

Caixa Geral de Depósitos, S.A. - Sucursal Offshore de Macau

Disclosure of Financial Information

According with Circular no 026/B/2012/DSB-AMCM

December 31, 2013

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Caixa Geral de Depósitos, S.A. was authorized by the Government of the Special Administrative Region of Macau through Executive Order no. 7/ 2013 to establish an Offshore Branch in Macau, with effect from February 1, 2013, unit to which was transferred, to this date, all assets and liabilities of its subsidiary that operated in Macau since 2005, Caixa Geral de Depósitos,- Subsidiária Offshore de Macau, S.A., that ceased its activity and was close down.

The information provided in this document was prepared according to circular nº 26/B/2012-DSB/AMCM published by Autoridade Monetária de Macau.

The Balance Sheet and Profit and Loss Accounts (table 1.1. e 1.2.), Cash Flow Statement (table 2) and Accounting Policies (point no.5) were subject to audit. The remaining information presented in this report were not audited.

1. Art 76º of Macau Financial System Act

1.1. Balance Sheet as of December 31, 2013

Unity: MOP (Macau pataca)	December 31, 2013		
	GROSS ASSETS	PROVISIONS, AMORTIZATIONS AND NET VALUE	NET ASSETS
ASSETS			
Cash	-	-	-
Deposits with AMCM	-	-	-
Accounts Receivable	-	-	-
Deposits with Other Credit Institution in Macau	1 309 740	-	1 309 740
Deposits with Other Credit Institutions Abroad	24 614 141	-	24 614 141
Gold and Silver	-	-	-
Other Current Assets	-	-	-
Credit Granted	15 507 438	-	15 507 438
Placements with Credit Institutions In Macau	-	-	-
Deposits at Call and Time Deposits with Credit Institutions Abroad	8 856 713 662	-	8 856 713 662
Shares, Bonds and Quotas	-	-	-
Investment of Assigned Funds	-	-	-
Debtors	-	-	-
Other Placements	-	-	-
Financial Investments	-	-	-
Property	-	-	-
Equipment	83 928	57 498	26 430
Deferred Cost	-	-	-
Start-Up Expenditure	-	-	-
Fixed Assets in Progress	-	-	-
Other Fixed Assets	364 613	127 257	237 356
Internal and Adjustment Accounts	97 748 834	-	97 748 834
TOTAL	8 996 342 356	184 755	8 996 157 601

1.1. Balance Sheet as of December 31, 2013 (continued)

Unity: MOP (Macau pataca)	December 31, 2013	
	SUBTOTAL	TOTAL
LIABILITIES		
Current Deposits	226 169 671	
Deposits at Call	-	
Time Deposits	8 659 667 911	8 885 837 582
Government Deposits	-	
Resources of Other Local Financial Institutions	-	
Resources of Other Local Entities	-	
Foreign Currency Loans	-	
Debentures	-	
Credit for Resources Consigned to the Bank	-	
Cheques and Payment Orders	-	0
Creditors	-	
Other Liabilities	-	0
Internal and Adjustment Accounts	98 574 112	98 574 112
Provisions for Risks	155 074	155 074
Capital	-	
Legal Reserves	-	
Reserve as per Company Articles	-	
Other Reserves	-	0
Net Profit Brought Forward	-	
Net Profit for Year Ended	11 590 833	11 590 833
TOTAL		8 996 157 601

1.2. Profit and Loss Accounts

Unity: MOP (Macau pataca)	FROM 01/02/2013 to 31/12/2013	CREDIT	FROM 01/02/2013 to 31/12/2013
DEBIT			
Interest Expense	204 739 145	Interest Income	223 836 812
Staff Cost	2 483 338	Bank Operations Income	24 094
Remuneration of Board of Directors and Supervisor Committee	263 205	Other Bank Operating Income	696 764
Salaries and Wages	1 938 939	Incomes from Securities and Financial Investments	
Benefits	281 194	Other Bank Income	137 171
Other		Non-Banking Income	
Third Party Supply Expenses	97 908	Operating Losses	
Third Party Service Expenses	2 083 564		
Other Bank Costs	3 303 644		
Taxes			
Non-Banking Expenses	163 333		
Depreciations	93 866		
Provisions	139 210		
Operating Income	11 590 833		
TOTAL	224 694 841		224 694 841

