
Total	**4 297**

The change in provision for claims in the heading "Cost of claims net of reinsurance" in the income statement has, as its main corresponding entry, the provision for claims included in the liability heading "Technical provisions of insurance contracts". However, some operations are recognised in other balance sheet items, namely through payments of claims reflected in other assets. Therefore, the changes in provisions for claims in the balance sheet and income statement do not coincide.

The cost of life insurance claims of Caixa Seguros for 2006 and 2005, excluding profit sharing, by type of insurance, is made up as follows:

	2006					
	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Profit sharing	Total
Direct insurance and inwards reinsurance:						
Insurance contracts						
Without profit sharing	41 615	22 119	63 734	(710)	-	63 024
With profit sharing	26 667	4 378	31 045	(1 906)	6 804	35 943
Investment contracts with discretionary profit sharing	528 531	15 321	543 852	720 578	37 259	1 301 689
	596 813	**41 818**	**638 631**	**717 962**	**44 063**	**1 400 656**
Outwards reinsurance:						
Insurance contracts						
Without profit sharing	(5 737)	(5 720)	(11 457)	(1 357)	-	(12 814)
With profit sharing	(1 643)	(708)	(2 351)	143	-	(2 208)
Investment contracts with discretionary profit sharing	-	-	-	1	-	1
	(7 380)	**(6 428)**	**(13 808)**	**(1 213)**	**-**	**(15 021)**
Net:						
Insurance contracts						
Without profit sharing	35 878	16 399	52 277	(2 067)	-	50 210
With profit sharing	25 024	3 670	28 694	(1 763)	6 804	33 735
Investment contracts with discretionary profit sharing	528 531	15 321	543 852	720 579	37 259	1 301 690
	589 433	**35 390**	**624 823**	**716 749**	**44 063**	**1 385 635**

	2005				
	Claims paid	Change in provision for claims	Subtotal	Change in other technical provisions	Total
Direct insurance and inwards reinsurance:					
Insurance contracts					
Without profit sharing	866	(216)	650	16 854	17 504
With profit sharing	28 507	2 726	31 233	-	31 233
Investment contracts with discretionary profit sharing	446 968	24 464	471 432	565 808	1 037 240
	476 341	**26 974**	**503 315**	**582 662**	**1 085 977**
Outwards reinsurance:					
Insurance contracts					
Without profit sharing	(1 054)	1 019	(35)	(271)	(306)
With profit sharing	(650)	(1 234)	(1 884)	-	(1 884)
Investment contracts with discretionary profit sharing	(7 111)	(6 852)	(13 963)	-	(13 963)
	(8 815)	**(7 067)**	**(15 882)**	**(271)**	**(16 153)**
Net:					
Insurance contracts					
Without profit sharing	(188)	803	615	16 583	17 198
With profit sharing	27 857	1 492	29 349	-	29 349
Investment contracts with discretionary profit sharing	439 857	17 612	457 469	565 808	1 023 277
	467 526	**19 907**	**487 433**	**582 391**	**1 069 824**

35.4. Commisions and Other Income and Costs Relating to Insurance Operations

This heading for the years 2006 and 2005 is made up as follows:

	2006			2005		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
Technical income:						
Commissions:						
Outwards reinsurance	938	25 282	26 220	2 887	32 275	35 162
Co-insurance management charges	229	1 004	1 233	109	1 345	1 454
Pension fund management charges	85	-	85	114	-	114
Other technical income						
Other technical income	-	1 443	1 443	101	73	174
	1 252	**27 729**	**28 981**	**3 211**	**33 693**	**36 904**
Technical costs:						
Commissions:						
Direct insurance operations:						
- Mediation and brokerage charges	(2 432)	(129 895)	(132 327)	(5 342)	(135 321)	(140 663)
- Collection charges	(145)	(11 037)	(11 182)	(171)	(11 443)	(11 614)
- Other	-	-	-	85	-	85
Inwards reinsurance operations	-	(20 623)	(20 623)	-	(31 345)	(31 345)
Co-insurance management charges	(21)	(711)	(732)	(11)	(974)	(985)
Other technical costs						
Provision for premiums receivable	2 910	(5 355)	(2 445)	(2 681)	21 436	18 755
Taxes specific to the insurance business	(876)	(26 087)	(26 963)	(1 251)	(24 143)	(25 394)
Other	(266)	(195)	(461)	(9)	(13)	(22)
	(830)	**(193 903)**	**(194 733)**	**(9 380)**	**(181 803)**	**(191 183)**
	-	-	444	-	-	238
Other	**422**	**(166 174)**	**(165 308)**	**(6 169)**	**(148 110)**	**(154 041)**

36. Staff Costs

This heading is made up as follows:

	2006	2005
Remuneration of the management and supervisory bodies	10 888	10 377
Remuneration of the staff	676 240	629 925
Provision for suspension of labour agreements (Note 37)	437	218
	687 565	**640 520**
Other charges relating to remuneration	60 369	53 690
Healthcare - CGD (Note 37)		
Normal cost (Note 37)	26 727	22 182
Contributions relating to current staff	28 722	26 432
Amortisation of deviations exceeding the corridor (Note 37)	3 679	-
Pension Liability - CGD (Note 37)		
Normal cost	57 883	48 517
Retirements before the normal retirement age	1 145	686
Other pension costs		
Caixa Seguros		
Normal cost (Note 37)	1 945	5 790
Other	5 060	4 485
Other	5 330	5 767
Other mandatory social charges	15 744	12 440
	206 604	**179 989**
Other employee costs	42 540	38 631
	936 709	**859 140**

The heading "Remuneration of the staff" for 2006 and 2005 includes EUR 36 000 thousand and EUR 26 500 thousand, respectively, relating to the provision for profit participation by CGD's employees.

The heading "Other pension costs - other" of Caixa Seguros for 2005 includes EUR 3 333 thousand relating to contributions for the pension funds which were offset by reversal of the provision for pensions, therefore not affecting net income for the year.

The average number of employees of Caixa and subsidiaries in 2006 and 2005, by function, was as follows:

	2006			2005		
	Banking	Insurance	Group	Banking	Insurance	Group
Senior management	316	206	522	301	344	645
Management	2 399	788	3 187	2 391	919	3 310
Technical staff	3 656	1 217	4 873	3 666	1 245	4 911
Administrative staff	7 846	1 725	9 571	8 587	1 838	10 425
Auxiliary	1 235	284	1 519	1 170	317	1 487
	15 452	**4 220**	**19 672**	**16 115**	**4 663**	**20 778**
Number of employees at the end of the year	**15 810**	**4 220**	**20 030**	**16 040**	**4 649**	**20 689**

These numbers at 31 December 2006 and 2005 do not include staff employed by the Support Department of Caixa Geral de Aposentações (309 in 2006 and 320 in 2005), those assigned to CGD's Social Services (72 in 2006 and 2005) and those on secondment abroad (89 in 2006 and 102 in 2005).

37. Retirement Pensions and Other Long Term Benefits

37.1. Retirement Pensions and Post Retirement Death Grants

Liabilities for CGD Employees

In accordance with article 39 of Decree-Law 48 953 of 5 April 1969 and Decree-Law 161/92 of 1 August, CGD was responsible for the payment of retirement pensions for sickness, disability and old age and survivors' pensions to employees hired as from 1 January 1992. Caixa Geral de Aposentações ("CGA") was responsible for the payment of survivors' pensions to employees hired prior to 1 January 1992. For this purpose 2.5% of the remuneration of these employees is discounted and paid to CGA.

In addition, in accordance with the Vertical Labour Collective Agreement in force for the banking sector, the former BNU had the commitment to grant pensions to its employees for early retirement and retirement due to age, disability and survivors' pensions. These payments comprised a percentage, which increased in line with the number of years of employment, applied to wage scales negotiated annually with the bank employees' unions. In 2001, following the merger of BNU into CGD, BNU's pension liability was transferred to CGD. Therefore, the former employees of BNU in service at the date of the merger became covered by the pension and benefits plan in force in CGD. As regards retired personnel and pensioners of BNU at the date of the merger, the pension plan in force on the date of their retirement remains applicable.

Under Decree Laws 240-A/2004 of 29 December and 241-A/2004 of 30 December, on 30 November 2004 the full amount of the retirement pension liability of Caixa's employees, relating to time of service up to 31 December 2000, totalling EUR 2 510 043 thousand, was transferred to CGA. This transfer also included the liability for death grants after normal retirement age, in respect of the above mentioned time of service.

Accordingly, Caixa's pensions liability at 31 December 2006 and 2005 is as follows:

• Liability relating to current employees for time of service after 31 December 2000;

• In the case of employees retired between 1 January 2001 and 31 December 2006 the part of the liability corresponding to the time of service in that period;

• Liability for retirement pensions and respective survivors' pensions of former BNU employees, already under payment at the date of the merger;

• Liability for death grants relating to the period of service after 31 December 2000.

Pension payments are based on the number of years of service of the employees and their respective remuneration on their retirement date, and are updated in line with the wages paid to current employees.

Caixa set up a pension fund in December 1991, to which it makes the necessary contributions to cover its pension liability. Under the regime applicable to Caixa, employees contribute the following percentages of their remuneration to the pension fund:

• Employees hired prior to 1 January 1992 - 7,5%;

• Employees hired after 1 January 1992 - 10,0%.

The full amount contributed by the employees hired after 1 January 1992 is paid to the pension fund, as the fund is responsible for the respective survivors' pension regime.

The transfer of liabilities to CGA implied the transfer of an equivalent amount of assets from the pension fund.

Liability Relating to Employees of Companhia de Seguros Fidelidade Mundial, SA and Império Bonança - Companhia de Seguros, SA

In compliance with the terms of the collective labour agreement in force for the insurance sector, Fidelidade - Mundial and Império Bonança have assumed the commitment to grant their employees hired prior to June 1995 supplementary pensions to those granted by the Social Security. These supplementary pensions vary based on the employee's remuneration, social security contributions and, in case of disability, the seniority in the insurance business.

In addition, Império Bonança:

- undertook between 1999 and 2005, to grant employees, who are in early retirement, the payment of a life pension corresponding to the difference between 80% of the last remuneration and the amount paid by the Social Security services.
- undertook the commitment to extend the benefits included in the collective labour agreement to the employees hired up to June 2005 and, on the other hand, to grant to the beneficiaries of the Pension Fund, the additional benefits guaranteed under the supplementary plan in force in the Millenniumbcp Group, of which the company was a member up to 31 December 2005. The liability relating to the supplementary plan is covered by the respective pension fund.

Determination of Liabilities

Actuarial calculations have been made by specialised entities to determine the liability for retirement pensions under payment and for past services of current employees as at 31 December 2006 and 2005.

The assumptions and technical bases used in respect of CGD and the Group insurance companies were as follows:

	2006		2005	
	CGD	Caixa Seguros	CGD	Caixa Seguros
Actuarial method	Projected Unit Credit		Projected Unit Credit	
Mortality table				
Men	TV 73/77	TV 73/77	TV 73/77	TV 73/77
Women	TV 88/90	TV 88/90	TV 88/90	TV 88/90
Disability table	EKV 80		EKV 80	
Discount rate	4.75%	4.75%	4.75%	4.75%
Yield of funds assets	5.25%	4.75%	5.25%	4.75%
Salary growth rate	3.00%	3.00%	3.00%	3.00%
Pension growth rate	2.00%	1.00%	2.00%	1.00%
Turnover rate:				
Under 30 years old	5%	n.a.	5%	n.a.
Between 30 and 40 years old	1%	n.a.	1%	n.a.
Older than 40	0%	n.a.	0%	n.a.
Future external service	1/24	n.a.	1/8	n.a.

In the studies relating to CGD, for 2006 and 2005, the normal retirement age was considered to be 60 years of age.

Following is a comparison between the actuarial and financial assumptions used to determine CGD's pension costs for 2006 and 2005 and the actual amounts:

	2006		2005	
	Assumptions	Actual	Assumptions	Actual
Yield of fund assets	5.25%	6.53%	5.25%	9.22%
Salary growth rate	3.00%	5.46%	3.00%	5.09%
Pension growth rate	2.00%	2.50%	2.00%	2.75%

The Group's past service liability in accordance with the actuarial calculations and the funds and provisions available to cover them at 31 December 2006 and 2005 are as follows:

	2006				2005			
	CGD	Caixa Seguros	Other	Total	CGD	Caixa Seguros	Other	Total
Past service liability:								
Current employees	597 238	35 098	18 900	651 236	497 465	40 233	17 632	555 330
Retired and early retired employees	358 064	223 416	15 310	596 790	327 111	218 154	15 311	560 576
	955 302	**258 514**	**34 210**	**1 248 026**	**824 576**	**258 387**	**32 943**	**1 115 906**
Autonomous pension funds	955 302	155 727	3 019	1 114 048	824 576	160 269	2 766	987 611
Mathematical provisions	-	77 933	-	77 933	-	77 745	-	77 745
Provision for pensions and similar costs	-	27 861	36 684	64 545	-	24 736	30 410	55 146
	955 302	**261 521**	**39 703**	**1 256 526**	**824 576**	**262 750**	**33 176**	**1 120 502**
Difference	-	3 007	5 493	8 500	-	4 363	233	4 596
Funding level	**100.00%**	**101.16%**	**116.06%**	**100.68%**	**100.00%**	**101.69%**	**100.71%**	**100.41%**

In accordance with Bank of Portugal Notice 4/2005 of 28 February, financial entities with head office in Portugal must fully fund their liability for retired and early retired personnel and a minimum of 95% of their past service liability for current employees. Caixa's liability at 31 December 2006 and 2005 was fully funded.

The future service liability for CGD's current employees at 31 December 2006 and 2005 totalled EUR 1 263 514 thousand and EUR 1 199 740 thousand, respectively.

At 31 December 2006, the provision for pension and similar costs under the heading "Other entities" include EUR 5 000 thousand relating to healthcare charges.

The number of beneficiaries of CGD and CGD Group insurance companies in Portugal in 2006 and 2005 was as follows:

	2006		2005	
	CGD	Caixa Seguros	CGD	Caixa Seguros
Current employees	11 265	2 789	11 981	2 993
Retired and early retired employees	7 332	2 839	6 886	2 601
	18 597	**5 628**	**18 867**	**5 594**

The changes in the pension funds, mathematical provisions and provision for pensions and similar costs in 2006 and 2005 were as follows:

	CGD	Caixa Seguros	Other	Total
Balances at 31 December 2004	**645 217**	**112 388**	**30 289**	**787 894**
Acquisition of Império Bonança	-	136 487	-	136 487
Regular contributions				
By the employees	26 139	-	183	26 322
By the entities	23 467	17 864	305	41 636
Extraordinary contributions	41 115	-	-	41 115
Change in provisions for pensions and similar costs	-	(9 782)	2 687	(7 095)
Change in the mathematical provisions	-	8 440	-	8 440
Pensions paid	(19 480)	(14 414)	(442)	(34 336)
Net income of the pension fund	108 119	11 766	138	120 023
Current personnel transferred and to be transferred to the CGA Pension Fund	(1)	1	16	16
Balances at 31 December 2005	**824 576**	**262 750**	**33 176**	**1 120 502**
Contributions paid				
Regular contributions				
By the employees	27 672	-	168	27 840
By the entities	57 211	6 646	399	64 256
Extraordinary contributions	9 482	-	-	9 482
Change in provisions for pensions and similar costs	-	3 125	7 526	10 651
Change in the mathematical provisions	-	188	-	188
Pensions paid	(21 518)	(15 638)	(552)	(37 708)
Net income of the pension fund	57 393	4 454	1 112	62 959
Other changes	486	(4)	(2 126)	(1 644)
Balances at 31 December 2006	**955 302**	**261 521**	**39 703**	**1 256 526**

At 31 December 2006 and 2005 CGD's pension fund was managed by CGD Pensões - Sociedade Gestora de Fundos de Pensões, SA.

At 31 December 2006 and 2005 CGD's pension fund had property leased to Group companies in the amount of EUR 73 957 thousand and EUR 75 449 thousand, and securities issued by Group companies in the amount of EUR 110 595 thousand and EUR 99 825 thousand, respectively.

