NINTH SUPPLEMENT DATED 27 JULY 2012

TO THE BASE PROSPECTUS DATED 23 NOVEMBER 2006

CAIXA GERAL DE DEPÓSITOS, S.A.
(incorporated with limited liability in Portugal)

€15,000,000,000

Covered Bonds Programme

This is the ninth Supplement (the "**Supplement**") to the Base Prospectus dated 23 November 2006 and supplemented on 27 June 2007, 25 January 2008, 23 July 2009, 5 January 2010, 9 June 2010, 9 September 2010, 3 March 2011 and 28 September 2011 (the "**Base Prospectus**") for the purposes of Articles 135-C and 142, applicable ex vi Article 238, of the Portuguese Securities Code prepared in connection with the Covered Bonds Programme (the "**Programme**") established by Caixa Geral de Depósitos, S.A. (the "**Issuer**", fully identified in the Base Prospectus). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

Each of the Issuer, the members of the Board of Directors, the Auditing Committee and the Statutory Auditor of the Issuer (see *Board of Directors, General Assembly, Auditing Committee and Statutory Auditor of the Issuer* of the Base Prospectus as supplemented pursuant to this Supplement) hereby declares that, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and contains no omissions likely to affect its import.

This Supplement should be read in conjunction with the Base Prospectus.

To the extent that there is any inconsistency between any statement in, or incorporated by reference into, this Supplement and any other statement in, or incorporated by reference into, the Base Prospectus, the statements in, or incorporated by reference into, this Supplement will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in, or incorporated by reference into, the Base Prospectus has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

I. GENERAL AMENDMENTS

1. References to, and the definition of, the Base Prospectus dated 23 November 2006 and supplemented on 27 June 2007, 25 January 2008, 23 July 2009, 5 January 2010, 9 June 2010, 9 September 2010, 3 March 2011 and 28 September 2011 shall be amended to include this Supplement dated 27 July 2012.

2. References to "*Barclays Capital*" shall be replaced with references to "*Barclays*".

3. References to "*J.P. Morgan Securities Ltd.*" shall be replaced with references to "*J.P. Morgan Securities plc*".

4. References to CGD's current share capital of "*€5,050,000,000*" shall be replaced with references to "*€5,900,000,000*".

II. RESPONSIBILITY STATEMENTS

5. The fourth paragraph of this section (starting "*Deloitte & Associados – SROC, S.A.*,…"). shall be amended and replaced by the following wording:

   "*Deloitte & Associados – SROC, S.A., registered with the CMVM with number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 - 6º 1050-094, Lisbon (hereinafter referred to as the "Auditor"), has audited and expressed an opinion on the financial statements of the Issuer for the financial years ended 31 December 2010 and 31 December 2011. The Auditor's Reports referring to the above financial periods are incorporated by reference in this Base Prospectus (see Documents Incorporated by Reference).*"

6. In the third sentence within the sixth paragraph, the comma after "*The Issuer*" shall be deleted.

III. GENERAL DESCRIPTION OF THE PROGRAMME

7. At the end of the first paragraph the following sentence shall be added:

   "*Covered Bonds may be issued under the Programme up to 23 November 2021.*"

IV. SUMMARY OF THE COVERED BONDS PROGRAMME

8. The paragraph under the heading "**Programme Size**" shall be amended by adding the following paragraph at the end:

9. "*Covered Bonds may be issued under the Programme up to 23 November 2021.*"

10. The paragraph under the heading "**Minimum Denomination**" shall be replaced with the following:

    "*The Covered Bonds to be issued on or after the date hereof will be issued in denomination per unit equal to or higher than €1,000 (or its equivalent in another currency) as specified in the relevant Final Terms, provided that any Covered Bonds, distributed to the public or admitted to* *trading on a regulated market, will always be issued in a denomination per unit not lower than €100.000."*

V. RISK FACTORS

11. In the section headed "**Risk Factors**", under the subsection named "*Competition*", the expression *"(ranking in terms of assets as of 31 December 2010)*" shall be replaced by the expression *"(ranking in terms of assets as of 31 December 2011)*".

12. The subsection "**Regulation of the Portuguese financial industry**" included in this section shall be amended by replacing it with the following:

"*The CGD Group operates in a highly regulated industry. The banking activities of the CGD Group are subject to extensive regulation by the European Central Bank, the Bank of Portugal, mainly relating to liquidity levels, solvency and provisioning, and by the CMVM.*

The Portuguese financial industry has been reacting to a steady stream of changes in the regulatory and legal framework since the early 1980s. The deregulation and liberalisation processes began in 1983 and were followed by the privatisation process (initiated in 1989) and the opening of the banking system to foreign competition. Restrictions on capital movement were gradually lifted as Portugal implemented legislation bringing Portuguese banking regulations in line with EC legislative practice. In particular, the "Credit Institutions General Regime" of December 1992 (Decree Law no. 298/92) made a noticeable impact on the Portuguese financial sector by introducing a comprehensive regulatory framework in Portugal in line with applicable EC Directives, eliminating the distinction between investment and commercial banks, establishing prudential and supervisory rules, revising the regulation of foreign banks operating in Portugal and Portuguese banks operating abroad and creating a deposit guarantee fund to protect depositors. In January 2005, the majority of the Portuguese financial sector (representing more than 84 per cent. of total liquid assets) adopted IAS/IFRS accounting rules.

In order to adopt the Codified Banking Directive (2006/48/EC) and the Capital Adequacy Directive (2006/49/EC), a new regulatory framework was implemented in 2007 with the publication of Decree Law no. 103/2007 and Decree Law no. 104/2007, both dated 3 April, and a new set of Regulations and Instructions of the Bank of Portugal were implemented to regulate the provisions laid down in those Decree Laws. This new regulatory framework came into full force and effect during 2007 and at 1 January 2008.

The new regulation created the possibility of using two methods for the calculation of own funds requirements. The first method is the Standardised Approach, which is largely based on credit ratings published by external credit assessment institutions ("ECAI") . It involves weighing the risks in accordance with the type of borrower and exposure. The second method, which has two variations, is the Internal Ratings Based approach ("IRB"). The IRB approach allows the use of internal methodologies for the calculation of own funds requirements, where the calculation of risk-weighted exposure considers the input parameters of the probability of default ("PD"), the loss given default ("LGD") and the exposure at default ("EAD"). The Issuer applies the Standardised Approach method.

Directives 2004/39/EC, 2006/73/EC and Regulation 1287/2006 on markets and financial instruments ("MiFID") and Directives 2004/109/EC and 2007/14/EC ("Transparency Directives") also entered into force in 2007. This legislation has a two-fold aim of protecting investors and ensuring the smooth operation of the securities market. The legislation was *necessary to ensure the transparency of transactions and that the rules laid down for that purpose apply to investment firms when operating in markets.*

During 2008, the Bank of Portugal published a new set of Regulations and Instructions, namely Regulation 6/2008 and Regulation 11/2008, applying new rules for the valuation of pension funds and the impact on calculating core capital. Regulation 8/2008 modifies core capital and capital ratio calculation methods to comply with Directives 2006/48/EC and 2006/49/EC.