1.2. Profit and Loss Accounts (continued)

Unity: MOP (Macau pataca)	FROM 01/02/2013 to 31/12/2013	CREDIT	FROM 01/02/2013 to 31/12/2013
DEBIT			
Operating Losses	-	Operating Income	-
Accumulated Losses From Previous Years	-	Accumulated Income from Previous Years	-
Extraordinary Losses	-	Extraordinary Income	-
Income Tax	-	Provisions Used	-
Profit for the Year	11 590 833	Loss for the Year	-
TOTAL	11 590 833		0

1.3. Summary of Management Report

Caixa Geral de Depósitos, S.A. was authorized by the Government of the Special Administrative Region of Macau through Executive Order no. 7/ 2013 to establish an Offshore Branch in Macau, with effect from February 1, 2013, unit to which was transferred, to this date, all assets and liabilities of its subsidiary that operated in Macau since 2005, Caixa Geral de Depósitos,- Subsidiária Offshore de Macau, S.A., that ceased its activity and was close down.

The strategic orientation of the Macau Offshore Branch of CGD remained unchanged with deposit-taking being its main business line. The branch offer products and services targeted at different segments of the market and to its customer base that consists of non-residents, in Macau and Portugal, namely emigrants, Portuguese descendants or other residents abroad.

In 2013 the economic and financial environment was more favourable. In the Eurozone, as the impact of the sovereign debt crisis fades, there was a drop in interest rates along the yield curve, a trend that has accelerated from the last quarter of the year, while the economic activity gradually recovered. In U.S., the trend was for higher long-term interest rates, following the decision of the Federal Reserve Bank to reduce the amount of bond purchases in the secondary market and signs that the growth of the economy will accelerate in 2014.

The net profit achieved in the period under review was MOP 11.6 million, operating income totalled MOP 16.4 million and net interest income MOP 19.1 million.

Operating costs amounted to MOP 4.7 million and personnel costs and general administrative expenses , totalled 2.5 million and MOP 2.2 million, respectively.

In a highly competitive market, customer deposits amounted to MOP 8,849.3 million, as of December 31, 2013, an increase of 1.0% from the dated of establishment of the Offshore Branch on February 1, 2013.

Under a centralized policy regarding the management of financial resources at the group level, net assets that in December 31, 2013 amounted to MOP 8,996.2 million consists mostly of interbank deposits with the Bank's Head Office, while the weight of loans granted to customers is very low.

The Macau Offshore Branch of Caixa Geral de Depósitos, S.A. would like to thank the authorities of Macau, and in particular the Monetary Authority of Macau, for the collaboration given since the beginning of its activities, as well as Banco Nacional Ultramarino for the support provided.

1.4. Summary of External Auditors' Report

We have audited the financial statements of the Caixa Geral de Depósitos, S.A.- Sucursal Offshore de Macau for the period from February 1, 2013 (date of incorporation) to December 31, 2013, in accordance with the “Normas de Auditoria” and “Normas Técnicas de Auditoria” of the Macao Special Administrative Region. In our report, dated May 13, 2014, we expressed an opinion with no constraints on the financial statements of which the present is a summary.

The financial statements referred to above comprise the balance sheet, as at 31 December 2013, the income statement, and statement of cash flows for the year ended, as well as a summary of the relevant accounting policies and other explanatory notes.

The summarized financial statements prepared by management results from the annual audited financial statements mentioned above. In our opinion, the summarized financial statements are consistent in all material respects with the audited financial statements.

To better understand the financial position of Caixa Geral de Depósitos, S.A.- Sucursal Offshore de Macau and the results of its operations in the period and scope covered by our audit, the summarized financial statements should be read in conjunction with the financial statements of which they result, as well as with the corresponding audit report.

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Auditor

Deloitte Touche Tohmatsu – Sociedade de Auditores

Macau, 13 May 2014

1.5. List of shareholders with qualifying holdings

Caixa Geral de Depósitos' equity capital is owned by the Portuguese state as its sole shareholder.