The change in the difference between the Group's past service liability and respective coverage, and the corresponding impact in the financial statements as at 31 December 2006 and 2005 are as follows:

	CGD	Caixa Seguros	Other	Total
Situation at 31 December 2004	**-**	**100**	**(75)**	**25**
Current service cost	(51 037)	(4 000)	(185)	(55 222)
Interest cost	(31 720)	(8 667)	(109)	(40 496)
Expected return on plan assets	34 240	6 877	133	41 250
Normal cost for the year (Note 36)	(48 517)	(5 790)	(161)	(54 468)
Increase in liabilities due to early retirements (Note 36)	(686)	-	-	(686)
Other changes in profit or loss	-	-	(20)	(20)
Changes with impact in profit or loss	**(49 203)**	**(5 790)**	**(181)**	**(55 174)**
Liability	(89 256)	3 470	-	(85 786)
Income	73 878	(1 342)	5	72 541
Actuarial gains and losses	**(15 378)**	**2 128**	**5**	**(13 245)**
Contributions made	64 582	7 917	488	72 987
Other	(1)	8	(4)	3
Situation at 31 December 2005	**-**	**4 363**	**233**	**4 596**
Current service cost	(64 962)	(1 841)	(179)	(66 982)
Interest cost	(38 657)	(8 229)	(118)	(47 004)
Expected return on plan assets	45 736	8 125	143	54 004
Normal cost for the year (Note 36)	(57 883)	(1 945)	(154)	(59 982)
Increase in liabilities due to early retirements (Note 36)	(1 145)	-	-	(1 145)
Other changes in profit or loss	-	2 289	5 470	7 759
Changes with impact in profit or loss	**(59 028)**	**344**	**5 316**	**(53 368)**
Liability	(19 322)	(4 671)	(457)	(24 450)
Income	11 658	(3 675)	2	7 985
Actuarial gains and losses	**(7 664)**	**(8 346)**	**(455)**	**(16 465)**
Contributions made	66 693	6 646	399	73 738
Other	(1)	-	-	(1)
Situation at 31 December 2006	**-**	**3 007**	**5 493**	**8 500**

Actuarial gains and losses relating to CGD's liability in 2006 and 2005 were as follows:

	2006	2005
Decrease in the discount rate	-	(36 576)
Change of the mortality table (women)	-	(27 507)
Other actuarial gains and losses	(19 322)	(25 173)
	(19 322)	**(89 256)**

Healthcare

Caixa Geral de Depósitos' Social Services is responsible for providing healthcare to the current employees and pensioners of CGD's head office. CGD makes an annual payment to the Social Services corresponding to 8.95% of salaries and pensions paid. Caixa also has a liability for contributions to SAMS (Healthcare services) relating to the employees of the former BNU that retired up to 23 July 2001.

The past service liability for healthcare was determined based on actuarial calculations made by specialised entities, using actuarial assumptions similar to those mentioned above relating to the calculation of pension liabilities.

The past service liability at 31 December 2006 and 2005, in the amount of EUR 419 195 thousand and EUR 399 585 thousand respectively, is recognised in the heading "Provisions".

Império Bonança also assumed the commitment to provide lifelong healthcare benefits to its employees who were beneficiaries of the former BCP pension fund. This liability is covered by provisions of EUR 26 842 thousand and EUR 22 101 thousand, at 31 December 2006 and 2005.

Other long term benefits

Caixa pays a bonus to all employees completing ten, twenty and thirty years of effective service, in the year of completion, corresponding to one, two or three months' salary, respectively. It also pays a bonus to employees when they pass to a situation of retirement, in the amount corresponding to the proportion of what they would have received if they continued to work, until they complied with the requirements of the following level. The corresponding liability at 31 December 2006 and 2005 amounted to EUR 38 628 thousand and EUR 44 375 thousand, respectively, and was recognised in the heading "Other liabilities" (Note 26).

Caixa also calculates the amount of its liability relating to death grants prior to normal retirement age. At 31 December 2006 and 2005, the corresponding liability amounted to EUR 2 038 thousand and EUR 2 038 thousand, respectively, recorded in the "Provisions" heading.

The France branch also pays long term benefits to its employees. The corresponding liability at 31 December 2006 and 2005 amounted to EUR 1 500 thousand and EUR 1 728 thousand, respectively.

Deferred actuarial gains and losses

The changes in deferred actuarial gains and losses and deferred costs relating to the introduction of IFRS in 2005 and 2006 in respect of CGD, are as follows:

	Corridor		Above the corridor		
	Pensions	Healthcare	Pensions	Healthcare	Total
Balances at 31 December 2004	**44 912**	**23 940**	**-**	**-**	**68 852**
Actuarial gains or losses for the year	15 378	16 018	-	60 337	91 733
Other	-	1	-	-	1
Balances at 31 December 2005	**60 290**	**39 959**	**-**	**60 337**	**160 586**
Actuarial gains or losses for the year	7 664	1 961	-	7 416	17 041
Amortisation (Note 36)	-	-	-	(3 679)	(3 679)
Balances at 31 December 2006	**67 954**	**41 920**	**-**	**64 074**	**173 948**

Actuarial gains and losses in excess of the corridor are being amortised over a period of approximately 16 years up to the retirement of current employees.

Provisions

The provisions for employee benefits at 31 December 2006 and 2005 are made up as follows:

	2006	2005
CGD		
Provision for post-employment healthcare	419 195	399 585
Provision for labour suspension agreements	3 457	3 020
Provision for death grant liability	2 038	2 028
France branch liability	1 500	1 728
	426 190	**406 361**
Provision for pension and other liabilities		
Banco Comercial do Atlântico, SA	35 154	26 541
Caixa Seguros	1 019	2 635
Other	1 529	3 869
Provision for post-employment healthcare		
Caixa Seguros (Império Bonança)	26 842	22 101
Other	1 632	3 092
Other	3 504	7 120
	495 870	**471 719**

Caixa recorded a specific provision for the impact of the change to inactive status of employees with whom it has entered into labour suspension agreements.

The changes in provisions for employee benefits in 2006 and 2005 are as follows:

	2006	2005
Balance at the beginning of the year	**471 719**	**361 838**
Provisions recognised as a charge to staff costs		
Healthcare - CGD (Note 36)	26 727	22 182
Labour suspension agreements (Note 36)	437	218
Actuarial gain and loss on post-employment healthcare liability:		
Change of women's mortality table	-	11 714
Decrease in discount rate from 5% to 4.75%	-	13 952
Change of contribution rates to "SAMS"	-	6 910
Other	9 377	43 779
Other	2 086	2 112
	38 627	**100 867**
Acquisition of Império Bonança (Note 3)	-	28 069
Net increase recorded by corresponding entry to "Provisions"	11 268	7 890
Utilisation:		
Payments to "SAMS" and CGD's Social Services	(16 495)	(13 821)
Other	(8 411)	(13 401)
Other	(838)	277
Balance at the end of the year	**495 870**	**471 719**

38. Other Administrative Costs

This heading comprises the following:

	2006	2005
Specialised services:		
Computer services	95 916	144 347
Studies and consultancy	27 395	25 475
Contracts and service fees	27 027	13 386
Cleaning	11 527	9 043
Safety and security	7 800	6 298
Information services	7 174	6 483
Other	142 767	147 189
Rents	82 586	62 519
Communication and postage	56 990	53 553
Maintenance and repairs	50 063	47 012
Advertising and publications	91 892	45 074
Water, energy and fuel	23 555	18 183
Transport of cash and other values	25 602	17 732
Travel, lodging and representation expenses	20 689	16 314
Standard forms and office supplies	10 836	9 938
Other	20 662	21 011
	702 481	**643 557**

39. Asset Impairment

The changes in impairment in 2006 and 2005 were as follows:

	Balance at 31.12.2005	Acquisition of subsidiaries	Additions	Reversals
Impairment of loans and advances to customers (Note 11)	**1 401 319**	**-**	**960 147**	**(668 408)**
Impairment of loans and advances to credit institutions (Note 6)	890	-	5 488	(6 982)
Impairment of available-for-sale financial assets (Note 8)				
Equity instruments	283 427	-	19 713	-
Other	12 156	-	561	(79)
Impairment of other tangible assets (Note 14)	16 118	-	2 789	-
Impairment of other intangible assets (Note 15)	-	-	40 020	(6 449)
Impairment of non-current assets held for sale (Note 12)	9 990	-	3 055	(2 713)
Impairment of other assets				
Assets received in payment of loans granted (Notes 12 and 19)	13 970	-	14 987	-
Other assets (Note19)	155 847	3 537	10 437	(9 001)
Impairment of investment in associated comp. (Note 16)	-	-	-	(2 213)
	492 398	**3 537**	**97 050**	**(27 437)**
	1 893 717	**3 537**	**1 057 197**	**(695 845)**

	Balance at 31.12.2004	Acquisition of subsidiaries	Adoption of IAS 39	Additions	Reversals
Impairment of loans and advances to customers (Note 11)	**1 210 737**	**-**	**42 292**	**667 259**	**(370 065)**
Impairment of loans and advances to credit institutions (Note 6)	6 219	-	-	5 417	(9 152)
Impairment of other tangible assets (Note 14)	16 752	-	-	-	(828)
Impairment of non-current assets held for sale and other assets (Notes 12 and 19)	118 762	62 270	-	34 300	(5 418)
	141 733	**62 270**	**-**	**39 717**	**(15 398)**
	1 352 470	**62 270**	**42 292**	**706 976**	**(385 463)**

2006				
Write-offs	**Exchange differences**	**Transfers and other**	**Balance at 31.12.2006**	**Recovery of credit, interest and expenses**
(118 156)	**(11 948)**	**(6 805)**	**1 556 149**	**(59 615)**
-	(10)	2 969	2 355	
(17 730)	-	(9 001)	276 409	
-	57	1 329	14 024	
(102)	(1)	(271)	18 533	
-	-	11 139	44 710	
(1 889)	-	8 874	17 317	
-	-	(8 874)	20 083	
(581)	-	1 451	161 690	
-	(68)	2 850	569	
(20 302)	**(22)**	**10 466**	**555 690**	
(138 458)	**(11 970)**	**3 661**	**2 111 839**	**(59 615)**

2005				
Write-offs	**Exchange differences**	**Transfers and other**	**Balance at 31.12.2005**	**Recovery of Credit, interest and expenses**
(131 534)	**3 494**	**(20 864)**	**1 401 319**	**(44 775)**
(8)	-	(1 586)	890	
-	-	194	16 118	
(25 956)	-	(4 151)	179 807	
(25 964)	**-**	**(5 543)**	**196 815**	
(157 498)	**3 494**	**(26 407)**	**1 598 134**	**(44 775)**

In 2006, the "Impairment of available-for-sale financial assets" includes EUR 15 863 thousand referring to impairment recognised by Caixa on the investment VAA - Vista Alegre Atlantis (Note 8).

40. Segment Reporting

In compliance with IAS 14, the Group adopted the following business segments:

Insurance business: includes the operations of the Caixa Seguros Group insurance companies and Garantia - Companhia de Seguros de Cabo Verde, SA. This business segment was divided into life and non-life insurance;

Corporate finance: includes the activities relating to acquisitions, mergers, restructuring, privatisations, subscription and placement of securities (primary market), securitisation, preparation and organisation of syndicated loans (merchant banking - loan placement), investment management, financial analysis of markets and companies and advisory services;

Trading and sales: comprises banking activity relating to the management of the securities portfolio, management of issued debt instruments, money and foreign exchange markets operations, repo and security loan operations and wholesale brokerage. Loans and advances to other credit institutions and derivative instruments are also included in this segment;

Retail banking: comprises banking operations with individuals, businessmen and micro-companies. This segment also includes consumer finance, mortgage lending, credit cards and deposits taken from private customers;

Commercial banking: includes the granting of loans and taking of resources from large companies and SMEs. This segment also includes loans, current accounts, investment project financing, discounting bills, venture capital, factoring, equipment and property leasing, syndicated loans underwriting, as well as loans to the Government sector;

Investment Fund Management: includes activities relating to the management of open or closed unit trust and property funds and discretionary wealth management funds;

Other: includes all segments not covered by the above business lines, subject to the following rules:

• The product of the activity of this segment does not exceed 25% of the product of the overall activity;

• Operating income, which includes interest, commissions, income from securities and gains on financial operations, does not exceed 10% of total operating income;

• Operating expenses, which include interest, commissions and losses on financial operations, do not exceed 10% of total operating expenses.

The results for 2006, distributed by business segment and geographic market, are as follows:

Business segment

	Trading and sales	Retail banking	Commercial banking	Investment fund management
Interest and similar income	1 740 967	1 487 268	963 888	584
Interest and similar costs	(1 736 182)	(237 569)	(581 002)	-
Income from equity instruments	67 777	1	17	679
Income from services rendered and commissions	33 008	172 029	119 953	65 551
Cost of services and commissions	(11 013)	(45 343)	(7 550)	(3 120)
Results from financial operations	149 422	(31 454)	4 194	5 145
Other net operating income	(1 919)	28 874	23 037	(594)
Premiums net of reinsurance	-	-	-	-
Results of investments relating to insurance contracts	-	-	-	-
Claims costs net of reinsurance	-	-	-	-
Commissions and other income and costs relating to insurance operations	-	-	-	-
Net operating income from banking and insurance operations	**242 060**	**1 373 806**	**522 537**	**68 245**
Other costs and income				
Net income attributable to the shareholder of CGD				
Cash balances and loans and advances to credit institutions (net)	11 311 991	-	-	-
Investments in securities and derivatives (net)	10 858 158	175 027	93 779	90 123
Loans and advances to customers (net)	-	32 986 876	23 891 597	-
Technical provision for outwards reinsurance	-	-	-	-
Total net assets	22 170 148	33 161 902	23 985 376	90 123
Resources of central banks and credit institutions	5 503 796	-	-	-
Customer resources	-	46 020 977	5 554 252	-
Debt securities	12 102 967	1 257 377	-	-
Technical provisions for outwards reinsurance	-	-	-	-
Liability to subscribers of unit-linked products	-	-	-	-

2006				
Corporate Finance	**Insurance (Life)**	**Insurance (Non-life)**	**Other**	**Total**
15 731	148 010	1 594	19 573	4 377 615
(1 066)	(113 442)	(4 063)	(12 594)	(2 685 918)
-	-	-	4 562	73 036
23 530	-	-	27 189	441 260
(87)	(1 083)	(690)	(11 959)	(80 845)
(1 245)	405	554	3 744	130 765
61	5 313	25 477	47 345	127 594
-	1 286 481	1 340 174	-	2 626 655
-	188 488	123 720	-	312 209
-	(1 388 770)	(798 755)	212	(2 187 314)
-	691	(166 174)	174	(165 309)
36 924	**126 094**	**521 837**	**78 246**	**2 969 748**
				(2 235 940)
				733 808
-	36 352	30 528	1 853	11 380 723
-	7 308 672	1 679 375	1 026 553	21 231 687
380 623	4 670	4 504	-	57 268 271
-	26 221	210 960	-	237 181
380 623	7 375 915	1 925 367	7 156 353	96 245 808
-	-	-	-	5 503 796
8 692	2 183 915	-	-	53 767 836
-	-	-	-	13 360 344
-	5 395 487	2 432 549	-	7 828 036
-	847 369	-	-	847 369

	Trading and sales	Retail banking	Commercial banking	Investment fund management
Interest and similar income	1 116 287	1 230 428	749 402	577
Interest and similar costs	(1 144 007)	(283 262)	(390 600)	(1)
Income from equity instruments	84 429	83	106	3 039
Income from services rendered and commissions	31 039	150 521	108 445	65 811
Cost of services and commissions	(5 979)	(40 768)	(9 310)	(2 731)
Results from financial operations	269 354	6 761	7 501	1 864
Other net operating income	(9 428)	31 483	19 693	(49)
Premiums net of reinsurance	-	-	-	-
Results of investments relating to insurance contracts	-	-	-	-
Claims costs net of reinsurance	-	-	-	-
Commissions and other income and costs relating to insurance operations	-	-	-	-
Net operating income from banking and insurance operations	**341 695**	**1 095 246**	**485 237**	**68 510**
Other costs and income				
Net income attributable to the shareholder of CGD				
Cash balances and loans and advances to credit institutions (net)	11 693 161	-	-	10
Investments in securities and derivatives (net)	9 906 189	240 376	114 166	52 460
Loans and advances to customers (net)	-	30 282 275	19 348 018	-
Technical provision for outwards reinsurance	21 599 351	-	-	-
Total net assets		30 522 651	19 462 184	52 470
Resources of central banks and credit institutions	4 382 863	-	-	-
Customer resources	10 298 612	42 925 818	5 010 406	-
Debt securities		1 353 425	-	-
Technical provisions for outwards reinsurance	-	-	-	-
Liability to subscribers of unit-linked products	-	-	-	-

2005				
Corporate Finance	**Insurance (Life)**	**Insurance (Non-life)**	**Other**	**Total**
6 474	165 861	801	8 059	3 277 889
-	(86 870)	(2 887)	(4 833)	(1 912 460)
-	-	-	1 376	89 033
15 158	3	-	22 013	392 990
(12)	(4 827)	(1 907)	(8 016)	(73 550)
191	4 522	152	6 873	297 218
18 927	(4 532)	(11 981)	(2 486)	41 627
-	985 536	1 390 690	-	2 376 226
-	245 952	-	-	245 952
-	(1 103 844)	(851 645)	-	(1 955 489)
-	(154 041)	-	-	(154 041)
40 738	**47 760**	**523 223**	**22 986**	**2 625 395**
				(2 087 728)
				537 667
-	156 875	-	-	11 850 046
-	6 827 030	1 836 112	591 302	19 567 635
295 291	4 585	5 756	6	49 935 931
-	20 222	211 706	-	231 928
295 291	7 008 711	2 053 574	5 467 106	86 461 338
-	1 622	1 378	-	4 385 863
20 526	2 205 213	-	-	50 161 963
-	-	-	-	11 652 037
-	4 576 033	2 434 407	-	7 010 440
-	669 222	-	-	669 222