During 2009 and 2010, the following Directives were implemented in 2009 and 2010: (i) Directive 2007/44/EC, amending several Directives regarding procedural rules and evaluation criteria for the prudential assessment of acquisitions and increased holdings in the financial sector; (ii) Directive 2009/27/EC (amending certain Annexes to Directive 2006/49/EC) regarding technical provisions concerning risk management; and (iii) Directive 2009/111/EC regarding banks affiliated with central institutions, certain own funds items, heightened exposure, supervisory arrangements and crisis management.

The Basel Committee on Banking Supervision recently announced a substantial strengthening of existing capital rules, in particular response to the weaknesses in banks' capital structure revealed during the recent financial crisis. The new capital rules for banks will be applicable from 1 January 2013 and may have a significant impact on the CGD Group's ongoing activities and capital structure. The Committee's reform package will increase the minimum common equity requirement from 2 per cent. to 4.5 per cent. In addition, banks will be required to hold a capital conservation buffer of 2.5 per cent. to face future crises, increasing the total common equity requirements to 7 per cent..

These changes in the regulatory and legal framework of the Portuguese financial sector, as well as any implementation of future EC Directives related to the financial industry, may have an impact on the business of the CGD Group. Changes in existing regulatory laws may materially affect the way in which the CGD Group conducts its business, the products and services it may offer and the values of its assets.

The capital adequacy requirements applicable to the CGD Group may limit its ability to advance loans to customers and may require it to issue additional equity capital or subordinated debt in the future, which are expensive sources of funding.

In addition, the Bank of Portugal has established minimum provisioning requirements regarding current loans, non-performing loans, overdue loans, impairment for securities and equity holdings, sovereign risk and other contingencies. Therefore, any change in these requirements could have an adverse impact on the results of the CGD Group's operations.

On 31 December, 2010 the Bank of Portugal issued Regulation 6/2010 on own funds calculation rules applicable to credit institutions (which was subsequently amended by Regulation 7/2010 and Regulation 2/2012). This regulation replaced the Bank of Portugal's Regulation 12/92 on the matter, which had been amended several times following its publication.

During 2011, the Bank of Portugal issued Notice 3/2011 (subsequently amended by Notice 8/2011 and by Notice 4/2012), establishing a minimum Core Tier I of 9 per cent. as of 31 December 2011 and 10 per cent. as of 31 December 2012.

As at 31 December 2011, the CGD Group's solvency ratio of was 11.6 per cent. (9 per cent. corresponding to Tier I capital and 9.5 per cent. corresponding to Core Tier I capital).

As of 31 March 2012, the own funds ratio of the Issuer was 11.7 per cent. and the Tier 1 and Core

Tier 1 capital ratios under Basel II were 9.2 per cent. and 9.6 per cent., respectively.

Additionally, on 8 December 2011, the European Banking Authority (EBA) issued a recommendation to European banks that are subject to the capital exercise. The EBA's objective was to create a temporary capital buffer to address current market concerns over sovereign risk, which reflect the current market prices of exposures to sovereign debt. Under this framework, EU banks are required to establish a buffer such that the Core Tier I capital ratio reaches 9 per cent. by the end of June 2012.

In the case of Issuer, on 20 January 2012, CGD presented the Capital Plan required by European Banking Authority (EBA) with the aim of achieving a Core Tier 1 ratio of 9 per cent. by 30 June 2012.

The programme of economic and financial assistance agreed with the EU and the International Monetary Fund ("IMF") also establishes key leverage reforms and specific medium-term funding plans. This increased supervision from the Bank of Portugal could increase costs and force the Issuer to dispose of its assets under unfavourable conditions. The Issuer could also be adversely affected if the requirements for public recapitalisation are implemented in accordance with the programme of economic and financial assistance agreed with the EU and the IMF."

13. The subsection "**Soundness of other counterparties**", included in this section headed "*Risk Factors*", shall be amended by replacing "*Notes*" with "*Covered Bonds*".

14. The first and second paragraphs of the subsection "**EU Savings Directive**", included in this section headed "*Risk Factors*", shall be amended and replaced by the following:

"*Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), each Member States is required to provide to the tax authorities of another Member State details of payments of interest or other similar income (to this effect, similar income includes, inter alia, payments on redemption of the Covered Bonds representing any discount on the issue of the Covered Bonds or any premium payable on redemption) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State of the EU. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon conclusion of certain other agreements relating to information exchange with certain other countries).*

A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland)."

15. The fourth and last paragraph of the subsection "**EU Savings Directive**", included in this section, shall be amended and replaced by the following:

"*If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. The Issuer is be required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.*"

16. After the paragraphs under the subsection "**EU Savings Directive**", a new subsection entitled "***U.S. Foreign Account Tax Compliance Withholding***" shall be added as follows:

"***U.S. Foreign Account Tax Compliance Withholding***

The Issuer and other financial institutions through which payments on the Covered Bonds are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Covered Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after 31 December 2012 or are materially modified after that date and (ii) any Covered Bonds characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (FATCA) or similar law implementing an intergovernmental approach to FATCA. In addition, if Covered Bonds are issued before 1 January 2013 and additional Covered Bonds of the same series are issued after that date, the additional Covered Bonds may not be treated as exempt from FATCA withholding, which may have negative consequences on the existing Covered Bonds, including a negative impact on market price.

This withholding tax may be triggered if (i) the Issuer is a foreign financial institution (FFI) (as defined in FATCA) that enters into and complies with an agreement with the U.S. Internal Revenue Service (IRS) to provide certain information on its account holders (making the Issuer a Participating FFI), (ii) the Issuer has a positive "passthru payment percentage" (as determined under FATCA), and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of such Participating FFI, or (b) any FFI that is an investor, or through which payment on such Covered Bonds is made, is not a Participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Covered Bonds is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Covered Bonds, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Covered Bonds, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change."

17. The text under the subsection "**The international financial markets crisis**", included in this section headed "*Risk Factors*", shall be amended and replaced by the following:

"*The global financial crisis, beginning in 2007, has since resulted in the collapse of large financial institutions, bailouts of banks by national governments and downturns in stock markets around the world. The deterioration in the housing market has resulted in numerous foreclosures, which were mainly the result of long-term unemployment. The crisis played a significant role in the failure of key businesses, in the decline in consumer wealth and in a downturn in economic activity resulting in recession. There was a significant re-pricing of credit risk in financial markets. All of these elements were contributing factors to the European sovereign-debt crisis that is still being felt.*

In 2011 the world economy experienced expansion, although a slowdown in economic growth was recorded in the second semester. After a first semester with a high rate of growth in economic activity, particularly in emerging countries, the second semester was characterised by growing concerns over the economic slowdown. Unlike 2010, deteriorating economic indicators in many regions of the globe led to successive downgrades of growth estimates for 2011 by financial institutions such as, among others, the IMF and the OECD.

The exacerbation of the sovereign debt crisis heighted the risk aversion of several financial market players, particularly in the second semester. This led to a new stage of widening spreads on government bonds, which is no longer limited to peripheral economies. This was also the case of *corporate bonds, as well as a notable reduction in new private debt issues in the market, with the financial sector affected the most. Widening spreads were particularly noticeable and reached historical highs, exceeding those at the time of the bankruptcy of North American bank Lehman Brothers.*

The sovereign debt crisis was also felt in the US. Forced to increase the public debt limit at a time of increasing difficulties in terms of the funding of sovereign states, US public debt was downgraded in August by S&P from AAA to AA+.