1.6. Members of the company boards of Caixa Geral de Depósitos, S.A.

Statutory Bodies: (Mandate 2013-2015)

Board of the General Meetings

Chairman:

Prof. Dr. Manuel Carlos Lopes Porto

Secretary:

Dr. José Lourenço Soares

Board of Directors

Chairman:

Prof. Dr. Álvaro José Barrigas do Nascimento

Deputy-Chairman:

Dr. José Agostinho Martins de Matos

Members:

Dr. Nuno Maria Pinto de Magalhães Fernandes Thomaz

Dr. João Nuno de Oliveira Jorge Palma

Dr. José Pedro Cabral dos Santos

Dra. Ana Cristina de Sousa Leal

Dra. Maria João Borges Carioca Rodrigues

Dr. Jorge Telmo Maria Freire Cardoso

Prof. Dr. Pedro Miguel Valente Pires Bela Pimentel

Prof. Dr. José Luís Mexia Fraústo Crespo de Carvalho

Dr. José Hernst Henzler Vieira Branco

Prof. Dr. Eduardo Manuel Hintze da Paz Ferreira

Prof. Dr. Daniel Traça

Prof. Dr. Pedro Fontes Falcão

Executive Committee

Chairman:

Dr. José Agostinho Martins de Matos

Deputy-Chairman:

Dr. Nuno Maria Pinto de Magalhães Fernandes Thomaz

Members:

Dr. João Nuno de Oliveira Jorge Palma
Dr. José Pedro Cabral dos Santos
Dra. Ana Cristina de Sousa Leal
Dra. Maria João Borges Carioca Rodrigues
Dr. Jorge Telmo Maria Freire Cardoso

Audit Committee

Chairman:

Prof. Dr. Eduardo Manuel Hintze da Paz Ferreira

Deputy-Chairman:

Prof. Dr. Daniel Traça

Members:

Prof. Dr. Pedro Fontes Falcão

1.7. Members of the management committee of Caixa Geral de Depósitos, S.A. – Sucursal Offshore de Macau

Management Committee (vide annex)

General Manager:

Dr. Artur Jorge Teixeira Santos

Members:

Dra. Ana Isabel Pais Vinagre Tomázio

Since April 9, 2014

Dr. Humberto Manuel Lopes Casanova

Until April 9, 2014

Dr. Pedro Manuel Rodrigues de Araújo Martinez

2. Cash Flow Statement

Unity: MOP (Macau pataca)

December 31, 2013

OPERATIONAL ACTIVITIES

Net Income Before Taxation	11 590 833
Adjustments for:	
Provisions and Impairment losses, net of Decreases, Reversals and Exchange Differences	2 039
Depreciation	93 866
Interest Income	(223 836 812)
Interest Expense	204 739 145
	(19 001 762)
Increase in Operating Assets:	
Placements and Deposits with Credit Institutions in the Territory and Abroad	(8 685 320 540)
Loans and Advances to Customers	(15 354 403)
	(8 700 674 943)
Increase in Operating Liabilities:	
Deposits	8 885 837 582
Accruals, Deferrals and Others	4 147 790
	8 889 985 372
Net Cash From Operating Activities Before Taxation	181 899 500
Interest Income Received	126 087 977
Interest and Expense Paid	(110 312 822)
	15 775 155
Net Cash From Operating Activities	197 674 655
INVESTING ACTIVITIES	
Acquisitions of Equipment, Other Fixed Assets and Intangible Assets	(357 652)
Net Cash used In Investing Activity	(357 652)
Net Increase in Cash and Cash Equivalents	197 317 003
Cash and Cash Equivalents at Beginning of the Year	
Cash and Cash Equivalents at end of the Year	197 317 003

3. Off-Balance-sheet Exposures Other than Derivatives transactions

3.1. Contractual Amount or Notional Amount

Unity: MOP (Macau pataca)	December 31, 2013
Credit Substitutes	-
Transaction-Related Contingencies	-
Acceptances and Other Trade-Related Contingencies	-
Note Issuance Facilities, Revolving Underwriting Facilities and Other Similar Facilities	-
Forward Asset Purchases	-
Unpaid Portion of Partly Paid Shares and Other Securities	-
Forward Forward Deposits	-
Asset Sales with Repurchase Option	-
Undrawn Credit Facilities and Other Commitments to Extend Credit	-
Other Off-Balances-Sheet Items	24 545 497