Geographic Markets

	Portugal	Rest of European Union	Rest of Europe	North America
Interest and similar income	4 289 699	1 111 525	1 185	349 000
Interest and similar costs	(2 891 647)	(982 845)	(351)	(320 232)
Income from equity instruments	229 234	878	-	-
Income from services rendered and commissions	399 860	45 833	319	2 313
Cost of services and commissions	(87 797)	(17 739)	(91)	(57)
Results from financial operations	121 705	32 494	-	1 812
Other net operating income	233 575	16 399	(17)	(512)
Premiums net of reinsurance	2 621 347	-	-	-
Result of investments relating to insurance contracts	335 938	-	-	-
Claims cost net of reinsurance	(2 184 390)	-	-	-
Commissions and other income and costs relating to insurance operations	(180 973)	-	-	-
Net operating income from banking and insurance operations	**2 886 551**	**206 545**	**1 045**	**32 324**
Other costs and income				
Net income attributable to the shareholder of CGD				
Cash balances and loans and advances to credit institutions (net)	23 384 052	14 622 184	14 566	7 343 139
Investment in securities and derivatives (net)	20 024 954	3 081 071	437	463 919
Loans and advances to customers (net)	49 043 044	7 551 864	15 031	402 412
Technical provision for outwards reinsurance	236 255	-	-	-
Total net assets	97 802 017	25 846 784	30 636	9 226 291
Resources of central banks and credit institutions	26 643 212	9 259 816	19	5 683 405
Customer resources	47 649 350	3 362 533	25 033	127 434
Liability to subscribers of unit-linked products	847 369	-	-	-
Debt securities	3 184 870	9 792 728	-	2 031 959
Technical provisions for outwards reinsurance	7 822 155	-	-	-

2006				
Latin America	**Asia**	**Africa**	**Other**	**Total**
715	139 996	115 538	(1 630 043)	4 377 615
-	(97 004)	(50 757)	1 656 918	(2 685 918)
-	127	210	(157 413)	73 036
-	13 767	26 288	(47 120)	441 260
-	(4 604)	(1 486)	30 929	(80 845)
72	4 096	11 116	(40 530)	130 765
342	2 820	660	(125 673)	127 594
-	-	5 308	-	2 626 655
-	-	-	(23 729)	312 209
-	-	(2 924)	-	(2 187 314)
-	-	444	15 221	(165 308)
1 129	**59 198**	**104 397**	**(321 440)**	**2 969 749**
				(2 235 941)
				733 808
4 057	2 570 987	465 544	(37 023 806)	11 380 723
-	23 280	245 048	(2 607 022)	21 231 687
-	601 664	682 769	(1 028 513)	57 268 271
-	-	926	-	237 181
21 321	3 408 631	1 522 091	(41 611 963)	96 245 808
-	195 731	21 703	(36 300 090)	5 503 796
-	2 893 545	1 086 377	(1 376 436)	53 767 836
-	-	-	-	847 369
-	-	135 152	(1 784 365)	13 360 344
-	-	5 882	(1)	7 828 036

	Portugal	Rest of European Union	Rest of Europe	North America
Interest and similar income	3 240 453	858 211	949	237 907
Interest and similar costs	(2 091 468)	(748 611)	(284)	(220 477)
Income from equity instruments	103 295	1 999	-	-
Income from services rendered and commissions	356 639	40 706	281	1 924
Cost of services and commissions	(76 431)	(13 016)	(68)	(90)
Results from financial operations	70 778	9 733	1	1 417
Other net operating income	388 952	(3 681)	(20)	(126)
Premiums net of reinsurance	2 371 459	-	-	-
Result of investments relating to insurance contracts	255 978	-	-	-
Claims cost net of reinsurance	(1 952 845)	-	-	-
Commissions and other income and costs relating to insurance operations	(166 275)	-	-	-
Net operating income from banking and insurance operations	**2 500 535**	**145 341**	**859**	**20 555**
Other costs and income				
Net income attributable to the shareholder of CGD				
Cash balances and loans and advances to credit institutions (net)	19 600 899	12 768 509	14 409	6 143 797
Investment in securities and derivatives (net)	18 018 892	2 747 950	389	413 318
Loans and advances to customers (net)	45 144 695	4 920 008	12 516	301 832
Technical provision for outwards reinsurance	229 358	-	-	-
Total net assets	87 428 848	20 937 727	27 836	7 871 246
Resources of central banks and credit institutions	23 487 941	5 291 051	2	4 612 778
Customer resources	43 780 248	3 277 085	22 328	129 046
Liability to subscribers of unit-linked products	1 675 954	9 696 232	-	1 859 946
Debt securities	7 003 818	-	-	-
Technical provisions for outwards reinsurance	669 222	-	-	-

2005				
Latin America	Asia	Africa	Other	Total
599	77 056	88 990	(1 226 276)	3 277 889
-	(44 595)	(39 428)	1 232 403	(1 912 460)
-	583	177	(17 021)	89 033
-	10 743	22 185	(39 488)	392 990
-	(3 499)	(963)	20 517	(73 550)
-	6 734	7 663	200 892	297 218
198	3 117	1 436	(348 249)	41 627
-	-	4 767	-	2 376 226
-	-	-	(10 026)	245 952
-	-	(2 644)	-	(1 955 489)
-	-	470	11 764	(154 041)
797	**50 139**	**82 653**	**(175 484)**	**2 625 395**
				(2 087 728)
				537 667
70	2 148 128	448 655	(29 274 421)	11 850 046
-	16 376	290 355	(1 919 645)	19 567 635
-	534 489	549 221	(1 526 830)	49 935 931
-	-	2 570	-	231 928
20 375	2 897 624	1 389 855	(34 112 173)	86 461 338
-	91 451	38 058	(29 135 418)	4 385 863
-	2 509 166	956 495	(512 405)	50 161 963
-	-	137 730	(1 717 825)	11 652 037
-	-	6 622	-	7 010 440
-	-	-	-	669 222

The column "Other" includes the balances between Group companies reversed in consolidation.

41. Related Parties

Associated companies, the management boards of Group companies' and other entities controlled by the Portuguese State are considered as related parties of the Group.

The Group's financial statements at 31 December 2006 and 2005 include the following balances and transactions with related parties, excluding management boards:

	2006		
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates
Assets:			
Trading securities and derivatives	763 905	-	19 271
Loans and advances to customers	694 101	275 378	750 679
Provisions for loans/Impairment	-	-	8 452
Other assets	38 339	21 102	97 245
Liabilities:			
Customer resources	1 547 386	1 706 545	13 951
Other liabilities	2 456	529	5 905
Guarantees given	**50**	**1 319**	**17 536**
Income:			
Interest and similar income	19 123	7 699	112 237
Gains from financial operations	952	79	83
Income from services rendered and commissions	-	892	287
Insurance premiums	-	2 456	2 798
Other operating income	-	-	231
Costs:			
Interest and similar charges	17 494	17 279	271
Losses from financial operations	16 315	488	138
Commissions	-	15	2
Other operating costs	-	2 492	2 124

	2005		
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates
Assets:			
Bonds and other securities	634 126	-	495 956
Loans and advances to customers	403 356	2 236 321	255 283
Provisions for loans/Impairment	-	-	8 316
Other assets	53 200	24 204	352 362
Liabilities:	-	-	-
Customer resources	1 047 717	1 388 327	14 069
Other liabilities	145	44 070	373
Guarantees given	43	40 766	73 300
Guarantees received	469 559	254 186	77 320
Income:			
Interest and similar income	20 412	62 291	13 697
Gains from financial operations	1 157	-	832
Income from services rendered and comissions	-	1	371
Insurance premiums	1 694	-	5
Other operating income	-	-	12 393
Costs:			
Interest and similar costs	9 044	11 510	385
Losses from financial operations	6 981	-	433
Other operating costs	2	-	1 131

Transactions with related parties are generally made based on market values on the respective dates.

At 31 December 2006 the column "Other Portuguese State entities" does not include balances with Local Government which are included in the table for 2005.

Management Boards

In 2006 costs incurred with remuneration and other benefits of the Boards of Directors of Caixa and Group companies amounted to EUR 17 017 thousand (EUR 12 650 thousand in 2005).

In addition, in 2005 indemnities of EUR 2 740 thousand were granted for termination of mandates.

Loans granted to members of the Boards of Directors at 31 December 2006 and 2005 totalled EUR 2 545 thousand and EUR 1 593 thousand, respectively.

42. Disclosures Relating to Financial Instruments

Management Policies on Financial Risks Pertaining to the Group's Activity

In 2001, CGD adopted a centralised risk management model. This encompasses the assessment and control of all the Group's credit, market and liquidity risks, based on the principle of the segregation of functions between the commercial and risk areas.

Credit Risk

CGD's approach to credit risk involves the production of risk opinions and the control of portfolio credit risk, which includes an analysis of the projected financial evolution of the projects and influence and perception of factors which may aggravate risk.

Risk assessment, both in lending and off-balance sheet items, is based on a systematic analysis of the following factors:

• Transparency and quality of the available financial information;

• Management quality, operating efficiency, influence of the environment of the customer or risk and market/competitive position, geographical area, operating sector, contingencies, relationship with CGD and the banking sector, enabling both the endogenous and exogenous risks to be identified;

• Quality of the proposed operation, notably purpose, maturity period, guarantees, liability sharing, collateral, foreign exchange risk, etc.

The following specific criteria apply to the assessment of economic groups:

• Consideration of external credit risk ratings;
• Consideration of credit risk in respect of various group areas/companies;
• Concentration of exposure;
• Major Risk limits from a regulatory standpoint, as regards its impact on equity and solvency ratio.

An internal risk rating model using methodology common to the Group as a whole, is also used for risk assessment and as a decision-making tool. This comprises ratings for the larger companies and economic Groups and a scoring system for the individual customers segment.

Risk assessments of financial institutions are based on in-house regulations, particularly a definition of exposure risk per counterparty, supported not only by rating information but also other quantitative and qualitative criteria. The market and economic environment in which they operate, shareholder quality and other credit risk mitigating factors are also taken into account.

The above rules were incorporated into a risk assessment methodology, designed not only to allocate limits to such counterparties but also to be fed into the computer systems, permitting an analysis of the risks incurred by each entity, business unit or at the consolidated level. Limits are allocated by counterparty, maturity and product, in line with the respective entity/customer's risk level and capacity to take on debt. Counterparty risk is also monitored and control is exercised over exposure and the limits allocated.

An internal rating model for credit institutions, in the scope of Basel II Accord, is currently being developed, which will enable improvements to be made to portfolio analysis and more stringent assessment procedures to be established. Several procedures are being developed to ensure a greater authomatisation and control of the banks limits.

Credit risk monitoring is focused on the assessment of the principal indicators, the portfolio being divided by product, customer segment, decision-making structure, level of financial system exposure, operating sector and geographical area. The amount of the exposure in relation to the Major Risk limits under the established regulatory guidance is also analysed.

Daily and monthly reports on overdue credit, by product and customer type, are produced and sent to the commercial areas.

Market Risk

The CGD Group's market risk management rules established for each portfolio or business unit, include market risk limits, and exposure limits regarding credit risk, market and liquidity risk, required level of return, types of instruments authorised and maximum loss levels allowed.

The definition of such rules comprises the final stage of the procedures used to obtain relevant risk assessment information, revised rules for managing the trading (head office) and investment (the Group) portfolios, as well as foreign exchange risk, having been approved in 2006.

Trading functions and risk control functions are completely segregated.

Risk hedging operations are decided by portfolio managers or business unit managers, based on risk limits and authorised instruments, in which the risk management area collaborates on assessing the impact of hedging the total risk incurred or changing the authorised market risk levels, if deemed advisable under the circumstances.

The market risk measurement used for all types of market risk is Value at Risk (VaR) (interest rates, shares, exchange rates, volatility), using the historical simulation method, in which the confidence levels used in the simulation depend on the objectives of retaining the portfolio. In addition, other market risk measurements, such as sensitivity to price changes of the underlying assets (basis point value - bpv -, for interest rates) and other sensitivity indicators commonly used for option portfolios (greeks). Stress testing assessments have also been developed to assess the impact on results of extreme changes in risk factors.

VaR measurement is subject to daily theoretical and real backtesting analyses with the calculation of theoretical backtesting amounts, real backtesting calculations being made monthly. The number of exceptions obtained, namely the number of times theoretical or real losses exceed VaR, enable the accuracy of the method used to be assessed and any necessary adjustments to be made. An auditing to the market risk management process was made in 2006 to prepare the application for the use of the in-house model of assessing risk for the calculation of regulatory capital.

Exchange Risk

Exchange risk is controlled and assessed on a daily, individual basis for domestic operations and for each branch and subsidiary, and fortnightly, on a consolidated basis, for the Group as a whole. VaR amounts and limits are calculated, as well the exposure (total and by currency).

Liquidity Risk

The main purpose of asset-liability management (ALM) is to ensure prudent liquidity management, capital use and control of associated financial risks. This particularly includes interest rate, market and liquidity risks.

The risk measurement methodology used by CGD involves the grouping of sensitive assets and liabilities into fixed time intervals, by interest repricing dates. Asset and liability cash flows and the corresponding interest rate risk gap are calculated for such intervals.

Interest Rate Risk

Interest rate risks always occur whenever CGD, during the course of its activity, is a party to operations whose future financial flows are sensitive to interest rate changes.

The risk measurement methodology used in CGD involves the grouping of sensitive assets and liabilities into fixed time intervals, by interest repricing dates. Assets and liabilities cash flows in addition to the corresponding interest rate risk gap are calculated for such intervals.

To monitor the effect of the referred to gaps on net interest income, a regular monthly forecast of sensitive assets and liabilities scenarios is produced. It includes relevant banking activity behaviour and trends, evolution of different market rates and expectations reflected in the yield curve.

Under the terms of an ALCO resolution, several directives on the interest rate risk in the balance sheet and banking portfolio were approved, including the fixing of limits on certain significant variables in terms of exposure to this type of risk. These directives have been designed to allow CGD to manage the return/risk trade-off in balance sheet management terms, ensuring that it is in a position to establish expedient exposure and control the results of its policies and positions.

The limits fixed are calculated monthly for the accumulated 12 months gap and the duration gap and quarterly for the economic value at risk indicator (which translates the changes in the economic value of the bank's capital, resulting from changes in interest rate levels) and for the earnings at risk indicator (which translates the changes in the bank's forecast net interest income, resulting from changes in interest rate levels and the evolution of loans and advances and investment balances).

The interest rate risk in the banking portfolio is also calculated on consolidated operations every six months and encompasses all balance sheet and off-balance sheet elements not included in the trading portfolio. The assessment and measurement of this type of risk is based on the accumulated impact on instruments sensitive to interest rates, resulting from a parallel movement of +/- 200 b.p. on the yield curve (as in Bank of Portugal Instruction 19/2005). Under the terms of an ALCO resolution, the impact on own funds and on net interest income is calculated quarterly for internal management purposes with guidelines limits having been defined for its value.

The following comprises the disclosures on the principal types of risks pertaining to CGD's operations as required under IAS 32.