In terms of economic growth, 2011 was marked by differences in the level of performance of the two biggest economies. The US experienced a poor start to the year, which was followed by an acceleration in recent months, particularly owing to an upturn in consumption and investment. The opposite occurred in the euro area, with confidence indices ending the year in the recessionary zone.

Among the sectors of the global credit markets that have experienced particular difficulty due to the current crisis are markets in sub-prime mortgage-backed securities, asset-backed securities, collateralised debt obligations, leveraged finance and complex structured securities. The result has been historic volatility, limited to no liquidity, the widening of credit spreads and a lack of price transparency in certain markets.

As a whole, the above conditions have led to a crisis extending beyond the specific markets that are exposed to these direct conditions, but also to financial institutions which had no direct exposure to them. Accordingly, and although not directly affecting the quality of the assets forming the Cover Pool, these conditions could adversely affect the Issuer's investments, consolidated financial situation, or financial results in the future."

18. The subsection "**Main Risks and Uncertainties for the Second Half of 2011**", included in this section headed "*Risk Factors*", shall be amended by replacing it with the subsection "***Main Risks and Uncertainties for the Second Semester of 2012***" under which the following wording shall be added:

"*An assessment of 2012 must start with a review of 2011, during which several risks materialised that were, at least in part, critical factors causing uncertainty and which have yet to fully dissipate.*

The deceleration of the world economy in the second semester of 2011 coupled with the perception of increasing risks for growth in the coming future triggered a downward revision of estimates of the rate of growth in economic activity in 2012. Although the year began with expectations of a slowdown in comparison to the preceding year, doubts nevertheless remain over the extent thereof, both in terms of magnitude and regional scope.

The euro area is a major area of concern and its economic data indicate a strong slowdown which may even include a period of moderate recession, a circumstance recognised by various leading institutions.

The impact of some moderation in activity noted in the rest of the world and, in particular, the consequences of the sovereign debt crisis in Europe, either based on the reinforcement of budget austerity or decrease in the confidence of economic agents, are several of the reasons for a scenario involving a recession in European economic recovery after the so-called "major recession" of 2009.

The authorities failed to find a definitive solution to the prolonged European sovereign debt crisis and its deepening and spread to a growing number of countries, despite the innumerable measures and decisions made by political and monetary authorities in 2011. The attention in 2012 therefore continues to converge on these decision-makers and the market's reaction to their performance, in addition to the evolution of the situation.

The incapacity to contain and reduce the uncertainty surrounding the health of public finances in the euro area, the quality of the assets issued by entities of its Member States and the Economic *and Monetary Union Project in themselves have led to the materialisation of the perception of risk by financial markets players of significance.*

It is crucial that the severe aversion to risk be contained, therefore guaranteeing investors' greater receptiveness to public and private debt issues in 2012, diminishing the possibility of a new contagion of the crisis, and reducing the borrowing costs of issuers and economic agents in general.

The interconnection between economic performance and the development of the sovereign debt crisis has made avoiding a negative cycle to be crucial and illustrates the highly complex and uncertain environment in which current actions are being taken.

The materialisation of a recessionary environment in Europe, particularly if more severe than anticipated, may have multiple effects on the world economy and the behaviour of global capital markets and the performance of the euro area is therefore determinant for the economic development of 2012, while simultaneously being one of the main sources of uncertainty.

In the rest of the world, special importance must be attached, in terms of their importance in determining global economic performance, to the capacity of the US and emerging economies to sustain their growth levels. This is particularly true in relation to countries with the large economies, such as China.

In the US, after a more favourable second semester of 2011 compared to the first, uncertainty remains in the discussion over various fiscal issues on which numerous important decisions are pending, as well as in the sustainability of the re-acceleration of the economy noted since summer, partially based on private consumption exceeding the evolution of household income, resulting on a reduction in savings.

There are signs of moderation in the emerging countries, both in growth and inflation. The slowdown in the developed countries and the cycle of increasing interest rates starting in 2010 by diverse central banks in the emerging bloc contributed towards some decrease in the dynamism of those economies. This, in turn, combined with more moderate prices for the main commodities, led to a deceleration in inflation.

For 2012, and following the process of an alleviation of the monetary conditions already experienced at the end of 2011, the main issues regarding this increasingly important part of the world economy are associated with the management of monetary policy and, notably, the extent to which the economies can be stimulated and, therefore, the authorities' capacity to support growth in a potentially adverse context in the developed bloc.

For Portugal, 2012 will in turn be a particularly difficult year in terms of fiscal consolidation measures, which will keep the domestic economy struggling, with a foreseeable contraction in the economy's various components. This tendency will be offset by the positive contribution of net exports. The interaction between the level of economic activity and fiscal policy and the behaviour of external demand are therefore two areas of uncertainty that should be monitored.

At the same time, and applicable to all western economies, although particularly to European countries such as Portugal which have been more affected by the debt crisis, the evolution of unemployment rates will probably be among the most important issues. In light of the outlook for economic growth, the evolution of the labour market may present one of the risks over the coming quarters.

The banking sector will continue to be affected by the Economic and Financial Assistance Programme and by decisions in the regulation domain. It is important to take into consideration that, in 2012, compliance with the new capitalisation levels and maintenance of the financial system's deleveraging objectives is essential.

Economic activity will also be affected by the uncertainty resulting from the previously indicated diverse risk factors and their diverse implications: first and foremost the performance of the economy and employment, as component parts of the growth of banking operations and credit quality; on the other hand, and partly associated with the former, household decisions on savings *from the viewpoint of the evolution in retail resources.*

The sector will also be dependent on the markets' response to the environment in Europe, both the economic environment and political decisions to mitigate the effects of the sovereign debt crisis, as well as Portugal's progress in complying with its fiscal adjustments and reform programme. The interpretation of analysts and investors will determine the evolution of asset prices and their volatility and, consequently, the performance of banks' asset portfolios.

Facing the same constraints, banking institutions will be subject to the consequences of changes in the ratings assigned, notably on a level of their possible impact on the value of their collateral or wholesale market funding.

It is also important to take into account the uncertainty over the performance of the European Central Bank over the next twelve months, both as regards the management of traditional monetary policy and the possibility of new unconventional decisions which, in any event, may lead to lower market interest rates and, therefore, net interest income for the banks.

In 2012, insurance operations will be affected by the deepening economic crisis, in the context of the adjustment of accumulating macroeconomic imbalances (especially the external deficit and state budget) and reduced access to credit and the corresponding "deleveraging" of the economy.

In general, this environment will have negative repercussions on insurance, particularly in terms of a reduction in portfolio premiums and increased risk."

19. The subsection "**Relationship with the Dealers**", included in this section headed "*Risk Factors*", shall be amended by replacing "*Notes*" with "*Covered Bonds*".