4. Derivatives Transactions

4.1. Contractual Amount or Notional Amount

Unity: MOP (Macau pataca)	December 31, 2013
Exchange Rate Contracts	-
Interest Rate Contracts	-
Equities Contracts	-
Commodities Contracts	-
Others	-

4.2. Credit Risk Weighted Amounts of Interest Rate Contracts and Exchange Rate Contracts as calculated in accordance with Notice 013/93-AMCM

Unity: MOP (Macau pataca)	December 31, 2013	
	NOMINAL VALUE	WEIGHTED EXPOSURE
Interest Rate Contracts	-	-
Exchange Rate Contracts	-	-
Total	-	-

5. Accounting Policies

The financial statements are prepared in accordance with Financial Reporting Standards of Macau SAR.

Accrual basis

Income and expenses are recognised on an accrual basis, independently of when the amounts are received or paid, in accordance with the period of the operations. The differences between the amounts received or paid and the corresponding revenue or expenditure are recorded in “Accruals, deferrals and others” of assets and liabilities.

Equipment, intangible assets and other fixed assets

The equipment, intangible assets and other fixed assets are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation of the fixed assets is recorded on a straight-line annual basis according with the estimated useful life of the fixed assets:

	YEARS OF USEFUL LIFE
Computer Hardware	4
Interior Fittings	5
Security Equipment	7
Vehicles	4
Intangible Assets	3
Furniture and Fixtures	8
Communication Equipment	10

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year which the item is derecognized.

Periodic test are made to identify evidence of impairment of equipment, intangible assets and other tangible assets.

Foreign currency assets and liabilities

In preparing the financial statements of the entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Foreign currency assets and liabilities are translated daily to Patacas using the average fixing rate published by the Monetary Authority of Macau (“MAM”). The resulting foreign exchange differences are recorded as “Other banking expenses” or “Other banking income”, as the case may be, by their net yearly amount.

The Exchange rates of Pataca at December 31, 2013 was as follows:

	December 31, 2013
1 USD = MOP	7.9868 MOP
1 EURO = MOP	11.0314 MOP
1 GBP = MOP	13.1758 MOP
1 CAD = MOP	7.4993 MOP

Loans and advances to customers

Loans and advances to customers are stated in the balance sheet after deducting any specific impairment, if applicable.

The management estimates that no specific provision is required to write down its loans and advances to customers in order to state it in the balance sheet at their estimated net realizable value as they are generally collateralized by term deposits in CGD-SOM and therefore no credit risk is considered to exist.

A general provision amounting to 1% of the caption “Loans and advances to customers” is recorded as at balance sheet date in accordance with regulatory requirement of MAM.

Interest accrued is recorded in “Accruals, deferrals and other”.

Customers’ deposits, subordinated loans and other resources

Deposits, subordinated and other resources are recorded at their nominal amount. Interest accrued is recorded in “Accruals, deferrals and others” in accordance with the effective interest rate method.

Provisions and contingent losses

A provision is recorded whenever a present obligation (legal or constructive) exists as a result a paste 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.

Operating leases

CGD-SOM signed a lease contract of its office with a related company. The lease has no maturity.

Revenue

Interest income and interest expense are recognized on an accrual basis and are recorded on the income statements in “interest expense” and “Interest income”.

Cash and cash equivalents

For the purpose of preparing cash flow statements, CGD-SOM considers as “Cash and cash equivalents” the following captions:

	December 31, 2013
Sight deposits with credit institutions	25 923 881
Deposits with original maturity less than 3 months recorded in:	0
Placements with credit institutions in the territory	0
Deposits without credit institutions abroad	171 393 122
	197 317 003

6. Related Parties Transactions - Transactions and Outstanding Balances

6.1. Policy for lending to related parties

Related Parties includes:

- a) A person, or a close member of that person's family, is related to the Branch if that person:
 - i) has control or joint control over the Branch;
 - ii) has significant influence over the Branch; or
 - iii) is a member of the key management personnel of the Branch or the Branch's parent.