Foreign Exchange Risk

Financial instruments at 31 December 2006 and 2005, broken down by currency, are as follows:

	Euros	US Dollars	Pounds Sterling	Yen
Assets				
Cash and cash equivalents at central banks	2 029 578	9 889	498	100
Cash balances at other credit institutions	582 813	21 035	4 828	3 171
Loans and advances to credit institutions	3 563 039	1 939 878	631 285	1 044 447
Financial assets at fair value through profit or loss	6 697 744	725 171	33 117	-
Available-for-sale financial assets	11 667 198	459 972	18 425	-
Investment associated with unit-linked products	848 401	-	-	-
Hedging derivatives	-	-	-	-
Investments held to maturity	132	-	-	-
Loans and advances to customers (gross)	56 225 831	837 011	558 209	73 416
Other assets				
Debtors for direct insurance and inwards reinsurance	249 725	-	-	-
Other	2 790 045	81 866	45	31
Accumulated impairment from financial instruments	(1 646 840)	(43 121)	(2 204)	(2)
	83 007 666	**4 031 701**	**1 244 203**	**1 121 163**
Liabilities				
Resources of central banks and other credit institutions	(2 268 793)	(2 703 929)	(273 202)	(7 233)
Customer resources	(49 610 306)	(1 771 219)	(83 606)	(105 822)
Liabilities associated with unit-linked products	(847 369)	-	-	-
Debt securities	(10 372 396)	(1 572 605)	(717 310)	(415 821)
Financial liabilities at fair value through profit or loss	(158 798)	-	-	-
Hedging derivatives	-	-	-	-
Subordinated liabilities	(1 590 349)	(239 608)	(95 706)	-
Other liabilities				
Creditors for direct insurance and inwards reinsurance	(190 847)	-	-	-
Consigned resources	(2 559 911)	(19)	-	-
Other	(2 449 410)	(26 297)	801	(246)
	(70 048 179)	**(6 313 677)**	**(1 169 023)**	**(529 122)**
Derivatives (Notional)				
Currency swaps	(407 841)	2 050 540	(452 898)	(1 045 052)
Interest rate swaps	(1 359 615)	281 017	317 200	647 104
Futures	(638 107)	14 782	(1 291)	-
Options	(87 156)	(124 388)	2 520	111 059
Caps & Floors	2 829	113 894	-	-
Currency forwards	14 701	(12 877)	-	(191)
	(2 475 189)	**2 322 968**	**(134 469)**	**(287 080)**
Net exposure	**10 484 298**	**40 992**	**(59 289)**	**304 961**

2006

Currency

Macau Pataca	Mozambican Meticais	Cape Verde Escudo	South African Rand	Other	Book value of derivatives	Total
6 649	48 490	82 146	10 732	55 211	-	2 243 293
31 164	1 174	320	13 614	20 863	-	678 982
259 643	140	31 268	218	990 885	-	8 460 803
-	136	-	32 425	3 030	351 333	7 842 956
21 017	31 946	176 573	783	56 094	-	12 432 008
-	-	-	-	-	-	848 401
-	-	-	-	-	108 190	108 190
-	-	-	-	-	-	132
247 499	135 643	239 228	219 359	288 224	-	58 824 420
-	-	1 491	-	-	-	251 216
130 287	1 382	10 482	37 303	3 442	-	3 054 883
(13 055)	(1 431)	(12 758)	(20 468)	(398)	-	(1 740 277)
683 204	**217 480**	**528 750**	**293 966**	**1 417 351**	**459 523**	**93 005 007**
(31 917)	(471)	(350)	(58 138)	(159 763)	-	(5 503 796)
(815 695)	(161 724)	(482 241)	(252 710)	(484 513)	-	(53 767 836)
-	-	-	-	-	-	(847 369)
-	-	-	(132 572)	(149 640)	-	(13 360 344)
-	-	-	-	-	(431 106)	(589 904)
-	-	-	-	-	(626 163)	(626 163)
-	-	-	-	-	-	(1 925 663)
-	-	-	-	-	-	(190 847)
-	(3 399)	(23)	-	-	-	(2 563 352)
(183 324)	(11 426)	(22 736)	(21 120)	(12 473)	-	(2 726 231)
(1 030 936)	**(177 020)**	**(505 350)**	**(464 540)**	**(806 389)**	**(1 057 269)**	**(82 101 505)**
-	-	-	-	(192 572)	-	(47 823)
-	-	-	-	50 454	-	(63 840)
-	-	-	-	16 507	-	(608 109)
-	-	-	-	213 300	-	115 335
-	-	-	-	-	-	116 723
-	-	-	-	(118 469)	-	(116 836)
-	**-**	**-**	**-**	**(30 780)**	**-**	**(604 550)**
(347 732)	**40 460**	**23 400**	**(170 574)**	**580 182**	**(597 746)**	**10 298 952**

	Euros	US Dollars	Pounds Sterling	Yen	Macau Pataca
Assets					
Cash and cash equivalents at central banks	1 792 430	7 496	94	122	3 776
Cash balances at other credit institutions	484 581	21 404	6 247	12 420	35 979
Loans and advances to credit institutions	5 377 560	2 437 562	442 286	323 981	76 211
Financial assets at fair value through profit or loss	6 955 512	217 184	20 397	-	523
Available-for-sale financial assets	10 412 476	413 066	6 433	-	16 353
Investment associated with unit-linked products	669 222	-	-	-	-
Hedging derivatives	-	-	-	-	-
Investments held to maturity	34	-	-	-	-
Loans and advances to customers (gross)	49 604 382	634 113	101 735	3 676	202 408
Accumulated impairment	(1 307 814)	(15 239)	(3 291)	(175)	(11 696)
	73 988 383	**3 715 586**	**573 901**	**340 024**	**323 554**
Liabilities					
Resources of central banks and other credit institutions	(1 785 455)	(2 313 147)	(99 431)	(20 341)	(10 754)
Customer resources	(46 831 896)	(1 266 013)	(47 914)	(130 685)	(694 258)
Liabilities associated with unit-linked products	(669 222)	-	-	-	-
Debt securities	(8 678 032)	(1 453 037)	(789 852)	(550 675)	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Subordinated liabilities	(1 659 654)	(42 644)	-	-	-
Other liabilities	(2 520 093)	-	-	-	-
	(62 144 352)	**(5 074 841)**	**(937 197)**	**(701 701)**	**(705 012)**
Derivatives (Notional)					
Currency swaps	(125 961)	1 762	(2 609)	(139)	-
Interest rate swaps	(1 223 857)	1 765 281	33 225	(312 458)	-
Futures	(665 833)	41 213	364 545	539 195	-
Options	(1 635 807)	(1 695)	-	-	-
Caps & Floors	60 474	1 967	-	-	-
Currency forwards	(258 550)	-	-	-	-
	(3 849 534)	**1 808 528**	**395 161**	**226 598**	**-**
Net exposure	**7 994 497**	**449 273**	**31 865**	**(135 079)**	**(381 458)**

2005					
Currency					
Mozambican Meticais	**Cape Verde Escudo**	**South African Rand**	**Other**	**Book value of derivatives**	**Total**
40 108	85 755	8 735	50 384	-	1 988 900
1 037	1 038	22 438	21 301	-	606 445
2	1 995	-	595 994	-	9 255 591
-	-	47 867	1 266	351 984	7 594 733
65 043	177 229	317	13 543	-	11 104 460
-	-	-	-	-	669 222
-	-	-	-	199 186	199 186
-	-	-	-	-	34
85 891	178 771	214 392	311 882	-	51 337 250
(12 557)	(19 832)	(31 250)	(355)	-	(1 402 209)
179 524	**424 956**	**262 499**	**994 015**	**551 170**	**81 353 612**
(11 295)	(639)	(67 759)	(77 042)	-	(4 385 863)
(130 143)	(418 871)	(211 178)	(431 005)	-	(50 161 963)
-	-	-	-	-	(669 222)
(4 225)	-	(130 569)	(45 647)	-	(11 652 037)
-	-	-	-	(352 948)	(352 948)
-	-	-	-	(414 529)	(414 529)
-	-	-	-	-	(1 702 298)
-	-	-	(5 206)	-	(2 525 299)
(145 663)	**(419 510)**	**(409 506)**	**(558 900)**	**(767 477)**	**(71 864 159)**
-	-	-	(10 563)	-	(137 510)
-	-	-	(190 507)	-	71 684
-	-	-	30 991	-	310 111
-	-	-	-	-	(1 637 502)
-	-	-	59 815	-	122 256
-	-	-	-	-	(258 550)
-	**-**	**-**	**(110 264)**	**-**	**(1 529 511)**
33 861	**5 446**	**(147 007)**	**324 851**	**(216 307)**	**7 959 942**

Liquidity Risk

Liquidity risk corresponds to the risk of CGD having difficulty in obtaining sufficient funds to meet its commitments. Liquidity risk may, for example, be reflected in Caixa's inability to rapidly sell a financial asset at close to its fair value.

The residual contractual periods to maturity of financial instruments at 31 December 2006 and 2005 are as follows:

	Payable on demand	Up to 3 months	3 months to 1 year
Assets			
Cash and cash equivalents at central banks	1 176 017	1 067 276	-
Cash balances at other credit institutions	670 975	5 403	2 604
Loans and advances to credit institutions	70 275	7 381 959	788 371
Financial assets at fair value trough profit or loss	53 160	158 313	346 371
Available-for-sale financial assets	157 060	307 762	656 659
Investments associated with unit-linked products	-	-	-
Loans and advances to customers (gross)	826 172	5 793 253	5 879 737
Investments to be held up to maturity	-	-	-
Hedging derivatives	-	-	-
	2 953 659	**14 713 966**	**7 673 742**
Liabilities			
Resources of central banks	(206 020)	(4 579 431)	(707 095)
Customer resources	(21 535 677)	(17 236 815)	(12 646 644)
Liabilities associated with unit-linked products	-	-	-
Debt securities	(449 179)	(3 012 985)	(2 872 097)
Financial liabilities at fair value through profit or loss	(7 559)	(164 597)	(11 370)
Hedging derivatives	-	-	-
Subordinated liabilities	(3 645)	-	(199 880)
Consigned resources	(94)	(13 436)	(40 565)
	(22 202 174)	**(25 007 264)**	**(16 477 651)**
Difference	**(19 248 515)**	**(10 293 298)**	**(8 803 909)**

	Payable on demand	Up to 3 months	3 months to 1 year
Assets			
Cash and cash equivalents at central banks	999 897	988 942	-
Cash balances at other credit institutions	552 333	41 666	2 864
Financial assets at fair value trough profit or loss	428 523	30 643	286 210
Available-for-sale financial assets	48 526	555 879	661 673
Loans and advances to credit institutions	73 785	6 849 345	1 337 043
Loans and advances to customers	698 860	3 800 516	5 598 432
Hedging derivatives	-	-	-
	2 801 924	**12 266 991**	**7 886 222**
Liabilities			
Resources of central banks and other credit institutions	(1 014 057)	(2 623 330)	(424 849)
Financial liabilities held for trading	(310 847)	(7 126)	(7 093)
Customer resources	(16 063 250)	(17 429 669)	(12 542 428)
Debt securities	(148 244)	(2 343 392)	(1 854 490)
Hedging derivatives	-	(298 917)	-
Other subordinated liabilities	(3 184)	-	(273 368)
Consigned resources	-	-	-
	(17 539 582)	**(22 702 434)**	**(15 102 228)**
Difference	**(14 737 658)**	**(10 435 443)**	**(7 216 006)**

2006				
Residual periods to maturity				
1 to 3 years	3 to 5 years	More than 5 years	Unspecified	Total
-	-	-	-	2 243 293
-	-	-	-	678 982
74 233	111 235	33 534	1 196	8 460 803
1 181 026	1 917 596	2 972 274	1 214 216	7 842 956
2 452 093	2 728 852	2 968 717	3 160 865	12 432 008
-	-	-	848 401	848 401
6 791 335	6 924 334	32 118 361	491 228	58 824 420
110	-	-	22	132
-	-	-	108 190	108 190
10 498 797	**11 682 017**	**38 092 886**	**5 824 118**	**91 439 185**
(633)	(4 496)	(6 121)	-	(5 503 796)
(1 625 686)	(502 615)	(253 138)	32 739	(53 767 836)
-	-	-	(847 369)	(847 369)
(2 063 521)	(1 326 564)	(3 730 846)	94 848	(13 360 344)
(25 902)	(7 642)	(16 918)	(355 916)	(589 904)
-	-	-	(626 163)	(626 163)
(455 466)	(214 952)	(983 912)	(67 808)	(1 925 663)
(106 306)	(105 510)	(2 293 545)	(3 896)	(2 563 352)
(4 277 514)	**(2 161 779)**	**(7 284 480)**	**(1 773 565)**	**(79 184 427)**
6 221 283	**9 520 238**	**30 808 406**	**4 050 553**	**12 254 758**

2005				
Residual periods to maturity				
1 to 3 years	3 to 5 years	More than 5 years	Unspecified	Total
-	-	-	61	1 988 900
3	-	6 286	3 293	606 445
1 205 264	1 094 524	1 437 277	3 112 292	7 594 733
2 201 268	1 972 880	2 424 644	3 239 590	11 104 460
684 858	291 137	12 628	6 795	9 255 591
6 345 204	5 710 235	28 065 149	1 118 854	51 337 250
-	-	-	199 186	199 186
10 436 597	**9 068 776**	**31 945 984**	**7 680 071**	**82 086 565**
(57 500)	(10 958)	(250 990)	(4 179)	(4 385 863)
(10 206)	(7 665)	(9 935)	(76)	(352 948)
(1 394 639)	(1 511 644)	(1 141 488)	(78 845)	(50 161 963)
(2 784 462)	(1 488 586)	(3 032 864)	1	(11 652 037)
(301)	-	-	(115 311)	(414 529)
(249 760)	(520 108)	(546 197)	(109 681)	(1 702 298)
(190 890)	(180 482)	(2 153 927)	-	(2 525 299)
(4 687 758)	**(3 719 443)**	**(7 135 401)**	**(308 091)**	**(71 194 937)**
5 748 839	**5 349 333**	**24 810 583**	**7 371 980**	**10 891 628**

The column "Unspecified" mostly includes variable income securities revaluation of derivative financial instruments and other non-analysed balances.

Interest Rate Risk

Interest rate risk corresponds to the risk of the fair value or cash flows associated with a determined financial instrument changing as a result of a change in market interest rates.

The following table summarises the exposure to interest rate risk at 31 December 2006 and 2005:

	2006					
	Exposure					
	Fixed rate	Variable rate	Subtotal	Not subject to interest rate risk	Unspecified	Total
Assets						
Cash and cash equivalents at central banks	1 060 112	1 183 181	2 243 293	-	-	2 243 293
Cash balances at other credit institutions	42 253	636 729	678 982	-	-	678 982
Loans and advances to credit institutions	7 324 336	1 123 935	8 448 271	-	12 532	8 460 803
Financial assets at fair value through profit or loss	2 652 244	3 853 021	6 505 265	936 113	401 578	7 842 956
Available-for-sale financial assets	5 487 117	3 656 898	9 144 015	3 282 002	5 991	12 432 008
Loans and advances to customers (gross)	4 812 859	53 472 126	58 284 985	-	539 435	58 824 420
Investments to be held up to maturity (gross)	22	110	132	-	-	132
	21 378 943	**63 926 000**	**85 304 943**	**4 218 115**	**959 536**	**90 482 594**
Liabilities						
Resources of central banks	(5 158 782)	(314 582)	(5 473 364)	-	(30 432)	(5 503 796)
Financial liabilities at fair value through profit or loss	(168 766)	(38 079)	(206 845)	-	(383 059)	(589 904)
Customer resources	(32 837 658)	(18 783 897)	(51 621 555)	-	(2 146 281)	(53 767 836)
Debt securities	(7 154 821)	(6 762 202)	(13 917 023)	-	556 679	(13 360 344)
Other subordinated liabilities	(547 412)	(1 398 943)	(1 946 355)	-	20 692	(1 925 663)
Consigned resources	-	(2 558 970)	(2 558 970)	-	(4 382)	(2 563 352)
	(45 867 439)	**(29 856 673)**	**(75 724 112)**	**-**	**(1 986 783)**	**(77 710 895)**
Derivatives						
Interest rate swaps (IRS)	(3 034 097)	2 742 467	(291 630)	-	227 790	(63 840)
Interest rate futures	(530 733)	(4 301)	(535 034)	-	(330 212)	(865 246)
Forward rate agreements (FRA)	(500 000)	305 800	(194 200)	-	-	(194 200)
Interest rate options	(17 300)	157 895	140 595	-	(23 872)	116 723
	(4 082 130)	**3 201 861**	**(880 269)**	**-**	**(126 294)**	**(1 006 563)**
Net exposure	**(28 570 626)**	**37 271 188**	**8 700 562**	**4 218 115**	**(1 153 541)**	**11 765 136**

	2005					
	Exposure					
	Fixed rate	Variable rate	Subtotal	Not subject to interest rate risk	Unspecified	Total
Assets						
Cash and cash equivalents at central banks	1 216 993	783 132	2 000 125	199	(11 424)	1 988 900
Cash balances at other credit institutions	487 263	113 218	600 481	1 959	4 005	606 445
Financial assets at fair value through profit or loss	3 705 119	2 919 432	6 624 551	641 806	328 376	7 594 733
Available-for-sale financial assets	5 225 180	2 721 653	7 946 833	3 031 822	125 805	11 104 460
Loans and advances to credit institutions	9 115 770	1 123 642	10 239 412	-	(983 821)	9 255 591
Loans and advances to customers	3 972 789	46 456 943	50 429 732	12 381	895 137	51 337 250
	23 723 114	**54 118 020**	**77 841 134**	**3 688 167**	**358 078**	**81 887 379**
Liabilities						
Resources of central banks	(3 646 187)	(1 925 407)	(5 571 594)	(1 949)	1 187 680	(4 385 863)
Financial liabilities at fair value through profit or loss	-	-	-	(1 536)	(351 412)	(352 948)
Customer resources	(31 980 053)	(18 247 337)	(50 227 390)	(21)	65 448	(50 161 963)
Debt securities	(5 604 252)	(6 575 493)	(12 179 745)	-	527 708	(11 652 037)
Other subordinated liabilities	(451 758)	(1 253 649)	(1 705 407)	-	3 109	(1 702 298)
Consigned resources	-	(2 539 982)	(2 539 982)	-	14 683	(2 525 299)
	(41 682 250)	**(30 541 868)**	**(72 224 118)**	**(3 506)**	**1 447 216**	**(70 780 408)**
Derivatives						
Interest rate swaps (IRS)	(1 959 014)	1 903 309	(55 705)	-	365 816	310 111
Interest rate futures	(1 081 895)	-	(1 081 895)	-	(539 610)	(1 621 505)
Forward rate agreements (FRA)	-	5 800	5 800	-	-	5 800
Interest rate options	-	-	-	-	(258 550)	(258 550)
	(3 040 909)	**1 909 109**	**(1 131 800)**	**-**	**(432 344)**	**(1 564 144)**
Net exposure	**(21 000 045)**	**25 485 261**	**4 485 216**	**3 684 661**	**1 372 950**	**9 542 827**

The following assumptions were used to prepare the above table:

• Minimum cash reserves and demand deposits were classified in the "fixed-rate" column;

• The "unspecified" column includes:
- The book value of trading derivatives, classified in "assets held for trading";
- Overdue credit;
- Book value of value adjustments to hedged assets and liabilities;

• Equity instruments have been classified as "not subject to interest rate risk";

• The difference between the nominal and market value of debt securities measured at fair value is included in the "unspecified" column.