VI. DOCUMENTS INCORPORATED BY REFERENCE

20. The paragraphs (a) and (b) of this section shall be amended by replacing it with the following:

"(a) the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2010 and 31 December 2011, in each case together with the auditors' reports prepared in connection therewith. The audited non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2010 and the related auditors' report appear in the annual report of the Issuer for the year ended 31 December 2010 and the audited non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2011 and the related auditors' report appear in the annual report of the Issuer for the year ended 31 December 2011;

(b) The unaudited consolidated financial statements and the unaudited consolidated results of the Issuer for the first quarter of 2012, both available at:

http://web3.cmvm.pt/sdi2004/emitentes/ultimas_comunicacoes.cfm?num_ent=%23%224%5BZ%0A""

21. This section shall further be amended by replacing paragraph (d) with the "*Recent Developments*" subsection in the "**Description of the Issuer**" section (as set out below in the appropriate location).

VII. FINAL TERMS FOR COVERED BONDS

22. In the first paragraph under the heading "**PART A – CONTRACTUAL TERMS**", the expression "*Base Prospectus dated 23 November 2006, supplemented on 27 June 2007, on 25 January 2008, on 23 July 2009, on 5 January 2010, on 9 June 2010, on 9 September 2010, on 3 March 2011 [and/,] 28 September 2011 [and on [●]]*" shall be replaced by the following:

"*Base Prospectus dated 23 November 2006, supplemented on 27 June 2007, on 25 January 2008, on 23 July 2009, on 5 January 2010, on 9 June 2010, on 9 September 2010, on 3 March 2011, on 28 September 2011 [and/,] on 27 July 2012 [and on [●]]*"

23. The third paragraph under the heading "**PART A – CONTRACTUAL TERMS**", shall be replaced by the following:

"*Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the "**Terms and Conditions**") set forth in the Base Prospectus dated 23 November 2006, supplemented on 27 June 2007, on 25 January 2008, on 23 July 2009, on 5 January 2010, on 9 June 2010, on 9 September 2010, on 3 March 2011, on 28 September 2011 [and/,] on 27 July 2012 [and on [●]]. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 135C.4 of the Portuguese Securities Code, which implemented Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 23 November 2006, supplemented on 27 June 2007, on 25 January 2008, on 23 July 2009, on 5 January 2010, on 9 June 2010, on 9 September 2010, on 3 March 2011, on 28 September 2011 [and/,] on 27 July 2012 [and on [●]], which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Terms and Conditions which are extracted from the Base Prospectus dated 23 November 2006, supplemented on 27 June 2007, on 25 January 2008 , on 23 July 2009, on 5 January 2010, on 9 June 2010, on 9 September 2010, on 3 March 2011, on 28 September 2011 [and/,] on 27 July 2012 [and on [●]] and are attached hereto. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 23 November 2006, supplemented on 27 June 2007, on 25 January 2008 , on 23 July 2009, on 5 January 2010, on 9 June 2010, on 9 September 2010, on 3 March 2011, on 28 September 2011 [and/,] on 27 July 2012 [and on [●]]. The Base Prospectus is available for viewing at Caixa Geral de Depósitos, S.A., Av. João XXI, no. 63, 1000-300, Lisboa, www.cgd.pt and www.cmvm.pt and copies may be obtained from the same addresses.*"

24. In paragraph six of the form, under the heading "***Specified Denominations***", the following drafting note shall be added:

"*[any Covered Bonds, distributed to the public or admitted to trading on a regulated market, will always be issued in a denomination per unit not lower than €100,000]*"

VIII. TERMS AND CONDITIONS OF THE COVERED BONDS

25. The ninth paragraph of the heading "**1. Form, Denomination and Title**" shall be replaced by the following:

"*The Covered Bonds to be issued on or after the date hereof will be issued in denomination per* *unit equal to or higher than €1,000 (or its equivalent in another currency) as specified in the relevant Final Terms, provided that any Covered Bonds, distributed to the public or admitted to trading on a regulated market, will always be issued in a denomination per unit not lower than €100.000."*

26. Under the heading "**8. Prescription**", the word "*therefor*" shall be replaced by the word "*therefore*".

27. Under the heading "**18. Definitions**" the definition of "***Base Prospectus***" shall be replaced by the following:

    *""**Base Prospectus**" means this base prospectus dated 23 November 2006, supplemented on 27 June 2007, 25 January 2008, 23 July 2009, 5 January 2010, 9 June 2010, 9 September 2010, 3 March 2011, 28 September 2011 and 27 July 2012 prepared in connection with the Programme."*

28. Under the heading "**18. Definitions**" the definition of "***Hedging Contracts***" shall be amended by including "*of*" before "*hedging interest rates*".

29. Under the heading "**18. Definitions**", references to "*10 October 2006*" as the publication date of the Regulation 5/2006, Regulation 6/2006, Regulation 7/2006 and Regulation 8/2006 shall be replaced with references to "*11 October 2006*".

IX. CHARACTERISTICS OF THE COVER POOL

30. Under the section "**Overcollateralisation**", the second paragraph shall be amended by deleting "*of*" next to "*Issuer to over-collateralise*" and before "*the Cover Pool*".

31. Under the section "**Valuation of Cover Pool**", the second sentence of the second paragraph shall be amended by adding "*in*" before "*the Cover Pool*" at the end of the sentence.

X. COVER POOL MONITOR

32. Under the section "**Role of the Cover Pool Monitor**", the second sentence of the second paragraph shall be amended by adding "*Monitor*" next to "*the payment of fees and expenses by the Issuer to the Cover Pool*".

XI. DESCRIPTION OF THE ISSUER

33. The entire section "**Description of the Issuer**" shall be replaced by the Description of the Issuer set out in the following pages.

DESCRIPTION OF THE ISSUER

HISTORY AND INTRODUCTION

Caixa Geral de Depósitos was created as a state bank by legislative charter ("Carta de Lei") of 10 April 1876 with the main functions of collecting and administering legally required or judicially ordered deposits and issuing and managing government debt. It gradually expanded its operations to become a savings and investment bank. Caixa Geral de Depósitos was transformed into a state owned public limited company ("sociedade anónima de capitais exclusivamente públicos") on 20 August 1993, by Decree-law no. 287/93, when its name was also changed to Caixa Geral de Depósitos, S.A. ("CGD" or "Caixa"). At present it operates as a full service bank and is subject to the legislation applicable to Portuguese financial institutions. CGD is wholly owned by the Portuguese state.

CGD's registered office is at Av. João XXI, no. 63, 1000-300 Lisbon, Portugal (phone: +351 21 795 30 00 / +351 21 790 50 00). Its share capital is €5,900,000,000 (following share capital increases from €3,100,000,000 to €3,500,000,000 on 1 August 2008, from €3,500,000,000 to €4,500,000,000 on 29 May 2009, from €4,500,000,000 to €5,050,000 on 31 December 2010, from €5,050,000 to €5,150,000,000 on November 2011 and from €5,150,000,000 to the current share capital amount on 29 June 2012). CGD is registered in the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 500 960 046.

Where information is stated in this section to have been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The statements in this section relating to market positions of the Issuer are based on calculations made by the Issuer using data produced by itself and/or obtained from other entities and which are contained or referred to in the Annual Report of the Issuer for 2011 (available at www.cgd.pt).