- b) An entity is related to the Branch if any of the following conditions applies:
 - i) The entity and the Branch are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii) That entity holds a qualifying holding in the Branch;
 - iii) The entity is an associate or joint venture of the Branch (or an associate or joint venture of a member of a group of which the Branch is a member);
 - iv) The Branch is an associate or joint venture of the entity (or an associate or joint venture of a member of a group of which the entity is a member);
 - v) The Branch and the entity are joint ventures of the same third party;
 - vi) The entity is a joint venture of a third entity and the Branch is an associate of the third entity;
 - vii) The Branch is a joint venture of a third entity and the entity is an associate of the third entity;
 - viii) The entity is a post-employment benefit plan for the benefit of employees of either the Branch or an entity related to the Branch;
 - ix) The entity is controlled or jointly controlled by a person identified in (a);
 - x) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - xi) A person identified in (a) (iii) is a member of the key management personnel of that entity (or of a parent of that entity).

Transactions with Group Companies

Transactions with related parties are made in the ordinary course of business and are conducted on the same terms as third party transactions, based on market rates at the time of each transaction.

Transaction with Key Personnel

During this year, CGD-SOM didn't provided credit facilities to key management personnel of the Branch and companies controlled or significantly influenced by them.

6.2. Transactions and Outstanding Balances

Unity: MOP (Macau pataca)

December 31, 2013

DEBIT BALANCES

Interbank Assets (deposits)	8 882 637 535
Certificates of Deposit	-
Sundry Investments	-
Credit Granted	-
Other Assets	97 438 229
Operating Costs	536 205

CREDIT BALANCES

Deposits from Non-Bank Customers	-
Certificates of Deposit	-
Interbank Liabilities (deposits)	36 541 534
Other Liabilities	-
Operating Income	223 531 610

7. Capital

Consolidated Information of CGD Group

7.1. Capital Adequacy Ratio

	December 31, 2013
Total Capital Ratio	13.3%
Core Tier1 Ratio	11.7%

7.2. Capital and Reserves

Unity: € (million euros)	December 31, 2013
Equity	6 821
Share Capital	5 900
Fair Value Reserves	63
Other Reserves and Retained Earnings	410
Non-Controlling Interest	1 024
Net Profit	(576)

8. Credit Risk

8.1. Credit Risk Management

Credit risk is associated with the losses and level of uncertainty over a customer/counterparty's capacity to meet their obligations.

CGD-SOM has implemented an identification, assessment and control of its credit risk portfolio system both when is granted and over the lifecycle of the operations.

Loans and advances in relation to which either the payment of interest or commission or the repayment of principal is delayed are classified as past due in accordance with the requirement set out by AMCM:

- Group I – up to 3 months
- Group II – over 3 month and less than or equal to 12 months
- Group III – over 12 month and less than or equal to 18 months
- Group IV – over 18 months

At the end of each quarter, general and specific provision shall be set up as required by AMCM, in the following manner:

- Generic provision not less than 1% of the aggregated value of the credits which are not overdue for more than 3 months
- Specific Provision not less than 40%, 80% and 100% for Group II, Group III and Group IV respectively, based on their respective balances net of expected recoverable value of any existing and duly formalized tangible collateral.

CGD-SOM credit portfolio is not material, representing less than 0.5% of Branch Asset.

8.2. Geographic Distribution of Exposure

REGION	December 31, 2013				
	LOANS AND ADVANCES	LOANS AND ADVANCES PAST DUE	SPECIFIC PROVISION	DEBT SECURITIES	FINANCIAL DERIVATIVES
VENEZUELA	9 483 789	-	-	-	-
SOUTH AFRICA	3 706 286	-	-	-	-
UNITED KINGDOM	1 654 710	-	-	-	-
MOZAMBIQUE	317 003	-	-	-	-
SWITZERLAND	330 942	-	-	-	-
LUXEMBOURG	14 709	-	-	-	-
ANGOLA	-	-	-	-	-
	15 507 438	0	0	0	0