Financial instruments exposed to interest rate risk at 31 December 2006 and 2005, by maturity or repricing date, are as follows:

	Payable on demand	Up to 1 month	1 to 3 months
Assets			
Cash and cash equivalents at central banks	1 185 066	1 058 227	-
Cash balances at other credit institutions	662 829	11 058	5 095
Loans and advances to credit institutions	52 315	7 231 798	880 610
Financial assets at fair value through profit or loss	13 890	931 067	2 083 945
Available-for-sale financial assets	-	1 042 391	1 853 528
Loans and advances to customers (gross)	754 894	13 197 257	16 264 415
Investments held up to maturity (gross)	-	-	-
	2 668 994	**23 471 798**	**21 087 593**
Liabilities			
Resources of central banks and other credit institutions	(180 724)	(3 850 682)	(731 035)
Financial liabilities at fair value through profit or loss	-	(158 853)	(12 930)
Customer resources	(19 314 307)	(9 043 343)	(8 557 540)
Debt securities	(11 177)	(1 555 465)	(4 334 170)
Other subordinated liabilities	(3 643)	(104 891)	(578 612)
Consigned resources	393	(676)	(2 556 543)
	(19 509 458)	**(14 713 910)**	**(16 770 830)**
Derivatives			
Interest rate swaps (IRS)	-	759 950	(4 823 962)
Interest rate futures	285 562	11 500	(107 790)
Forward rate agreements (FRA)	-	-	(200 000)
Interest rate options	-	-	-
	285 562	771 450	(5 131 752)
Net exposure	**(16 554 902)**	**9 529 338**	**(814 989)**

	Payable on demand	Up to 1 month	1 to 3 months
Assets			
Cash and cash equivalents at central banks	967 069	978 440	54 616
Cash balances at other credit institutions	555 546	6 286	38 646
Financial assets at fair value through profit or loss	-	1 449 646	1 733 504
Available-for-sale financial assets	37 751	619 170	1 994 765
Loans and advances to customers	208 758	6 915 654	1 698 787
Loans and advances to customers	702 396	14 634 421	13 887 816
	2 471 520	**24 603 617**	**19 408 134**
Liabilities			
Resources of central banks and other credit institutions	(1 422 301)	(2 310 559)	(1 108 177)
Financial liabilities at fair value through profit or loss	-	-	-
Customer resources	(18 868 474)	(7 806 608)	(7 860 409)
Debt securities	(109 944)	(3 163 662)	(4 914 066)
Other subordinated liabilities	(10 183)	(364 521)	(365 191)
Consigned resources	-	(676)	(2 516 009)
	(20 410 902)	**(13 646 026)**	**(16 763 852)**
Derivatives			
Interest rate swaps (IRS)	-	1 907 000	(3 205 014)
Interest rate futures	-	-	-
Forward rate agreements (FRA)	-	-	-
	-	**1 907 000**	**(3 205 014)**
Net exposure	**(17 939 382)**	**12 864 591**	**(560 732)**

2006				
Repricing dates / Maturity dates				
3 months to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
-	-	-	-	2 243 293
-	-	-	-	678 982
241 510	24 115	17 923	-	8 448 271
933 378	461 179	520 985	1 560 821	6 505 265
647 844	1 466 376	1 785 306	2 348 570	9 144 015
23 691 484	1 756 452	577 057	2 043 426	58 284 985
110	2	20	-	132
25 514 326	**3 708 124**	**2 901 291**	**5 952 817**	**85 304 943**
(705 794)	(633)	(4 496)	-	(5 473 364)
(13 334)	(6 563)	(6 413)	(8 752)	(206 845)
(12 255 193)	(1 563 242)	(640 874)	(247 056)	(51 621 555)
(4 281 542)	(944 262)	(712 942)	(2 077 465)	(13 917 023)
(270 769)	(404 298)	(110 062)	(474 080)	(1 946 355)
(2 144)	-	-	-	(2 558 970)
(17 528 776)	**(2 918 998)**	**(1 474 787)**	**(2 807 353)**	**(75 724 112)**
411 458	1 195 210	166 562	1 999 152	(291 630)
(210 080)	(381 800)	(15 393)	(117 033)	(535 034)
-	5 800	-	-	(194 200)
(41 271)	(8 071)	151 936	38 001	140 595
160 107	811 139	303 105	1 920 120	(880 269)
8 145 657	**1 600 265**	**1 729 609**	**5 065 584**	**8 700 562**

2005				
Repricing dates / Maturity dates				
3 months to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
-	-	-	-	2 000 125
3	-	-	-	600 481
764 773	506 524	280 954	1 889 150	6 624 551
903 997	1 297 513	1 251 667	1 841 970	7 946 833
1 395 966	2 000	5 086	13 161	10 239 412
19 167 127	550 669	500 585	986 718	50 429 732
22 231 866	**2 356 706**	**2 038 292**	**4 730 999**	**77 841 134**
(658 443)	(64 282)	(7 832)	-	(5 571 594)
-	-	-	-	-
(12 144 619)	(1 250 199)	(1 390 982)	(906 099)	(50 227 390)
(2 760 713)	(1 003 866)	(134 799)	(92 695)	(12 179 745)
(523 128)	-	(400 000)	(42 384)	(1 705 407)
(23 297)	-	-	-	(2 539 982)
(16 110 200)	**(2 318 347)**	**(1 933 613)**	**(1 041 178)**	**(72 224 118)**
(1 247 791)	1 392 479	933 697	163 924	(55 705)
-	(505 200)	(1 695)	(575 000)	(1 081 895)
-	5 800	-	-	5 800
(1 247 791)	**893 079**	**932 002**	**(411 076)**	**(1 131 800)**
4 873 875	**931 438**	**1 036 681**	**3 278 745**	**4 485 216**

In producing the above table, minimum cash reserves were classified in the "up to 1 month" column.

At 31 December 2006 and 2005, customers' demand deposits, on which no interest is paid, are considered to be fixed-rate.

Fair Value

The following table includes a comparison between the fair value and book value of the principal assets and liabilities recognised at amortised cost at 31 December 2006 and 2005:

	2006				
	Balances analysed			Balances not analysed	Total book value
	Book value	Fair value	Difference	Book value	
Assets					
Cash and cash equivalents at central banks	2 243 293	2 243 374	81	-	2 243 293
Cash balances at other credit institutions	678 982	678 982	-	-	678 982
Loans and advances to credit institutions	8 422 858	8 434 378	11 520	35 590	8 458 448
Loans and advances to customers	57 091 607	57 367 349	275 742	176 664	57 268 271
	68 436 740	**68 724 083**	**287 343**	**212 254**	**68 648 994**
Liabilities					
Resources of central banks and other credit institutions	5 561 202	5 555 753	5 449	(57 406)	5 503 796
Customer resources	52 829 188	52 753 692	75 496	938 648	53 767 836
Debt securities	13 341 199	13 556 625	(215 426)	19 145	13 360 344
Other subordinated liabilities	1 949 827	1 987 916	(38 089)	(24 164)	1 925 663
Consigned resources	2 559 434	2 575 412	(15 978)	3 918	2 563 352
	76 240 850	**76 429 398**	**(188 548)**	**880 141**	**77 120 991**

	2005				
	Balances analysed			Balances not analysed	Total book value
	Book value	Fair value	Difference	Book value	
Assets					
Cash and cash equivalents at central banks	1 998 805	1 998 823	18	(9 905)	1 988 900
Cash balances at other credit institutions	605 732	605 732	-	713	606 445
Loans and advances to credit institutions	10 235 077	10 251 533	16 456	(980 376)	9 254 701
Loans and advances to customers	50 156 411	50 234 466	78 055	(220 480)	49 935 931
	62 996 025	**63 090 554**	**94 529**	**(1 210 048)**	**61 785 977**
Liabilities					
Resources of central banks and other credit institutions	5 409 766	5 409 407	359	(1 023 903)	4 385 863
Customer resources	47 816 369	47 830 499	(14 130)	2 345 594	50 161 963
Debt securities	12 140 213	12 166 179	(25 966)	(488 176)	11 652 037
Other subordinated liabilities	1 706 216	1 752 128	(45 912)	(3 918)	1 702 298
Consigned resources	2 545 189	2 550 430	(5 241)	(19 890)	2 525 299
	69 617 753	**69 708 643**	**(90 890)**	**809 707**	**70 427 460**

Fair value was determined using the following assumptions:

• The book value of amounts payable/receivable on demand corresponds to their fair value;

• Caixa determined the fair value of the remaining instruments using discounted cash flow models, taking into consideration the contractual terms of the operations and use of interest rates appropriate to the type of instrument, including:

- Market interest rates for applications and resources with other credit institutions;

- Interest rates charged on Caixa's new loan operations at the balance sheet date, for comparable credit types;

- Yield curves incorporating Caixa's risk spread, for liabilities issued for institutional investors, based on the type of instrument and respective maturity;

- Reference interest rates on retail product issues.

• The "Balances not analysed" column includes essentially:

- Overdue credit, net of impairment;
- Balances of entities not included in Caixa's calculations.

As to structured products with a volatile component recorded in the "Debt securities" and "Subordinated liabilities", the book value in 2006 includes value adjustments recorded within the hedging accounting which, in some cases, may not be fully considered in the fair value calculation.

43. Disclosures on Insurance Risks

The following summarises the underwriting and risk management policy for the CGD Group's insurance business in Portugal, namely of the Caixa Seguros companies (Company).

43.1. Risk Acceptance

Risk acceptance and management is structured on three major levels, based on a model for delegating competencies.

Each level has specific methodologies and procedures, in accordance with its competencies, allowing interconnection and harmonisation between them.

The third level, specific to the commercial networks, includes the delegation of standard risk acceptance competencies, in accordance with a framework of written standards and procedures, based particularly on the following criteria:

• Standard clauses;
• Risks and activities with low or very low claim ratio track records;
• A homogenous, easy to identify risk area;
• Small amounts of insured capital, allowing high risk dilution, usually not exceeding the Companies' retention limits;
• Risks in respect of which accumulation both in terms of coverage and/or geographical dispersion is known and controllable.

Available instruments include: standardised rates, risk acceptance and delegation of authority regulations, product manuals, standard insurance policies and insurance proposals, standard declarations, technical questionnaires and rules on circuits and procedures.

The second level includes several multidisciplinary technical units that support the commercial networks, to which competencies to accept and analyse specific risks have been delegated, particularly based on the following criteria:
• Standard product subscriptions;
• Limits on the acceptance of the following risks and activities: i) risks or activities with a high general claims rate; ii) risks or activities that, when considered individually present a very high potential for loss; iii) risks or activities whose acceptance should be based on a specific, specialised technical analysis; iv) risks related with economic activities in contraction.

• Acceptance of low to medium insured capital amounts allowing average risk dilution, within the limits of reinsurance treaties but not exceeding the average value of automatic acceptance capacities (retention + treaties);
• Risk accumulation studies, considering the customer in global terms.

Notwithstanding the fact that these risks are within a properly delimited framework, the risk acceptance units, when necessary, have additional instruments for assessing risks, namely risk analysis performed by specialised companies.

These instruments are aimed especially at assessing in loco, the deviations from the average standards of a specific risk, thus allowing the maximum expected losses and the weak and strong points of the proposing entity or object of the risk to be assessed. It also allows the specific assessment of certain coverages or limits on capital acceptance thus establishing an adequate, balanced contract between the parties.

The first risk acceptance level is the responsibility of the insurance product's Technical Areas which are responsible for the acceptance of risks which have not been delegated to the two above mentioned levels and for the technical management of the insurance product. The acceptance conditions for very high unit value risks, or which involve very broad sets of risks, are analysed by a Risks Committee which is made up of a minimum of three members of the Board of Directors and participation of Technical, Commercial and Reinsurance chief officers.

The first risk acceptance level is provided with a multidisciplinary technical team which is highly specialised in terms of insurance activities and/or products, assisted by risk analysis and actuarial specialists.

Risk acceptance is based on stringent technical standards, designed to identify risks with high loss potential (seriousness and frequency) in order to achieve sustained portfolio growth and a balanced technical result, with the use of facultative reinsurance when the risks cannot be included in the Treaties.

Human life insurance risk acceptance criteria are defined in medical tables, in which insured capital limits and respective clinical tests have been defined individually or jointly between the Life insurance business area and the company's reinsurers.

Whenever risks are not covered by reinsurance tariff handbooks on the company's automatic acceptance conditions, they are sent to the reinsurers' underwriting offices.

43.2. Technical Management

Technical management of the various insurance products involves the definition of the insurance policies' prices and clauses, definition and control of the subscription policy and the control and monitoring of premiums, claims and technical results. This allows the monitoring of risks and of their accumulation in the portfolio.

This management function is performed in connection with the reinsurance area, for the production of relevant information to facilitate the annual negotiation of reinsurance treaties or, in specific situations, the use of facultative reinsurance, with the claims management area, when required, supporting the settlement of complex claims.

43.3. Risk Control Management Instruments

Organisation's Internal Risks

In order to control and minimise the organisation's internal risk, the standards and procedures have been published, and are accessible and generally known, their application being adequately monitored by the competent areas.

Portfolio Profile Studies

Regular portfolio risk profile studies are performed, by class of capital/liability assumed, by activity and event and type of coverage.

This type of study allows a qualitative analysis of claim rates on specific risk classes (insured capital amounts, insured objects, activities, coverage) to be made, so as to assess the existing delegation of authority and correction of any distortions, correlating the main pricing factors and changing current products or creating new ones.

Periodic Analysis of Portfolio Evolution

Evolution of the portfolio under management is monitored periodically, through specific analysis of insurance policy behaviour, both in terms of number of policies and new and cancelled premiums.

These studies also include analyses of claim behaviour, monitoring their respective frequency and rate. These analyses are made, not only by product groups, but mainly by Products under management.

Portfolio Selection and Restructuring

The purpose of this function is to improve the profitability of the portfolio under management, both by restructuring risks with negative results (frequency and/or high claims rate), or by introducing changes to contractual terms (coverage, limits, premiums) as well as providing customer advisory services (recommendations for the implementation of prevention and security measures to improve risk quality).

Insurance Risk Concentrations

Regular studies on portfolio risk profile, by class of insured capital/assumed liability, activity, insured object and coverage, provide management information that enables the impact of possible changes in coverage, reinsurance treaties and retention policies to be estimated.

These studies also focus on specific coverage, geographical area, type of liability assumed or insured object, allowing the maximum risk limit per class to be determined and quantified, in addition to assessment of the impact on the portfolio, of catastrophic claim scenarios.

43.4. Reinsurance Policies

Determining factors for limiting or transferring insured risk lie in the nature of the business and insured risk amounts. These can be differentiated between "mass insurance" (motor, labour and personal accident) and property insurance business (the different component parts of fire and other risks, engineering and machinery and marine risks, general third party liability and miscellaneous risks).

Compliance with subscription rules is associated with the available reinsurance cover in force, this being a determining factor for the acceptance or rejection of certain types of risk.

Risks involving high amounts of insured capital or serious situations are analysed previously and their acceptance is strictly dependent on and supported by the reinsurance area.

The company has based its reinsurance policy on the existence of proportional, non-proportional and facultative reinsurance treaties, and other types of reinsurance that may be necessary to obtain adequate reinsurance protection for accepted risks.

Reinsurance cover for the principal property insurance products, as well as respective retention, is based on the ratio between portfolio structure in terms of insured capital and respective premium volume for each product and on the statistical monitoring of profitability and retention/premiums ratio at the end of the year or cycle and the company's financial capacity to absorb frequent claims.

In determining retention per event, the fact that catastrophes do not occur frequently is taken into account. Retention reflects what is technically expected in terms of the impact of the same catastrophe on the company's capital and its absorption over a defined period, using a conservative scenario of a return period of 500 years, which is unusual with respect to markets subject to catastrophic risks.