CGD Group remained the banking sector leader in Portugal in 2011 in most segments and key products, specifically as regards the individual customers segment in Portugal, in terms of both deposits and mortgages. Reference should be made, in the case of banking operations, to the market share of client deposits, with 27.5 per cent. at the end of 2011, and particularly the individual customers segment, with 32 per cent.. The global market share of loans and advances to customers was 20.9 per cent. (23.4 per cent. in the individual customers segment) and 26.6 per cent. in mortgage loans.

In national insurance, the CGD Group, through its holding company for the insurance sector, maintained its leadership position in Portugal, reaching at the end of 2011 a market share of 33.4 per cent. (34.5 per cent. in the previous year) and maintaining the leadership already held in terms of "life insurance" (with a market share of 37.2 per cent) and non-life insurance with a market share of 26.5 per cent..

In asset management, in the leasing sector, Caixa Leasing e Factoring ("CLF") was ranked third in property leasing, with a market share of 18.4 per cent.. In equipment leasing, the company's market share decreased from 19.4 per cent. in 2010 to 15.2 per cent. in 2011, and CLF ranked in fourth position in the factoring sector with a market share of 14.5 per cent. against 13.1 per cent. in 2010.

In investment funds activity, the market share of Caixagest remained at 23 per cent., allowing it to maintain its position as market leader in a year marked by the high volume of redemptions in money market funds and bonds. In the area of real estate investment trusts, Fundimo maintained its market share of 15.7 per cent., ranking it in second place by amount. Also in trust fund management, CGD Group took the top spot in the rankings by amount, with a market share of 30 per cent..

As the Portuguese banking brand with the best reputation, CGD has achieved the highest reputational index of all bank brands in Portugal, in the eyes of consumers in general, notwithstanding the deterioration in the reputation of the sector's brands and institutions. Reputation is defined by the Reputation Institute (Ranking Reputation Institute - Pulse 2010) as the result of a customer's perception of 7 indicators: Products/Services, Innovation, Workplace, Management Model, Citizenship, Leadership and Performance. In 2012, CGD was for the 5th consecutive year the "Most Valuable Portuguese Banking Brand" with a financial value of €385 million according to the Ranking Brand Finance Global Banking 500.

CGD is a member of the European Savings Banks Group, the Credit Local d'Europe and the EU's Committee of Clearing Banks (European Banking Authority or "EBA"). The CGD Group forms the largest Portuguese financial group by reference to its consolidated assets.

CGD is engaged in all areas of the Portuguese financial sector. It provides customers with a full range of financial products and services, ranging from traditional banking to investment banking, insurance, asset management, venture capital, brokerage, real estate and specialised credit services.

The CGD Group intends to maintain its dominant position in Portugal. Through its network of 1,352 branches, 491 of which are located outside Portugal, CGD continues to focus on developing its client base, offering banking services to the largest number of customers in Portugal. The development of cross-selling of group company products through its branch network continues to be one of the main objectives of the CGD Group.

The CGD Group has expanded into foreign markets mainly neighbouring regions in Spain and markets with historical or linguistic ties to Portugal, such as Mozambique, Cape Verde and Macao. It is present, through branches, subsidiaries and representative offices, in Spain (Banco Caixa Geral, SA, "Banco Caixa Geral"), with a total of 209 branches), France (French Branch with 46 branches), Madeira, the United Kingdom, Switzerland, Luxembourg, Germany, India, China, Macao, Mozambique (Banco Comercial e de Investimentos with 120 branches), Cape Verde (Banco Interatlântico and Banco Comercial do Atlântico with 42 branches in total), South Africa, São Tomé e Príncipe, Venezuela, Mexico, the Cayman Islands, the United States, Brazil and East-Timor. In recent years, the CGD Group has applied new strategies, dominated by initiatives involving the modernisation of electronic distribution channels, such as Caixa Directa On-Line (e-banking), Caixa Electrónica (e-channel for corporate), CaixaNet (IT infrastructures) and Bolsa Caixa Imobiliário (a channel dedicated to real estate and mortgages).

Current Activities

The CGD Group's activities include commercial and investment banking, insurance, leasing and factoring, asset management, venture capital, financial services and real estate management.

Set out below is a chart giving details of the principal activities and companies within the CGD Group, showing CGD's or its subsidiaries' equity interest where appropriate, as at 30 June 2012.

GROUP Caixa Geral de Depósitos

30 June 2012

CAIXA GERAL DE DEPÓSITOS

COMMERCIAL BANKS

- BANCO CAIXA GERAL (Spain) 99.8%
- BANCO CAIXA GERAL BRASIL 100.0%
- PARTANG SGPS 51.0%
- BANCO CAIXA GERAL TOTTA ANGOLA 26.0%
- BANCO NACIONAL ULTRAMARINO (Macao) 100.0%
- CAIXA GERAL DEP – SUBSIDIÁRIA OFFSHORE MACAU 100.0%
- BANCO INTERATLÂNTICO (Cape Verde) 70.0%
- BANCO COM. ATLÂNTICO (Cape Verde) 59.3%
- MERCANTILE BANK HOLDINGS (South Africa) 100.0%
- PARBANCA SGPS 100.0%
- B. COMERCIAL E DE INVESTIMENTOS (Mozambique) 51,0%

INVESTMENT BANKING AND VENTURE CAPITAL

- GERBANCA SGPS 100.0%
- CAIXA BANCO DE INVESTIMENTO 99.7%
- CAIXA CAPITAL 99.7%
- BANCO NACIONAL INVESTIMENTO (Mozambique) 50.0%
- A PROMOTORA (Cape Verde) 52.7%

ASSET MANAGEMENT

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

SPECIALIZED CREDIT

- CAIXA LEASING E FACTORING - IFIC 51.0%
- CREDIP-IFIC (Em Liquidação) 80.0%
- PROMOLEASING (Cape Verde) 60.2%
- BCI - ALD (Mozambique) 46.1%

INSURANCE AND HEALTH

- CAIXA SEGUROS E SAÚDE, SGPS 100.0%
- FIDELIDADE - Companhia de Seguros 100.0%
- VIA DIRECTA Companhia de Seguros 100.0%
- CARES – Companhia de Seguros 100.0%
- MULTICARE - Seguros de Saúde 100.0%
- CPR - Companhia Portuguesa de Resseguros 100.0%
- GARANTIA (Cape Verde) 65.4%
- UNIVERSAL Seguros (Angola) 70.0%
- HPP - Hospitais Privados de Portugal, SGPS 100.0%
- HPP LUSÍADAS 100.0%
- HPP BOAVISTA 100.0%
- HPP ALGARVE 100.0%
- HPP SAÚDE - Parcerias Cascais 100.0%
- HPP VISEU, SA 65.0%
- LCS - Linha de Cuidados de Saúde 100.0%
- EPS - Gestão de Sistemas de Saúde 100.0%

OTHER

- CAIXATEC Tecnologias de Informação 100.0%
- CAIXANET 80.0%
- IMOCAIXA 100.0%
- CAIXA-IMOBILIÁRIO 100.0%
- INMOBILIARIA CAIXA GERAL (Spain) 100.0%
- CGD-Investimentos Corretora de Valores e Câmbio 99.9%
- SOGRUPO – Compras e Serviços Partilhados, ACE
- SOGRUPO - Sistemas de Informação ACE
- SOGRUPO IV - Gestão de Imóveis ACE

HOLDING COMPANIES

- PARCAIXA SGPS 51.0%
- CAIXA PARTICIPAÇÕES, SGPS 100.0%
- WOLFPART, SGPS 100.0%

SUMMARY FINANCIAL INFORMATION

Set out below in summary form are the audited, consolidated profit and loss accounts and the audited, consolidated balance sheets (showing net figures) of the CGD Group for the years ended 31 December 2010 and 31 December 2011. This financial information was prepared in conformity with International Accounting Standards/International Financial Reporting Standards ("IAS/IFRS") as adopted by the European Union in accordance with Regulation (EC) 1606/2002 of 19 July of the European Parliament and Council and incorporated into Portuguese legislation through Bank of Portugal Notice 1/2005 of 21 February.