8.3. Industry Distribution of Exposure

SECTORS	December 31, 2013				
	LOANS AND ADVANCES	LOANS AND ADVANCES PAST DUE	SPECIFIC PROVISION	GENERAL PROVISION	CHARGE-OFFS
Manufacturing	-	-	-	-	-
Electricity, Gas and Water	-	-	-	-	-
Construction and Public Works	-	-	-	-	-
Trade (wholesale and retail)	-	-	-	-	-
Restaurants, Hotels and Related Activities	-	-	-	-	-
Transport, Warehouse and Communications	-	-	-	-	-
Individuals for House Purchases	-	-	-	-	-
Individuals for Other Purposes	15 507 438	-	-	155 074	-
Others	-	-	-	-	-
	15 507 438	0	0	155 074	0

8.4. Maturity Analysis

Unity: MOP (Macau pataca)

TYPE OF ACCOUNTS	December 31, 2013							WITHIN AN INDEFINITE PERIOD
	TOTAL REPAYABLE	ON DEMAND	UP TO 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 3 YEARS	MORE THAN 3 YEARS	
ASSETS								
Loans and Advances to Customers	15 507 438	-	-	-	13 097 685	-	2 409 754	-
Cash and Balances with and Loans and Advances to Banks	8 882 637 543	28 975 632	275 377 305	8 578 068 500	216 105	-	-	-
Certificates of Deposit Held	0	-	-	-	-	-	-	-
Securities Issued By Macao SAR Government and /or AMCM	0	-	-	-	-	-	-	-
Other Securities	0	-	-	-	-	-	-	-
Total Assets	8 898 144 981	28 975 632	275 377 305	8 578 068 500	13 313 789	0	2 409 754	0
LIABILITIES								
Deposits and Balances of Banks and Financial Institutions	36 541 534	36 541 534	-	-	-	-	-	-
Deposits from Public Sector Entities	0	-	-	-	-	-	-	-
Deposits from Holding and Associated Companies	0	-	-	-	-	-	-	-
Deposits from Non Bank Costumers	8 849 296 049	189 628 137	531 816 773	731 547 340	7 381 542 375	14 761 424	-	-
Certificates of Deposits Issued	0	-	-	-	-	-	-	-
Other Securities Issued	0	-	-	-	-	-	-	-
Total Liabilities	8 885 837 583	226 169 671	531 816 773	731 547 340	7 381 542 375	14 761 424	0	0

8.5. Analysis on Past Due Assets – non bank customers

Unity: MOP (Macau pataca)

PAST DUE FOR:	December 31, 2013		
	PAST DUE LOANS AND ADVANCES (Trade bills inclusive)	COLLATERAL	SPECIFIC PROVISIONS
More than 3 months but not more than 6 months	-	-	-
More than 6 months but not more than 1 year	-	-	-
More than 1 year	-	-	-
Total	-	-	-

Remark: As of 31st December 2013, there were no loans and advances to banks and other financial institutions that have been past due.

9. Market Risk

This translates into potentially negative impact on the branch profit and loss account that derive from unfavourable market prices changes of the assets in portfolio such as, share prices, interest rates or foreign exchange rates as well as from changes on their correlations.

Within the scope of services provided from CGD, there is a complete segregation between front end and back office operations.

It should be noted however that, given the structure of Balance Sheet, CGD-SOM does not held financial instruments in its portfolio that may be subject to market risk.

10. Interest Rate Risk

This is the risk incurred by a financial institution whenever, during the course of its operations, it enters into transactions whose financial flows are sensitive to interest rate changes. Therefore, it is the risk of the occurrence of a change in the interest rate associated namely with the mismatching of rates reset periods between assets and liabilities held, with a decrease in its profitability or financial cost.

To measure this type of risk, the methodology applied is the same than the one used by CGD which consist in aggregating all assets and liabilities sensitive to change on residual interest rate reset timeframes established in order to obtain the corresponding interest rate gaps

The analysis of the interest rate risk also involves a monthly calculation of the duration of sensitive assets and liabilities, in addition to the respective duration gap. This is used to measure the mismatch level between the average time in which cash inflows are generated and cash outflows are required.