As mentioned, risk retention is adapted to existing portfolios and is based on negotiated capacity and balance between premium ceding operations and that capacity.

As regards Fire and other risks, Engineering and Marine insurance, the companies operate with proportional treaties.

Mass insurance risks (motor, personal and labour accident) are covered by an Excess of Loss treaty, which is more adequate to these types of risk and portfolios and to the company's financial capacity. The statistical evolution of claims and bids received for the different levels that this may have are taken into account in defining this priority.

The General third party liability product is also protected by an Excess of Loss reinsurance treaty.

The "Maximum cumulative risk" on retentions is protected by adequate Excess of Loss treaties for each situation.

The accumulations resulting from "Coverage of Earthquake and Natural Risk Phenomena", classified as "catastrophic" in terms of retentions, are reinsured using Excess of Loss treaties, their retention being determined by the company's financial capacity.

The selection criteria for reinsurers is based on their reliability and financial solvency, ability to provide services and monitoring of their performance in terms of payments/collections, ratings attributed by international rating agencies also being a determining factor.

43.5. Asset and Liability Management (ALM) Techniques Used by the Company

The company functions differently depending on the type of product in question.

Asset and Liability Adequacy Procedures

Immunised Products

These are typically products with a fixed rate, defined at inception, that do not entitle the policyholders any type of profit-sharing. These products are covered by investments with similar maturity and payment dates so as to obtain a return on the investments that covers the company's margin and contracted interest payable to the clients.

Temporary mismatches may occur between assets and liabilities, usually due to early redemptions. For this reason the investment policy is restricted to highly liquid investments in "investment grade" rated securities admitted to listing on OECD markets.

Profit Sharing Products with Guaranteed Principal and Income

The composition of the investment portfolio of these products depends of the applicable management strategy and definition of the individual product benchmarks.

The benchmarks are based on market interest rates, liability maturity and guaranteed return for clients. To minimise risk as the maturity of liabilities approaches, the relative weight of the investment in variable yield securities is gradually reduced and replaced by investment in fixed return securities.

A diversity of relevant information is considered for projecting future cash flows, namely that relating to current contracts, contract maturity dates, current liabilities capitalised by profit participation and guaranteed income rate.

Cash flows on investments in fixed income or fixed rate securities are projected using the assets rate or scenarios, in accordance the yield curve, depending on which is expected to be more in line with the expected future reality. Cash flow projections are not performed for equity securities, their current market value being used instead.

Policy for Allocating Investments to Products

In the case of products with profit sharing and unit-linked products in which the investment risk is borne by the policyholder, the respective investment portfolios are placed in autonomous funds. An autonomous fund is managed for each product, with the purpose of ensuring independence of the respective portfolios and avoiding contamination resulting from placing the investments covering different products in a single portfolio.

Products without profit-sharing are recorded in globally managed portfolios as the performance of these portfolios does not affect income payable to the clients. However, despite the existence of greater management flexibility, a prudent approach of matching assets and liabilities has been adopted.

Assets are allocated to portfolios based on their market value, especially in the case of portfolios in which the policyholders are entitled to a share of its results. An autonomous fund associated with each portfolio is also set up in these cases.

For each type of asset, maximum exposure limits are also defined.

Type of asset	Maximum limit (% of global amount of the portfolio)
Fixed income - long rates	70%
Government	70%
Corporate	50%
Fixed income - short rates	100%
Variable income	30%
Property	30%

In addition to the restrictions imposed under current legislation, the Companies' portfolio management also takes the following points into consideration:

I. The maximum exposure on securities which have not been admitted to trading on the stock exchange on other regulated markets of European Union member states, or in markets in OECD countries legally defined as equivalent, amounts to 15% of the total portfolio value and must always be expressly approved by the Board of Directors;

II. Foreign currency investments must be consistent with the respective liabilities in at least 95%;

III. Derivatives, Repos and Security Lending Operations - Derivatives may be used for hedging, trading or decreasing investment costs, in accordance with the legislation in force.

Repos and security lending operations are permitted under the conditions defined by current legislation, provided that they do not compromise the allocation limits defined for each of the respective asset classes. These operations require specific approval although general approval may be given for market derivatives.

Derivatives risk assessment models:

There is a generic model for assessing expected return/risk based on the composition of the asset classes. The expected portfolio returns are subject to a sensitivity analysis based on the volatility of their assets. This type of assessment is used for asset allocation decisions, in an endeavour to set up risk controlled portfolios to optimise return within the current market environment.

Risk assessment is performed internally by the Investment Department with the involvement, whenever necessary, of the Group's Risk Management Department. Various risks are monitored, namely:

- market risk;
- interest rate risk;
- credit risk by issuer and financial group;
- liquidity risk.

IV. Investment on fixed income assets

Bonds eligible for acquisition must comply with the following matrix which incorporates both residual term to maturity and assumed risks. No investment should be made in assets with a rating lower than BBB or equivalent.

	Sovereign Debt	Corporate Debt
Up to 1 year	BBB	BBB
1-5 years	A-	A-
5-15 years	A+	AA-
More than 15 years	A+	AAA

Investment in other unspecified classes of assets must be specifically approved by the Board of Directors.

Current regulations also impose limitations on investments.

43.6. Life Insurance

There are three major types of life insurance contracts that fall within the scope of IFRS 4, in which the nature of the risk covered is as follows:

Risk Products

The greatest risk on these products is mortality, although a large number of contracts also cover disability risk. A significant part of these risks is transferred to reinsurance companies.

Profit-sharing is typically based on the following type of technical/financial account:

(Premiums + Income - Claims - Management charges - Change in mathematical provision - Any existing negative balance from the preceding year) x Profit-sharing coefficient.

The discretionary nature of such profit sharing is associated with the use of the Fund for Future Payments to determine the income and the profit-sharing coefficient, as only minimums are defined in profit-sharing schemes.

Annuity Products

The greatest risk on these products is longevity.

Profit-sharing is typically based on the following type of technical/financial account:

> (Premiums + Income - Claims - Management charges - Change in mathematical provision - Any existing negative balance from the preceding year) x Percentage of profit-sharing

The discretionary nature of such profit sharing is associated with the use of the Fund for Future Payments to determine the income and profit-sharing coefficient, as only minimums are defined in profit-sharing schemes.

Capitalisation Products

Interest risk rate is the principal risk factor in these products.

Profit-sharing contracts only are covered by IFRS 4 and so income allocated to Policyholders has a fixed component and a variable component that depends on the profitability of a specific portfolio of assets partly dependent on the company's discretion.

Profit-sharing is typically based on the following type of technical/financial account:

> (Percentage of income - Technical income - Management charges - Any existing negative balance from the preceding year) x Percentage of profit-sharing

The discretionary nature of such profit sharing is associated with the use of the Fund for Future Payments to determine income, profit-sharing coefficient, percentage of income and management charges, as only minimums are defined in profit-sharing schemes.

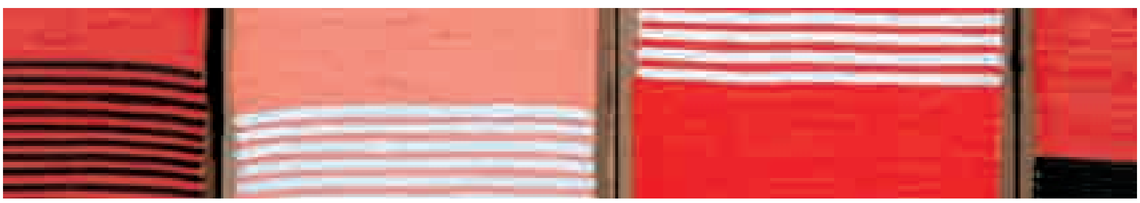
The following table presents a forecast of cash inflows and outflows for each of these product types (PS - profit sharing), over the next three years.

Fidelidade Mundial

Year	Risk		Annuities		Capitalisation with PS	
	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
2007	119 263	71 152	-	3 273	14 171	452 793
2008	67 915	45 035	-	3 231	13 331	570 667
2009	60 271	42 000	-	3 185	12 168	678 758

Império Bonança

Year	Annuities		Capitalisation with PS	
	Inflow	Outflow	Inflow	Outflow
2007	-	11 307	41 185	168 147
2008	-	10 854	36 858	107 475
2009	-	10 418	33 016	94 090



The following table shows the change in these cash inflows and outflows resulting from a 5% increase in expected early redemptions.

Fidelidade Mundial

	Risk		Annuities		Capitalisation with PS	
Year	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
2007	116 384	70 074	-	3 273	13 795	585 613
2008	62 920	42 041	-	3 231	12 304	665 650
2009	52 903	37 182	-	3 185	10 713	735 601

Império Bonança

	Annuities		Capitalisation with PS	
Year	Inflow	Outflow	Inflow	Outflow
2007	-	11 308	40 394	185 134
2008	-	10 854	34 561	118 880
2009	-	10 418	29 601	100 686

The following table shows the estimated change in liabilities recorded in the balance sheet at 31 December 2006, as a result of changes in some of the assumptions used.

Fidelidade Mundial

Assumption	Change in assumption	Change in liability
Mortality rate	+ 25% (*)	3 467
Asset yield rate	+ 0.5%	10 623
Inflation rate	+ 1%	69
Redemption rate	+ 5%	(558)

(*) In terms of Annuities, the change of the mortality rate was negative.

Império Bonança

Assumption	Change in assumption	Change in liability
Mortality rate	+ 25% (*)	2 323
Asset yield rate	+ 0.5%	-
Inflation rate	+ 1%	-
Redemption rate	+ 5%	-

(*) In terms of Annuities, the change of the mortality rate was negative.

43.7. Interest Rate Risk

Interest rate risk management policy is based on a twofold approach. In the case of immunised portfolios and fixed-rate capitalisation insurance, coverage is adjusted to the liabilities assumed. In this case, the cash flow profile of the investment in assets and the outflow of liabilities on maturity, are matched. There is practically no active management of interest rate risk during the product's life.

Interest rate risk on benchmark management model portfolios is managed actively in accordance with target exposure levels, defined by benchmarks, using tactical underweight/overweight management based on the expectation of changes on the curve structure, in order to optimise the return on assets.

The following table shows that the exposure level to longer periods in quantitative terms is not significant.

Maturity Risk	Amount	Weight	Mod Dur
Fixed income	8 539 983	100.00%	4.89
Fixed-rate bonds	5 406 162	63.30%	5.44
Maturity 1 - 3 years	1 979 872	23.20%	2.28
Maturity 4 - 5 years	1 135 425	13.30%	4.40
Maturity 6 - 7 years	693 035	8.10%	5.99
Maturity 8 - 10 years	760 151	8.90%	7.05
Maturity 11 - 19 years	412 261	4.80%	9.62
Maturity 20 - 29 years	410 272	4.80%	14.74
Maturity of more than 30 years	15 144	0.20%	17.28
Variable-rate bonds	2 544 078	29.80%	3.57
Inflation-linked bonds	180 393	2.10%	5.20
Perpetual (fixed rate)	23 903	0.30%	13.9
Non-performing	3	0.00%	8.24
Bonds with maturity < 1 year	380 482	4.50%	0.53
Treasury bills	4 961	0.10%	0.22

For the purpose of risk monitoring, companies also use the services of CGD's risk control unit, which publishes its internal indicators.

This risk is also being monitored by supervisory bodies, a specific stress-test having been made on the asset portfolio during 2006 to quantify the impact of adverse shocks.

The use of derivatives for risk management purposes is currently limited to the occasional use of interest rate swaps in portfolios to reduce interest rate risk or in cases in which this instrument has been considered more efficient than the direct use of assets.

At 31 December 2006 Caixa Seguros had a portfolio of interest rate swap contracts to hedge financial risks on fixed-rate life insurance products as follows:

Notional value	Currency	Linked products	Maturity	Rate granted	Rate taken
10 000 000	EUR	Mais Valor 2004 - 1st Ser	2009	EUR6M+0.875%	4.55000%
3 100 000	EUR	Mais Valor 2004 - 1st Ser	2009	EUR6M+0.875%	4.50000%
13 293 000	EUR	Mais Valor 2004 - 2st Ser	2009	EUR6M+0.875%	EUR6M+0.875%
14 746 348	EUR	Reforma PPR/E MAIS	2012	5.238%	5.20710%
5 200 000	EUR	Vantagem Dupla 2003	2013	EUR6M+0.45%	4.67000%
4 000 000	EUR	Vantagem Dupla 2003	2013	EUR6M+0.45%	4.71000%
150 000	EUR	Vantagem Dupla 2003	2013	EUR6M+0.45%	4.25000%
10 000 000	EUR	Seguro Renda 2nd Ser	2007	EUR12M	4.46980%
10 000 000	EUR	Seguro Renda 2nd Ser	2007	EUR12M	4.46980%
10 000 000	EUR	Seguro Renda 2nd Ser	2007	EUR12M	4.46980%
10 000 000	EUR	Seguro Renda 2nd Ser	2007	EUR12M	7.88930%
10 000 000	EUR	Seguro Renda 2nd Ser	2007	EUR12M	4.46980%
10 000 000	EUR	Seguro Renda 3rd Ser	2007	EUR12M	3.58040%
15 000 000	EUR	Seguro Renda 2nd Ser	2007	EUR12M	7.88930%
20 000 000	EUR	Cx Seg 4.5%	2010	8.02%	7.38%
6 000 000	EUR	Cx Seg 4.25%	2008	6.85%	6.41%
5 000 000	EUR	Cx Seg 4.4%	2009	5.79%	5.33%

Risk management/counterparty analysis policy is based essentially on the selection table at the time the asset is purchased, disclosed in the "Asset separation requirements" item, designed to protect the policyholders through restrictions in the use of the company's assets. The risk is, however, monitored continuously by analysing international rating agencies' opinions/outlooks in order to prevent a downgrade of the rating of the securities held. On the other hand, the definition of internal limits by counterparty, not authorising the accumulation of risk, ensures good risk level dilution over time.

Assets for counterparty risk	Accumulated Capital	%
Total	**11 103 010 828.06**	**100.00%**
State	**3 139 090 066.79**	**28.30%**
Eurozone	3 097 081 806.75	27.90%
Non - Eurozone	42 008 260.04	0.40%
Other	**7 963 920 761.30**	**71.73%**
CGD Group	1 424 972 014.01	12.80%
Public entities	528 273 999.55	4.80%
BSCH Group	287 641 544.25	2.60%
Supranational entities	169 511 136.79	1.50%
DNB NORBANK Group	159 810 909.87	1.40%
SNS Bank Group	152 023 069.48	1.40%
BCP Group	136 677 733.58	1.20%
General Electric	136 391 254.66	1.20%
BBVA Group	135 329 318.65	1.20%
Carrefour Group	129 569 987.73	1.20%
BNP Paribas Group	120 394 786.90	1.10%
Nationwide Building Society Group	118 145 179.76	1.10%
RBS Group	103 893 851.41	0.90%
Unicredito/Hypovereinsbank Group	99 609 630.25	0.90%
Deutsche Bank Group	98 983 895.02	0.90%
HBOS Group	97 264 834.96	0.90%
Banca Intesa Group	89 992 286.75	0.80%
Dexia Group	88 334 954.36	0.80%
Allianz Group	87 485 686.57	0.80%
ING Group	80 429 491.24	0.70%
Espírito Santo Group	78 481 252.31	0.70%
Caja Madrid Group	77 286 522.38	0.70%
France Telecom Group	74 528 118.05	0.70%
Deutsche Telekom Group	71 258 608.09	0.60%
EDP Group	67 695 581.00	0.60%
Portugal Telecom Group	61 873 088.72	0.60%
Caja de Ahorros de Valencia Group	58 458 861.81	0.50%
Volkswagen Group	58 323 552.69	0.50%
Barclays Group	56 201 440.62	0.50%
Allied Irish Banks Group	51 684 636.70	0.50%
Banco Popular Espanhol Group	48 255 336.33	0.40%
AngloIrish Bank Group	48 043 363.45	0.40%
Credit Agricole Group	47 164 561.83	0.40%
Alliance & Leicester Group	47 129 214.85	0.40%
Iberdrola Group	45 186 648.53	0.40%
BPI Group	42 408 350.36	0.40%
DEPFA Group	39 202 932.48	0.40%
BGB Group	39 135 571.09	0.40%

(to be continued)

(.../...)