Consolidated Income Statement

	Year ended 31 December	
	2010 (restated) (*)	2011
	(€ million)	
Interest and similar income	4,388.1	5,368.2
Interest and similar costs	(2,972.8)	(3,682.9)
Income from equity instruments	197.5	146.7
Net interest income	**1,612.7**	**1,832.0**
Income from services rendered and commissions (net)	502.3	504.6
Income from financial operations	124.4	(24.8)
Other net operating income	351.0	214.9
Net operating income	**2,590.4**	**2,526.7**
Technical margin on insurance operations	**509.0**	**505.0**
Premiums net of reinsurance	1,323.4	1,243.7
Result of investments relating to insurance contracts	206.8	143.4
Cost of claims costs net of reinsurance	(931.7)	(788.7)
Commissions and other income and cost relating to insurance contracts	(89.5)	(93.3)
Net operating income from banking and insurance operations	**3,099.4**	**3,031.8**
Staff costs	(1,041.1)	(995.7)
Other administrative costs	(721.2)	(695.0)
Depreciation and amortisation	(198.8)	(212.5)
Provisions and impairment on credit net of cancellations and reversals	(420.2)	(972.6)
Other asset impairment net of reversals and recovery	(354.7)	(701.1)
Result of associated companies	7.1	9.5
Income before tax and minority interest	**370.5**	**(535.6)**
Income tax	**(66.8)**	**106.4**
Current	(129.2)	(98.4)
Deferred	62.4	204.9

Consolidated Income Statement

	Year ended 31 December	
	2010 (restated) (*)	2011
	(€ million)	
Consolidated net income for the year	**303.7**	**(429.2)**
Minority interest	(48.8)	(59.2)
Net income attributable to the shareholder of CGD	**254.9**	**(488.4)**

(*) Restated accounts considering the changes in accounting policies in recognition of actuarial gains and losses associated (IAS19).

Consolidated Balance Sheet

	As at 31 December	
	2010 (restated) (*)	2011
	(€ million)	
Assets		
Cash and cash equivalents at central banks	1,468.8	2,704.5
Cash balances at other credit institutions	1,265.0	986.2
Loans and advances to credit institutions	3,424.2	4,956.1
	6,158.0	8,646.8
Financial assets at fair value through profit or loss	4,542.5	4,131.7
Available-for-sale financial assets	23,855.6	16,843.6
Available financial assets with repo agreements	1,416.9	778.0
Unit-linked investments	732.5	584.9
Hedging derivatives	114.9	108.1
Held-to-maturity investments	-	2,837.4
	30,662.3	25,283.7
Loans and advances to customers	81,907.2	78,247.6
Non-current assets held for sale	423.4	473.5
Investment property	396.4	459.1
Tangible assets	1,150.0	1,153.9
Intangible assets	419.4	402.1
Investments in associates	28.5	35.9
Current tax assets	90.3	87.8
Deferred tax assets	1,131.1	1,928.7
Technical provisions for outwards reinsurance	264.6	226.2
Other assets	3,125.8	3,620.0
Total assets	**125,756.9**	**120,565.3**

(*) Restated accounts considering the changes in accounting policies in recognition of actuarial gains and losses associated (IAS19).

Consolidated Balance Sheet

	As at 31 December	
	2010 (restated) (*)	2011
	(€ million)	
Liabilities		
Resources of central banks and other credit institutions	14,603.7	15,861.0
Customer resources	67,680.0	70,587.5
Liability of unit-linked products	732.5	584.9
Debt securities	19,306.7	14,923.3
	87,719.3	86,095.7
Financial liabilities at fair value through profit or loss	1,712.1	1,918.5
Hedging derivatives	166.0	93.1
Provisions for employee benefits	530.2	497.5
Provisions for other risks	273.2	390.0
Technical provisions for insurance contracts	5,742.9	4,607.6
Current tax liabilities	57.8	52.5
Deferred tax liabilities	180.9	166.2
Other subordinated liabilities	2,800.2	2,075.4
Other liabilities	4,235.6	3,470.6
Total liabilities	**118,022.0**	**115,228.0**
Share capital	5,050.0	5,150.0
Fair value reserves	(507.4)	(2,078.2)
Other reserves and retained earnings	1,407.1	1,708.7
Net income attributable to the shareholder of CGD	254.9	(488.4)
Minority interests	1,530.4	1,045.2
Total shareholder's equity	**7,735.0**	**5,337.3**
Total liabilities and shareholder's equity	**125,756.9**	**120,565.3**

(*) Restated accounts considering the changes in accounting policies in recognition of actuarial gains and losses associated (IAS19).

The following table shows certain key ratios for the CGD Group as at 31 December for each of the years set out:

Structural Ratios	As at 31 December (%)	
	2010	2011
Customer loans[1]/customer deposits	136.0	122.2
Customer loans[1]/net assets	65.1	64.8
Mortgages/customer loans[2]	45.1	46.7
Profitability and Efficiency Ratios		
Return on equity (before tax)[3]	5.0	(8.0)
Return on equity (after tax)[3]	4.1	(6.4)
Return on assets (before tax)[3]	0.29	(0.43)
Return on assets (after tax)[3]	0.24	(0.35)
Net operating income[4]/average net assets	2.5	2.5
Cost-to-income[4]	63.3	62.6
Operating costs based on average net assets	1.57	1.54
Employee Costs based on net operating income	33.7	32.7
Asset Quality Ratios		
Non-performing credit ratio[5]	3.1	4.3
Non-performing credit (net) / total credit (net)[5]	0.04	0.2
Overdue credit / total credit	2.9	3.9
Credit more than 90 days overdue /total credit	2.6	3.6
Accumulated impairment /overdue credit	105.3	105.0
Accumulated impairment /credit more than 90 days overdue	117.4	116.5
Capital Ratios		
Solvency ratio for the purpose of the Bank of Portugal	12.3	11.6
Tier 1 for the purpose of the Bank of Portugal	8.9	9.0

(1) *Customer loans after impairment*
(2) *Customer loans before impairment*
(3) *Considering average shareholders' equity and net asset values*
(4) *Include income from associated companies*
(5) *Indicators calculated in accordance with Bank of Portugal Instructions*

Consolidated Statements of Changes in Equity for the years ended 31 December 2010 and 2011

(Amounts expressed in € million)