To monitor the effect of the interest rate gaps on net interest income, different scenarios incorporating monthly forecasts for sensitive assets and liabilities, as well as, anticipated changes in market rates reflected in yield curves are produced on quarterly basis in articulation with CGD Group Funding and Capital Plan.

11. Operational Risk

Operational risk means the risk of loss resulting from the inadequacy, failures or shortcomings of internal processes, individuals and information systems or from external events including legal risks

The methodology for CGD operational risk management has been integrated with the internal control assessment system and may be characterized by the following components distributed among the four stages of the risk management cycle: identification, assessment, monitoring and mitigation.

- Identification includes collection of information and documentation on activities, potential operational risks, control and mitigating activities;
- Assessment through recording of operational risk events and self-assessment questionnaires;
- Monitoring includes the disclosure of information on operational risk, originating from the various methodological components, to diverse management parties;
- Mitigation through implementation of action plans in order to minimize the operational risk.

CGD-SOM activities are supported by processes implemented by CGD and therefore are cover by the aforementioned methodology.

12. Foreign Exchange Risk

The assessment of the foreign exchange risk is based on the policy adopted by CGD and made on a daily basis with the production of an exchange risk report, showing market risk indicators such as VaR, its comparison with applicable limits, total and by currency, foreign exchange position, backtesting indicators and charts showing historical values of total foreign exchange position, the respective VaR 99% for 10 days and concentration of foreign exchange position by currency.

12.1. Total Net Long and Short Positions in foreign currencies

Unity: MOP (Macau pataca)	December 31, 2013		
	NET OPEN POSITION EXCLUDING OPTION CONTRACTS LONG OR SHORT	NET POSITION IN OPTION CONTRACTS LONG OR SHORT	NET OPEN POSITION INCLUDING OPTION CONTRACTS LONG OR SHORT
Currency:			
AUD	16 914	-	16 914
CAD	(240 980)	-	(240 980)
CHF	131 027	-	131 027
DKK	33	-	33
EUR	(3 231 495)	-	(3 231 495)
GBP	(276 847)	-	(276 847)
JPY	13 096 226	-	13 096 226
NOK	(6 089)	-	(6 089)
USD	632 330	-	632 330

12.2. Where the net position (in absolute terms) in a particular foreign currency constitutes not less than 10% of the total net position in all foreign currencies, disclose in respect of the particular currency its net long (or net short) position

Unity: MOP (Macau pataca)	December 31, 2013	
	€UR (IN MOP EQUIVALENT)	HKD (IN MOP EQUIVALENT)
Currency:		
Spot Assets	7 789 323 173	13 096 226
Spot Liabilities	7 792 554 668	-
Forward Purchases	-	-
Forward Sales	-	-
Net Options Position	-	-
Net Long Position		13 096 226
Net Short Position	(3 231 495)	

13. Liquidity Risk

This involves the possibility of the occurrence of a time-lag or mismatch between cash outflows and inflows of funds, creating a situation in which is unable to satisfy its commitments, i.e. a situation where an institution's reserves and cash assets are insufficient to meet its obligations when they occur.

Liquidity risk management is based on the methodology adopted by CGD that has its origins in an analysis of the residual periods to maturity of different balance sheet assets and liabilities items. Cash inflows and cash outflows, are shown in timeframes taking into consideration its residual period and based on this data the respective liquidity gaps, both for the period and on accumulated terms, are calculated.

To measure the liquidity risk, CGD adopted a structural approach which incorporates the historical behaviour of depositors in respect to sight, term and saving accounts, distributing their balances by the different timeframes according to studies and models developed internally.

Structural liquidity gaps are calculated monthly and are subject to compliance with three exposure limits (two short term and one long term) at the level of sub-entities consolidated perimeter which includes CGD-SOM. The management of liquidity risk also incorporates quarterly stress tests for the same established perimeter of analysis.

14. Consolidated Assets, Liabilities and Profits of CGD Group

Unity: € (million euros)	December 31, 2013
Total Assets	112 963
Total Liabilities	106 134
Total Gross Loans and Advances to Customers	74 542
Deposits and Balances from Banks and Other Financial Institutions	9 735
Deposits from Customers	67 824
Profit Before Taxation and Non-Controlling Interest	(674)