Assets for counterparty risk	Accumulated Capital	%
Société Générale Group	39 126 363.10	0.40%
Citigroup Group	37 717 600.67	0.30%
Danone Group	33 792 790.66	0.30%
Allegro	32 730 024.80	0.30%
Telefonica Group	29 446 065.48	0.30%
Banco Sabadell	29 126 755.52	0.30%
Commerzbank Group	25 092 904.71	0.20%
Peugeot Group	24 020 313.33	0.20%
Endesa Group	22 492 178.83	0.20%
Renault Group	21 143 163.25	0.20%
HSBC Group	18 333 670.65	0.20%
St George Bank Group	17 521 771.57	0.20%
Goldman Sachs	16 130 857.72	0.10%
IGE Group	14 888 777.92	0.10%
Mello Group	14 667 780.63	0.10%
Merrill Lynch Group	13 122 602.01	0.10%
EFG Hellas Group	12 630 226.12	0.10%
BANIF Group	11 644 357.09	0.10%
Montepio Geral Group	10 945 781.94	0.10%
ABN AMRO Group	10 447 878.21	0.10%
Rabobank Group	9 868 361.07	0.10%
San Paolo IMI Group	9 591 843.79	0.10%
Dusseldorf Hypo Group	9 488 495.38	0.10%
Sonae Group	8 101 659.28	0.10%
Bank of Ireland Group	5 746 461.81	0.10%
Achmea Bank Group	2 138 361.34	0.00%
Jerónimo Martins Group	1 913 996.00	0.00%
DaimlerChrysler Group	200 591.88	0.00%
Not defined group (Non-residents)	1 635 409 590.54	14.70%
Not defined group (Residents)	589 386 328.92	5.30%

44. Impact of the Adoption of IFRS

The following table summarises the impact of the adoption of International Financial Reporting Standards at 31 December 2004 and 1 January 2005:

	Note	Equity
Balance in accordance with the PCSB standards		**2 997 583**
Impact on standards adopted at 1 January 2004		
Property and other tangible assets	(a)	(10 550)
Intangible assets	(b)	(19 313)
Commissions for services rendered	(c)	(11 690)
Employee benefits	(d)	(509 177)
Deferred taxes	(e)	322 049
Unibanco and Unibanco Holdings	(f)	256 751
Provisions		7 349
Currency exchange changes		(7 440)
Other		(5 050)
		22 929
IFRS balances - pro-forma accounts		**3 020 512**
Impact of the adoption of IAS 39 and IFRS 4 at 1 January 2005		
Deferred commissions relating to credit operations	(g)	(83 941)
Loan impairment	(h)	(42 292)
Measurement of the securities portfolio	(i)	137 795
Fair value measurement of derivatives, hedging accounting and structured liabilities	(j)	(1 172)
Valuation of insurance contracts	(k)	(15 890)
Deferred taxes	(l)	(4 455)
Adjustment subtotal at 1 January 2005		**(9 955)**
IFRS balances at 1 January 2005		**3 010 557**

(a) The table below provides information on the transition adjustment relating to property and other tangible assets:

Tangible assets	
Impairment of property for own use	(15 966)
Impairment of other tangible assets	(786)
	(16 752)
Other adjustments relating to tangible assets	(5 669)
Other adjustments relating to property for own use	12 063
	(10 358)
Revaluation of investment properties	3 120
Impairment of repossessed assets and other property	(3 312)
	(10 550)

Caixa obtained appraisals for a significant portion of its portfolio of property for own use. Whenever unrealised losses were determined in relation to their book value net of depreciation impairment was recorded if the profitability of the respective operating units is not sufficient to absorb the loss.

On the introduction of IFRS, the Group made a detailed analysis of its property in order to classify it in the categories defined in the standards regulating such assets. Although most property continued to be classified as property for own use, there were several cases of rented property, normally corresponding to parts or sub-divisions of buildings, that are mainly for own use. Such property was classified as investment property, and started being recorded at fair value, determined based on appraisals.

The transition adjustment relating to repossessed assets and other property not used in the Group's operations, recorded in "Other assets", results essentially from the fact that an estimate of the costs to be incurred on the sale of such property is now considered when determining impairment.

(b) IAS 38 imposes very restrictive requirements in relation to the previous standards for the recognition of intangible assets.

The Group made a detailed review of all the amounts capitalised in this heading at the transition date, focused especially on amounts recorded in fixed assets in progress, assessing their compliance with the IAS 38 rules.

As a result of this review, amounts not eligible for recognition under IFRS including, among others, projects not eligible, re-planning costs and training costs, were charged to retained earnings.

In accordance with IAS 38, amortisation of intangible assets is based on their estimated useful life (periodically revised), reflecting the use by the entity of the economic benefits generated by the asset. The Group revised its estimates of useful life of the intangible assets, notably software applications which, in several cases were retrospectively changed. This revision generated a net positive impact on retained earnings.

(c) In accordance with current practice for the banking sector in Portugal, certain commissions charged to customers were recognised as income at the time of collection. In accordance with IAS 18, such commissions are deferred over the period on which the related services are rendered.

(d) Employee benefits are under the scope of IAS 19. The impact of transition is made up as follows:

Actuarial gains and losses

CGD adopted the possibility allowed in IFRS 1 of not recalculating deferred actuarial gains and losses since the inception of the plans. In adopting this option usually referred to as "reset", all deferred actuarial gains and losses at the transition date were written-off, by charge to retained earnings. Deferred actuarial losses on pension liabilities at 1 January and 31 December 2004, calculated in accordance with Bank of Portugal rules, totalled EUR 562 204 thousand and EUR 204 448 thousand (Note 36).

Post employment healthcare

In accordance with Bank of Portugal regulations and current practice in the banking sector in Portugal, these costs were recognised on a cash basis. In accordance with IAS 19, this benefit corresponds to a defined benefit plan, and consequently the corresponding liability is calculated and recorded in a manner similar to pension liabilities.

The liability at 31 December 2004 totalled EUR 316 324 thousand (Note 36).

Other benefits

In compliance with the PCSB standards, Caixa recognised the cost for payments of long service bonuses to its employees (Note 36) on a cash basis. Upon transition to IAS 19, Caixa calculated the liability with this benefit corresponding to the past service of its employees. The amount of the liability at 31 December 2004, which was recognised by Caixa, totalled EUR 45 514 thousand.

(e) In accordance with the previous standards and current practice in the banking sector in Portugal, Caixa did not record deferred taxes. The amount presented above corresponds to deferred taxes relating to situations that already existed at 31 December 2004 and to transition adjustments to IFRS (see details in Note 17).

(i) This impact results essentially from the measurement at fair value of securities previously recognised in the investment and equity investment portfolios, as well as from Group insurance companies' investments in debt instruments (see Note 2.16.), and is made up as follows:

Measurement of financial instruments classified as "available-for-sale financial assets"	117 788
Measurement of financial instruments classified as "financial assets at fair value through profit or loss"	19 513
Reversal of deferred gains on the sale of securities - insurance	494
	137 795

(f) In the PCSB accounts, the Group recorded its 4.84% and 12.62% equity investments in Unibanco - União de Bancos Brasileiros and Unibanco Holdings, respectively, using the equity method following specific authorisation by the Bank of Portugal. On transition to IFRS, at 1 January 2004 these investments were classified as "Available-for-sale financial assets" and measured at fair value.

(g) As explained in Note 2.17., in compliance with IFRS the Group started recognising commissions charged for setting up loan operations in their initial recognition amount, being recognised in the income statement over the period of the operations. Consequently, a review was made of the commissions charged on loan operations outstanding at 1 January 2005, and the corresponding adjustment to the amortised cost of the respective loans was calculated and recorded.

(h) Provisions for loans granted were recorded in accordance with the specific rules defined by the Bank of Portugal. Upon adoption of IFRS the Group started recording impairment, calculated in accordance with the rules explained in Note 2.7. d), under which impairment losses include the time effect of discounting estimated cash flows receivable on each operation to the balance sheet date.

The impairment of loans granted determined by the Group as at 1 January 2005 exceeded by EUR 42 292 thousand the provisions recorded under the previous standards, due essentially to the effect of discount referred to in the preceding paragraph.

With the adoption of IAS 39 on 1 January 2005, the Group transferred its trading portfolio and part of its investment portfolio to the "Financial assets held for trading" and "Other financial assets at fair value through profit and loss" headings. The remaining part of the investment portfolio and the former equity investment portfolio, as well as most of the securities portfolios held by Group insurance companies, were transferred to the "Available-for-sale financial assets" heading.

The impact of the transition results essentially from the recognition of unrealised gains on the former investment portfolio and recognition of impairment losses on investments in addition to those already recognised in accordance with Bank of Portugal Notice 4/2002. Fixed-income securities held by Group insurance companies were also carried at cost, adjusted for straight-line amortisation of the premiums and discounts arising on acquisition. The measurement at fair value of securities held by the insurance companies resulted in an increase of EUR 138 860 thousand in their book value as at 1 January 2005.

(j) Currency swaps were not measured at fair value under PCSB standards. Upon adoption of IAS 39, these derivatives were measured at fair value, resulting in a positive transition impact of EUR 5 457 thousand.

In addition, the remaining hedging derivatives were generally not measured at fair value, in line with the accounting policies applicable to the hedged items. The net impact resulting from measuring these derivatives at fair value and the valuation of the hedged items, comprising essentially structured liabilities, was recognised as a decrease of EUR 6 629 thousand on equity.

(k) The transition adjustment resulting from the adoption of IFRS 4 on insurance contracts issued by the Group as at 1 January 2005 is made up as follows (without considering the respective tax effect):

corresponds to the amount of net unrealised capital gains not yet distributed to the insured, less the part of the gains attributable to the Group, determined based on the conditions of the products and the negative balances on the technical accounts brought forward from previous years, that are recoverable based on those gains. The adoption of this policy at 1 January 2005, generated a net negative impact of EUR 9 237 thousand on the Group's equity.

Non-life insurance	
Reversal of provisions for exceptionally large claims	7 842
Recognition of provisions for the Labour Accident Fund	(14 495)
	(6 653)
Life insurance	
Recognition of provisions as a result of liability adequacy tests	(28 917)
Appropriation of the shadow reserve	11 261
Recoverable losses on technical accounts	8 419
	(9 237)
	(15 890)

The provisions for exceptionally large claims recorded by the Group on the date of adoption of IFRS 4 were reversed, as the recording of provisions for equalisation or catastrophes is not allowed under this standard.

Following its adoption of IFRS 4, the Group recorded provisions for the cost of contributions to the Fund for Labour Accidents, relating to claims occurred in prior years, which represent future payments under insurance contracts in force as at the date of the financial statements. The Fund for Labour Accidents, managed by the Portuguese Insurance Institute, assumes the liability for the annual increases in pensions paid to claimants in this technical branch, and its income consists of contributions made by insurance companies and the policyholders.

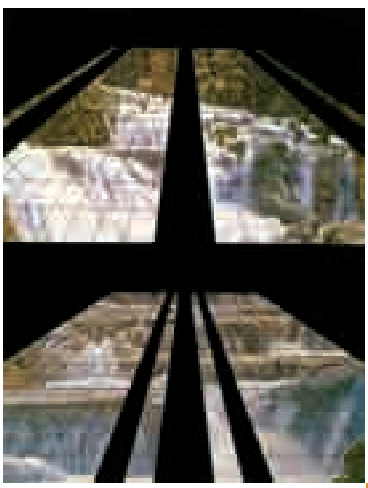
As explained in Note 2.16., the Group performs adequacy tests of liabilities relating to insurance contracts in force at the balance sheet date. As regards the life insurance business these tests are performed for each product, the estimated liabilities being compared with the amount of the respective mathematical provisions, plus a "shadow reserve". The shadow reserve

(l) Corresponds to the tax effect of the transition adjustments resulting from the adoption of IAS 39 and IFRS 4.

45. Note Added for Translation

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in accordance with generally accepted accounting principles in Portugal. In the event of discrepancies the Portuguese language version prevails.

Audit Reports and Opinions



Eduardo Nery

Countryside: "Reconstrução"
1985

Acrylic painting on photograph printed on offset, wood and plywood
240 x 180 cm

Audit Report

Consolidated Financial Statements

(Translation of a report originally issued in Portuguese - see Note 45)

(Amounts expressed in thousands of Euro - EUR thousand)

Introduction

1. Pursuant to Article 245 of the 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, SA and subsidiaries ("Caixa" or "CGD") for the year ended 31 December 2006, which comprise the consolidated balance sheet as at 31 December 2006, that reflects a total of EUR 96 245 808 thousand and total equity of EUR 5 013 657 thousand, including net income of EUR 733 808 thousand attributable to the shareholder of CGD, the consolidated income and cash flow statements and statement of changes in shareholders' equity 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 results of their operations and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with the applicable accounting principles and that is complete, true, up--to-date, clear, objective and licit, as required by the Securities Market Code; (iii) adopting adequate accounting policies and criteria and maintaining appropriate systems of internal control; and (iv) informing any significant facts that have influenced the operations of the companies included in the consolidation, their financial position or results of operations.

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 Securities Market Code, and to issue a professional and independent report based on our examination.

Scope

4. Our examination was performed in accordance with the auditing standards ("Normas Técnicas e Directrizes de Revisão/Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the examination 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 test 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, 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 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 verifying that, 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. 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, SA and subsidiaries as at 31 December 2006, the consolidated results of their operations and their consolidated cash flows for the year then ended in conformity with the International Financial Reporting Standards adopted 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.

Emphasis

6. The accompanying consolidated financial statements of CGD for the year ended 31 December 2005 are presented for comparative purposes in compliance with the requirements for the presentation of accounts. The Audit Report on these financial statements, dated 2 May 2006, included an emphasis paragraph relating to the effect of the adoption for the first time in 2005, of the International Financial Reporting Standards as adopted by the European Union in preparing CGD' consolidated financial statements.

Lisbon, 27 March 2007

Deloitte & Associados, SROC, SA
Represented by Maria Augusta Cardador Francisco

Report and Opinion of Sole Auditor

Statement to Shareholders

1. Pursuant to the dispositions of articles 420 and 508-D of the Commercial Companies Code, our company is responsible for producing a report and issuing an opinion on the separate and consolidated accounts of CAIXA GERAL DE DEPÓSITOS, SA, (CGD) for the year ended 31 December 2006.

2. We have continuously monitored the evolution of the company's operations, having issued the monthly opinion referred to in sub-paragraph c) of no. 10 of Bank of Portugal Notice no. 12/92 of 22 December and the quarterly report referred to in no. 2 of article 6 of Decree Law 287/93 of 20 August. This latter report is sent to the offices of the Ministers of State and Finance and Secretary of State for the Treasury and Finance and copied to the chairman of the board of directors of Caixa Geral de Depósitos, SA.

In performing our works, we were provided with the full assistance of the board of directors and various company departments for the provision of the required information.

3. In the sphere of the board of directors' report to the Bank of Portugal on CGD's internal control system, for the year 2005 (separate and consolidated), we executed the necessary procedures to comply with numbers 12.1, 12.2, 20.1 and 20.2 of the Bank of Portugal's Official Notice no. 3/2006, published on 09 May, which integrated the dispositions of "instruction" no. 72/96 and the internal control procedures applicable to activities and functions centralised in the groups or performed by subsidiaries abroad into a single regulatory instrument.

Pursuant to our works, our company, as the sole and statutory auditor of CGD's accounts issued the following documents on 27 October 2006 (within the period referred to in the Bank of Portugal's circular letter no. 59/06/DSBDR of 07 June):

i) Sole auditor's opinion on the effectiveness of the risk management, internal control and internal audit systems;

ii) Statutory account auditor's opinion on the adequacy of the internal control underlying the procedure for the preparation and disclosure of financial information;

iii) Sole auditor's opinion on the adequacy of CGD Group's internal control system;

iv) Statutory account auditor's opinion on the adequacy of the internal control underlying the procedure for the preparation and disclosure of consolidated financial information.

In general terms, we consider that the internal control environment existing in CGD (separate and consolidated), including the environment underlying the "process for the preparation and disclosure of financial information" (separate and consolidated), is adequate to the dimension and nature and risk attached to operations and are therefore unaware of anything which could lead us to conclude that the control procedures under analysis, in the areas referred to in the documents annexed to the referred to opinions, do not reasonably comply, in all materially relevant aspects, with the objectives described in nos. 6, 12.2 and 17 of the Bank of Portugal's Official Notice no. 3/2006.

However, we wish to emphasise that, taking into account the inherent limitations on internal control systems, it is possible for fraud and error to occur without being detected.

4. In terms of decisions made and/or implemented last year, reference should be made to the following situations:

(i) Following CGD Group's specialised credit area reorganisation process, beginning 2004, Caixa Crédito SFAC, SA was assimilated by Caixa Leasing e Factoring - IFIC, SA, with the integration of the property and equipment leasing, factoring and consumer credit businesses into a single company, starting 02 January 2006.

(ii) The Boats Caravela bonds were alienated in March 2006, for USD 102 million (EUR 84.4 million, at the exchange rate in force at the time of sale).

(iii) In first quarter 2006, CGD disposed of its 51% equity holding in CGD USA Holding Company Inc, for the amount of USD 25 million. This company, in turn, held all capital of Crown Bank.

(iv) Heads of agreement were entered into between CGD and Banco Santander Totta (BST) in February 2006 on an indirect stake in the equity capital of Banco Totta de Angola (BTA), a financial institution hitherto controlled by BST, requiring a deposit and first payment of EUR 15 million.