	Share Capital	Fair value Reserve	Other reserves and retained earning			Net income for the year	Sub-total	Minority interest	Total
			Other reserves	Retained earnings	Total				
Balances at 31 December 2009	4,500	(331)	1,644	(189)	1,455	279	5,902	1,254	7,157
Changes in accounting policies in recognition of actuarial gains and losses associated (IAS19)	—	—	(231)	—	(231)	—	(231)	—	(231)
Balances at 31 December 2009 (restated)	4,500	(331)	1,413	(189)	1,223	279	5,671	1,254	6,925
Appropriation of net income for 2009:									
Transfer to reserves and retained earnings	—	—	86	23	109	(109)	—	—	—
Dividends paid to the State	—	—	—	—	—	(170)	(170)	—	(170)
Other entries directly recorded in equity:									
Measurement gain / losses on available-for-sale financial assets	—	(176)	(5)	—	(5)	—	(181)	4	(177)
Recognition of actuarial gains and losses associated (IAS19)	—	—	122	—	122	—	122	—	122
Currency Changes	—	—	49	—	49	—	49	4	53
Other	—	—	(8)	—	(8)	—	(8)	1	(7)
Total gains and losses for the year recognised in equity	—	(176)	158	—	158	—	(18)	9	(9)
Share capital increase	550	—	—	—	—	—	550	—	550
Changes in Group perimeter	—	—	—	—	—	—	—	250	250
Registration of put options to acquire minority interests – Partang	—	—	(83)	—	(83)	—	(83)	—	(83)
Acquisition of preference shares by CGDF	—	—	—	—	—	—	—	(14)	(14)
Dividends paid on preference shares and other dividends paid to minority interest	—	—	—	—	—	—	—	(18)	(18)
Reclassification of unrealised gains	—	—	(23)	23	—	—	—	—	—
Net income for the year	—	—	—	—	—	255	255	49	304
Balances at 31 December 2010 (restated)	5,050	(507)	1,551	(144)	1,407	255	6,205	1,530	7,735

	Share Capital	Fair value Reserve	Other reserves and retained earning: Other reserves	Retained earnings	Total	Net income for the year	Sub-total	Minority interest	Total
Balances at 31 December 2010 (restated)	5,050	(507)	1,551	(144)	1,407	255	6,205	1,530	7,735
Appropriation of net income for 2010:									
Transfer to reserves and retained earnings.	—	—	230	24	255	(255)	—	—	—
Other entries directly recorded in equity									
Measurement gain / losses on available-for-sale financial assets	—	(1,571)	3	—	3	—	(1,568)	(1)	(1,569)
Changes in accounting policies in recognition of actuarial gains and losses associated (IAS19)	—	—	22	—	22	—	22	—	22
Currency changes	—	—	(12)	—	(12)	—	(12)	13	2
Others	—	—	(5)	—	(5)	—	(5)	(3)	(8)
Total gains and losses f or the year recognised in equity	—	(1,571)	8	—	8	—	(1,563)	9	(1,554)
Share capital increase	100	—	(100)	—	(100)	—	—	—	—
Changes in Group perimeter.	—	—	—	—	—	—	—	(68)	(68)
Registration of put options to acquire minority interests – Partang	—	—	12	—	12	—	12	—	12
Acquisition of preference shares issued by Caixa Geral Finance	—	—	126	—	126	—	126	(459)	(333)
Dividends paid on preference shares	—	—	—	—	—	—	—	(27)	(27)
Reclassification between reserves and retained earnings	—	—	6	(6)	—	—	—	—	—
Net income for the year	—	—	—	—	—	(488)	(488)	59	(429)
Balances at 31 December 2011	5,150	(2,078)	1,834	(125)	1,709	(488)	4,292	1,045	5,337

Consolidated Cash Flow Statements

	As at 31 December 2010	2011
	(€ million)	
Operating activities		
Interest, commissions and similar income received	5,031	5,891
Interest, commissions and similar costs paid	(2,435)	(2,857)
Premiums received (insurance)	1,335	1,258
Cost and claims paid (insurance)	(1,619)	(1,857)
Recovery of principal and interest	35	36
Payments to employees and suppliers	(1,705)	(1,640)
Payments and contributions to pension funds	(99)	(40)
Other results	793	1,249
	1,337	2,042
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	(2,686)	1,348
Assets held for trade and other assets at fair value through profit or loss	1,102	270
Other assets	12	(1,082)
	(1,571)	536
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	8,123	1,245
Customer resources	2,210	3,472
Other liabilities	(772)	(1,928)
	9,560	2,789
Net cash from operating activities before taxation	9,326	5,367
Income tax	(93)	(60)
Net cash from operating activities	9,234	5,307
Investing Activities		
Dividends received from equity investment	197	135
Acquisition of investments in subsidiary and associated companies, net of disposals	28	2
Acquisition of available-for-sale financial assets, net of disposals	(2,971)	1,603
Acquisition of tangible and intangible assets and investment property, net of disposals	(178)	(203)
Net cash from investing activities	(2,923)	1,536
Financing Activities		
Interest on subordinated liabilities	(81)	(64)
Interest on debt securities	(526)	(615)
Dividends paid on preference shares	(9)	(10)
Issue of subordinated liabilities, net of repayments	(337)	(739)
Issue of debt securities, net of repayments	(6,211)	(4,485)
Share capital increase	550	-
Dividends paid	(170)	-
Net cash from financing activities	(6,786)	(5,914)
Increase (decrease) in cash and cash equivalents	(475)	929

Consolidated Cash Flow Statements

	As at 31 December	
	2010	2011
	(€ million)	
Cash and cash equivalents at the beginning of year......................................	3,164	2,734
Effects of the exchange rate change on cash and cash equivalents	45	28
Net change of cash and cash equivalents..	(475)	929
Cash and cash equivalents at the end of year..	2,734	3,691

Consolidated Statement of Comprehensive Income

	Years ended 31 December	
	2010 (restated)(*)	2011
	(€ million)	
Adjustments to fair value of available-for-sale financial assets		
Gains / (losses) arising during the year	(628)	(2,671)
Adjustments of fair value reserves reclassification to results		
Recognition of impairment for the year	344	491
Disposal of available-for-sale financial assets	49	(47)
Tax effect	58	657
Currency changes		
Change in period	100	3
Adjustments of exchange reserves reclassification to results		
Recognition of impairment for the year of available-for-sale financial assets – Investment units in foreign currency	(19)	_
Disposal of available-for-sale financial assets – Investment units in foreign currency	(36)	_
Recognition of foreign exchange gains and losses in connection with the acquisition of control of Partang SGPS	1	_
Tax effect	6	(2)
Post employment benefits - Actuarial gains and losses		
Changes in the exercise…………………………………….......…………	160	30
Tax effect	(38)	(8)
Other	(7)	(8)
Total comprehensive net income for the year recognized in reserves	(9)	(1,554)
Net income for the year	304	(429)
Total comprehensive net income for the year, of which	295	(1,983)
Non controlling interest	(58)	(68)
Total comprehensive net attributable to the shareholder of CGD	237	(2,051)

(*) Restated accounts considering the changes in accounting policies in recognition of actuarial gains and losses associated (IAS19).

OVERVIEW OF THE PORTUGUESE ECONOMY AND THE FINANCIAL PERFORMANCE OF THE CGD GROUP

General Overview

In Portugal, 2011 was marked by the beginning of the economic adjustment process in the form of a reduction of the fiscal deficit and gradual deleveraging of the private sector, including the banking sector.