(v) The General Meeting of 12 May 2006, approved that net income for 2005 (separate activity) in the amount of EUR 350.8 million was transferred to legal reserve - 20% or EUR 70.1 million -, in accordance with sub-paragraph a) of no.1 of article 26 of the company's articles of association. EUR 14.6 million were transferred to retained earnings, EUR 195 million to dividends and the remaining amount of EUR 71.1 million to free reserves.

(vi) CGD acquired 1 658 502 shares comprising 1% of Galp Energia, SGPS, SA, on 28 March 2006, for the amount of EUR 50.8 million. CGD was left with 8 292 510 shares, on 03 August 2006, after a stock split operation in which each old share was exchanged for 5 new shares, maintaining its equity investment percentage in the company.

(vii) 4 000 000 Banco Comercial Português, SA shares were alienated in March 2006 for the amount of EUR 10.7 million, comprising capital gains before tax of EUR 3.6 million.

(viii) Shareholders' loans of EUR 90 million (EUR 60 million in respect of the conversion of bank loans granted to the company) to Locarent - Companhia Portuguesa de Aluguer de Viaturas, SA.

(ix) In June 2006, EUR 82.5 million were paid in respect of the second instalment of the share capital increase of Banco Caixa Geral, SA (former Banco Simeón, SA), approved in 2005 (EUR 275 million), with CGD having paid EUR 82.4 million. The third and last instalment of the referred to capital increase will be paid (for the same amount) in 2007.

(x) In December 2006, CGD provided its Macau Offshore Branch, with a subordinated loan of 120 million Macanese patacas (EUR 11.4 million at the exchange rate in force at 31 December 2006). The said company, at end 2006, increased its share capital by 70 million Macanese patacas (EUR 6.6 million at the exchange rate in force at 31 December 2006), fully paid up by CGD, increasing its share of the company's equity capital to 120 million patacas.

(xi) In 2006 CGD entered into a contract with several other credit institutions, with the objective of achieving the restructuring and financial consolidation of the banking liabilities of Vista Alegre Atlantis Group (VAA Group). This operation, in CGD's case, implied the acquisition of EUR 4.1 million new shares of VAA - Vista Alegre Atlantis, SGPS, SA and recognition of the conversion of a part of the debt taken out by the VAA Group in supplementary payments for the amount of EUR 11.8 million. An impairment loss on the full amount of the above referred to shares and supplementary payments, was recognised in 2006.

(xii) Provisions for bad and doubtful debts were increased by EUR 42 million after an analysis of the recoverability of assets allocated to the Timor branch, following the political instability occurring in the said country.

(xiii) The full amount of the indirect investment in Nutricafés - Cafés e Restauração, SA, was alienated in first quarter 2006, to a consortium of private equity funds led by Explorer Investments, Sociedade de Capital de Risco, SA, for the amount of EUR 69.1 million.

(xiv) June 2006 saw the merger of Compal - Companhia Produtora de Conservas Alimentares, SA (Compal) into Inbepor - Investimentos em Bebidas Portugal, SGPS, SA (a financial vehicle set up last year). Inbepor assumed Compal's name, headquarters, object, activity, operations, assets and liabilities.

(xv) CGD recognised the amount of EUR 120.3 million, in provisions for risks and liabilities, to provide for the fiscal contingency associated with the eventual payment of capital gains tax on its alienation of the Banco Itaú investment in the years 2000 and 2001, following the decision of 04 July 2006, made by the Commission of the European Communities, considering that the fiscal benefit granted to CGD, under article 32-C of the statute of fiscal benefits (currently article 25 of the same code, in the meantime repealed by Law no. 53-A/ 2006 of 29 December), was incompatible with EC Treaty and Common Market regulations.

(xvi) At 31 December 2006, in accordance with an actuarial study, liabilities on retirement and survivors' pensions totalled EUR 955.3 million and were fully covered. CGD's contributions to the pension fund, in 2006, totalled EUR 66.7 million (EUR 9.5 million in extraordinary contributions).

(xvii) Healthcare liabilities (EUR 419.2 million) and death grants prior to normal retirement age (EUR 2 million), determined on the basis of the actuarial study at 31 December 2006, have been fully provisioned. Liabilities of EUR 3.5 million comprising the impact of the transition to "unoccupied" status of workers with whom CGD has entered into work termination agreements have also been provisioned.

(xviii) In November 2006, CGD set up a covered bonds programme issue of up to a maximum amount of EUR 10 billion, under Decree Law no. 59/2006 of 20 March. CGD issued its first series of covered bonds on 06 December 2006, maturing on 06 December 2016, for the amount of EUR 2 billion.

(xix) The company Wolfpart, SGPS, SA, was formed in December 2006 with a share capital of EUR 50 thousand, subscribed for and paid up in full by CGD. The new company was funded by EUR 30 million in non-interest bearing shareholders' loans.

(xx) The filing, in December 2006, with the Central Bank of Brazil of the intent to set up a new bank to be known as Banco Caixa Geral - Brasil, SA to operate in the Brazilian market.

(xxi) Fair value reserves for the principal equity instruments in 2006, were valued to EUR 343.7 million, with potential capital gains of EUR 433.0 million this year (EUR 89.3 million in 2005).

(xxii) The early repayment of the full amount of "Renda Mais 2001/2011" (1st and 2nd issues), subordinated cash bonds - for the amount of EUR 273.4 million. Reference should be made to the issue, in the same period, of CGD 2006/2016 (EUR 100 million) subordinated cash bonds and the subordinated debt issued by the France branch that at 31 December 2006, totalled EUR 305.6 million.

5. As regards the company's separate accounts, reference should be made to the following indicators, characterising its operations for the year:

(i) Net assets were EUR 8.2 billion up over the preceding year, to EUR 81.9 billion. Principal contributory factors were loans and advances to customers with EUR 5.9 billion;

(ii) The EUR 550.2 million increase in shareholders' equity essentially derived from the EUR 260.2 million increase in fair value reserves and EUR 188.8 million increase in net income for the year;

(iii) The solvency ratio calculated under Bank of Portugal rules, saw a significant 2.1% decrease to an end of year figure of 8.9%. The reduction essentially derives from: i) the entry into force of regulations on the complementary supervision of credit institutions, insurance companies and investment companies in a financial conglomerate, after the transposition of European Parliament and Council Directive 2002/87/CE of 16 December into Portuguese legislation, with CGD deducting the amount of its investments in insurance companies from own funds; and ii) the fact of general credit risks provisions only being considered as a positive own funds element up to an amount not necessary for covering expected credit-associated losses;

(iv) net operating income was up EUR 320.9 million to EUR 2 093.6 million (EUR 1 772.7 million in 2005), essentially deriving from the EUR 290.1 million increase in net interest income; special reference should also be made to the increases in income from equity instruments (EUR 122.1 million), income from services and commissions (net) EUR 29.4 million) and other operating income (EUR 22.1 million), offset by the EUR 142.9 million decrease in income from financial operations;

(v) the positive evolution of income before tax (EUR 312.8 million) translates the performance of net operating income, as referred to in the preceding sub-paragraph, offset by the EUR 28.2 million growth in employee costs and EUR 19.0 million growth in depreciation for the year, with a decrease of EUR 38.8 million in provisions and impairment (net of recoveries and reversals);

(vi) cost-to-income was 50.7%, against 57.3% in 2005 (separate accounts);

(vii) the EUR 188.8 million growth in net income, in addition to the changes referred to in the preceding sub-paragraphs, was offset by the EUR 124.0 increase in income tax, essentially deriving from the marked increase in current tax and particularly the corrections to taxable profit on the capital gains made on the alienation of Banco Itaú.

6. Reference should be made to the following indicators in respect of CGD's consolidated accounts for the year:

(i) the company's consolidated net assets were around EUR 9.8 billion up over the preceding year, to EUR 96.2 billion. Essential contributory factors were the EUR 7.3 billion increase in loans and advances to customers and EUR 1.8 billion increase in securities investments;

(ii) EUR 9 million growth in overdue credit and interest, was only 0.7% up over the preceding year. There was a EUR 7 487 million (14.6%) increase in total credit, with an overdue to total credit ratio of 2.1%, against the preceding year's 2.4%. Reference should be made to the EUR 155 million increase in accumulated impairment on loans and advances to customers to EUR 1 556 million, with overdue credit cover of 123.2% against the preceding year's 111.7%;

(iii) consolidated shareholders' equity, including minority shareholders' interests, was up by around 15.9% (EUR 688.4 million), to EUR 5 billion. Essential contributory factors were the EUR 366.8 million increase in other reserves and EUR 196.1 million increase in net income for the year;

(iv) there was a significant decrease of 1.9% in the consolidated solvency ratio, calculated under Bank of Portugal rules, to an end of year figure of 10.5%. The reduction is essentially justified by the reference made the contents of sub-paragraph (iii) of item 5 of this report and opinion;

(v) the 13.1% increase of EUR 344.4 million in net operating income from banking and insurance to EUR 2 969.7 million, derived from the EUR 270.8 million growth in net operating income from banking activity and EUR 73.6 million from the growth of technical income from insurance operations. The increase in net operating income from banking operations essentially derives from EUR 310.3 million increase in net interest income and EUR 86.0 million in other operating income, offset by the EUR 166.5 million decrease in income from financial operations;

(vi) income before tax and minority shareholders' interests in comparison to the preceding year was EUR 313.0 million up to EUR 986.7 million. The increase reflects the performance of net operating income from banking and insurance, as referred to in the preceding number, offset by the EUR 164.0 million increase in operating costs and EUR 59.2 million in provisions and impairment for the year net of recoveries and reversals;

(vii) cost-to-income was 54.6% against the year 2005 figure of 61.2% (consolidated operations);

(viii) net income was up 36.5% over the preceding year to EUR 733.8 million (EUR 537.7 million in 2005).

7. CGD, during the course of 2006, continued to implement its internal reorganisation process in several aspects of its risk control area, with the aim of adapting to Bank of Portugal rules and the new Basel II Capital

Agreement guidelines, which projects we monitored during the course of our work on the internal control system.

CGD has been reviewing its internal operational risk processes and procedures with a view to progressively adapting them to the best international internal control practices.

CGD, under Basel II, also submitted an informal candidature on the use of internal credit risk models, accompanied by the opinion issued by our company, to the Bank of Portugal, on 31 May 2006.

8. In the period following the closure of the accounts and in the sphere of our functions described in the Commercial Companies Code, we performed a statutory audit on CGD's separate and consolidated accounts and analysed the management report prepared by the company's board of directors in respect of which we issued our opinion in the statutory audit certificate, supported by our works during the course of the year and specific procedures implemented at year end.

9. Opinion:

Taking all of the above into consideration, it is our opinion that the general meeting should:

a) approve the board of directors' presentation of CGD's separate and consolidated management report and accounts for 2006;

b) consider the proposal for the appropriation of net income which is a full part of the management report;

c) undertake a general assessment of the company's management and inspection, drawing the conclusions referred to in article 455 of the Commercial Companies Code.

SOLE AUDITOR

Lisbon, 23 March 2007

Oliveira Rego & Associados
Sociedade de Revisores Oficiais de Contas
Represented by Manuel de Oliveira Rego (partner)

Statutory Audit Certificate

Introduction

1. We have examined the financial statements of CAIXA GERAL DE DEPÓSITOS, SA (CGD) comprising its balance sheet, at 31 December 2006 (showing a total balance sheet value of EUR 81 891 875 thousand and total shareholders' equity of EUR 4 536 644 thousand, including net income of EUR 539 563 thousand), income statement, cash flow statement and statement of changes to shareholders' equity for the year then ended and corresponding notes to the financial statements;

Responsibilities

2. It is the responsibility of the board of directors to prepare financial statements with the objective of providing a true and appropriate description of the company's financial position and the results of its operations, as well as to use adequate accounting criteria and policies and maintain appropriate internal control systems.

3. It is our responsibility to express a professional, independent opinion thereon, based on our examination of the said financial statements.

Scope

4. Our examination was performed in accordance with the Revision/Audit Technical Standards and Guidelines issued by the Ordem dos Revisores Oficiais de Contas (Order of Statutory Auditors) which require that the examination be planned and performed with the aim of obtaining an acceptable degree of assurance as to whether the financial statements are free from any materially relevant distortions. Our examination therefore included:

- 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;
- assessment of whether the global presentation of CGD's separate and consolidated financial statements, is adequate.

5. Our examination also included the verification of concordance between the financial information contained in the board of directors' report and the financial statements.

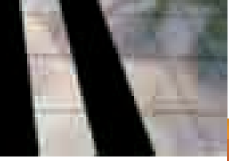
6. We consider that our examination has provided us with an acceptable basis upon which to base our opinion.

Opinion

7. It is our opinion that the referred to financial statements, provide a true and appropriate description, in all materially relevant aspects, of the separate and consolidated financial position of CAIXA GERAL DE DEPÓSITOS, SA at 31 December 2006, comprising the results of its operations and cash flows for the year then ended, in conformity with the Adjusted Accounting Standards issued by the Bank of Portugal.

Lisbon, 23 March 2007

Oliveira Rego & Associados
Sociedade de Revisores Oficiais de Contas
Represented by Manuel de Oliveira Rego (partner)



Statutory Audit Certificate on the Consolidated Accounts

Introduction

1. We have examined the consolidated financial statements of CAIXA GERAL DE DEPÓSITOS, SA (CGD) comprising its consolidated balance sheet, at 31 December 2006 (showing a total balance sheet value of EUR 96 245 808 thousand and total shareholder's equity of EUR 5 013 657 thousand, including net income of EUR 733 808 thousand), consolidated income statement, consolidated cash flow statement and consolidated statement of changes to shareholders' equity for the year then ended and corresponding notes to the financial statements.

Responsibilities

2. The bank's board of directors is responsible for preparing the consolidated financial statements with a view to presenting a true and appropriate description of the financial position of the companies included in the consolidation, the consolidated income generated by their operations and their 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 examination of the said financial statements.

Scope

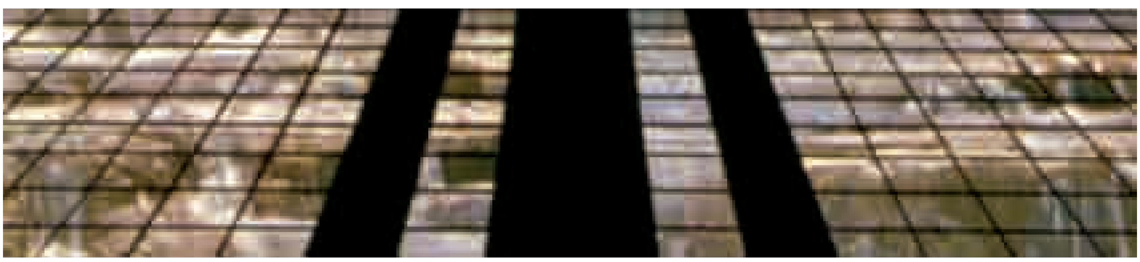
4. Our examination was performed in accordance with the Revision/Audit Technical Standards and Guidelines issued by the Ordem dos Revisores Oficiais de Contas (Order of Statutory Auditors) which require that the examination be planned and performed with the aim of obtaining an acceptable degree of assurance as to whether the consolidated financial statements are free from any materially relevant distortions. Our examination therefore included:

- verification of whether the financial statements of the companies included in the consolidation have been appropriately examined and, for significant cases in which this is not the case, verification of samples of the supporting documents upon which the amounts and information disclosed in the financial statements are based and an assessment of estimates based on judgements and criteria defined by the bank's board of directors and used for the preparation thereof;
- verification of the consolidation operations and application of the equity accounting method;
- an assessment of whether the accounting policies used and disclosure thereof are adequate, based on the circumstances;
- verification of the applicability of the going-concern principle;
- assessment of whether the global presentation of the consolidated financial statements, is adequate.

5. We consider that our examination has provided us with an acceptable basis upon which to base our opinion.

Opinion

6. It is our opinion that the referred to consolidated financial statements provide a true and appropriate description of the consolidated financial situation of CAIXA GERAL DE DEPÓSITOS, SA at 31 December 2006, in all materially relevant aspects, the consolidated results of its operations and consolidated cash flows for the year then



ended, in conformity with the International Financial Reporting Standards (IFRS).

Emphasis of Matters

7. In terms of Caixa Geral de Depósitos' consolidation perimeter, our company performs statutory audit functions on the Caixa Leasing e Factoring - Instituição Financeira de Crédito SA, Caixagest Técnicas de Gestão de Fundos, SA Culturgest - Gestão de Espaços Culturais, SA and Caixanet - Telemática e Comunicações, SA companies, and has used the information supplied by the inspectors/auditors of the other companies included in the said consolidation perimeter, to form the opinion we have expressed in this document.

Lisbon, 23 March 2007

Oliveira Rego & Associados
Sociedade de Revisores Oficiais de Contas
Represented by Manuel de Oliveira Rego (partner)