Economic activity in 2011 decreased 1.6 per cent.. This performance resulted from consecutive negative changes in each quarter in private and government consumption and a sharp fall in investment, notwithstanding the good performance of net exports.

Both private consumption, which has decreased 3.9 per cent., and government consumption, which has also decreased 3.9 per cent., contributed to the poor economic performance. The challenges of reducing the budget deficit and the consequent adoption of austerity measures under the Economic and Financial Assistance Programme for Portugal led to a decrease in the contribution of these components to economic growth, while at the same time consumer confidence worsened during the year.

In 2011 there was a reduction of 11.4 per cent. in investment, partly as a consequence of the level of economic activity and the prospects for domestic demand, as well as the decline in public investment. The contraction was most evident at the level of investment in machinery and equipment and in construction.

In terms of external trade, the role of exports increased 7.4 per cent., while imports decreased 5.5 per cent., mainly derived from the drop in domestic demand. This behaviour was associated with a marked increase in foreign demand - notwithstanding the worldwide economic slowdown - with an increase of 16.4 per cent. in new orders originated abroad, on a year-on-year basis.

As for inflation, the Portuguese HICP recorded an annual average rate of 3.6 per cent. in 2011, a result mainly of increases in the price of energy and the addition of several indirect taxes, notably VAT, ISP (“Gasoline Tax”) and Consumption Tax on Tobacco; nevertheless, it stayed at 0.9 percentage points above the Euro Area (“EA”) average.

The average unemployment rate in 2011 remained high, and even increased in comparison to the previous year. In 2011, the unemployment rate stood at 12.7 per cent., reaching a level of approximately 706,000 unemployed. This represents an increase of 17.2 per cent. over the previous year.

There was a decrease of 2.6 per cent. in the aggregate liquidity M3 (a broad measure of the money supply within the economy), excluding currency in circulation, on an annual basis. We should highlight the behaviour of deposits with an increase of 11.3 per cent., representing acceleration in comparison to the preceding two years, in which an essential contributory factor was the behaviour of individual customers’ and emigrants’ deposits.

Total domestic credit decreased by 2.8 per cent.. Loans and advances to central and local government, net of liabilities were down 31.1 per cent., whereas loans to non-financial companies contracted 3.6 per cent. and loans and advances to individual customers were down by 2.2 per cent..

During 2011, as a response to the signs of a possible acceleration of economic activity and fears of an increase in inflationary pressures in the EA, the European Central Bank (“ECB”) announced two increases in its key rate, in April and July 2011 respectively, in both cases of 25 basis points, to 1.5 per cent., a level that the European monetary authority has considered as expansionist.

The maintenance and intensification of tensions in the public debt market and slowdown in economic activity led to a situation in which the second semester of 2011 was marked by the inversion of monetary policy. After upgrading risk factors in the third quarter, the ECB announced two reductions of its key reference rates, each of 25 bps, in the last quarter of the year, down again to the former minimum level of 1.00 per cent.. The ECB also reinforced its unconventional measures in announcing new liquidity injection auctions for maturities of 6 and 12 months, in addition to two auctions with a maturity of 36 months.

In the first semester of 2011 the trend in interest rates used as indexes for credit operations continued to increase and reached its highest level of the last two years at the start of the summer. However, the change in monetary policy led to an inversion of this trend with interest rates falling until the end of the year.

2011 closed with a fresh increase in Euribor rates. As a result of the increases verified in the first half, the variations in the lending rates were higher than those noted in the preceding year except for maturities of one month, having oscillated between 0.242 bps for the said maturity and 0.44 bps over 12 months.

Exchange Rates

In December 2011, the average exchange rate for the euro against the dollar stood at $1.318, a reduction of 0.3 per cent. over the same period in the previous year. The euro also fell against other major currencies, particularly against sterling, against which it has depreciated 0.5 per cent., and against the yen, losing 6.9 per cent.. The behaviour of the single European currency during the year fluctuated between periods, namely the first semester of 2011, where it benefited from the economic recovery in the region and others in which it was constrained by the public debt situation experienced in Europe as well as fluctuations verified in the ECB’s key rate.

Capital Markets

Notwithstanding doubts related to the sovereign debt crisis, inherited from the preceding year, the first few months of 2011 continued to be marked by expectations of an economic upturn, with the announcement of positive economic indicators. Central banks upgraded growth estimates at the time and, in several cases, announced higher rates, owing to a spurt of inflation in several blocks. This was accompanied by ever more visible signs of capital market stabilisation and a decline in risk aversion by investors.

The natural catastrophes in Japan, conflicts in North Africa and the Middle East and intensification of the sovereign debt crisis in the EA, particularly following increased fears over the restructuring of Greece’s public debt, led to lower investor confidence from the second quarter, and was clearly apparent in the drop in the prices of risk assets, coming after the cooling of the main economies. Whereas the central banks, including the Fed, downgraded their growth estimates, in the case of the EA, the ECB governor Jean-Claude Trichet issued a warning on increased risks to financial stability owing to the debt crisis.

The third quarter of 2011 was characterised by a marked decline in investor confidence, with signs of cooling economic growth and an intensification of the sovereign debt crisis. This took on a different form in the EA, after the spread of contagion to Italy and Spain was witnessed. The crisis, to a certain extent, spread to the US, with a subsequent S&P rating downgrade from AAA to AA+, albeit without any lasting effects on investor confidence in US public debt. Share indices in the US and Europe were sharply down, making the third quarter the most negative since the collapse of Lehman Brothers.

Together with the worsening sovereign debt crisis in Spain and Italy, the fourth quarter of 2011 was marked by the spread of contagion to other countries in the centre of Europe such as France, Belgium and Holland. The announcement of positive economic indicators in the US and China contributed, however, to a recovery of market sentiment in the last few months of the year.

Behaviour, in 2011, was therefore volatile. In general, the more defensive asset categories realised gains, as opposed to those perceived to be more at risk, which made losses.

CGD Group

Assets and Liabilities

At the end of 2011, net assets of the CGD Group amounted to €120.6 billion, a decrease of 4.1 per cent., or €5.2 billion, over the previous year, reflecting the effect of its current balance sheet deleveraging process. The main source of the Group's Net Assets was the activity of CGD individually with 74.4 per cent. of the total (72.6 per cent. in 2010), Caixa Seguros e Saúde with 8.9 per cent., Banco Caixa Geral in Spain with 4.6 per cent., Caixa Leasing e Factoring with 2.5 per cent. and BNU (Macau) with 2.3 per cent.

The following table shows the consolidated net assets of the principal companies in the CGD Group, excluding inter-company balances, as at 31 December for each of the years set out:

	As at 31 December			
	2010		*2011*	
	Value	*%*	*Value*	*%*
	(€ million)		(€ million)	
Caixa Geral de Depósitos[(1)]	91,288	72.6	89,698	74.4
Caixa Seguros e Saúde	13,323	10.6	10,676	8.9
Banco Caixa Geral (Spain)	6,352	5.1	5,488	4.6
BNU-Banco Nacional Ultramarino, SA (Macao)	2,467	2.0	2,730	2.3
Caixa – Banco de Investimento	1,856	1.5	1,980	1.6
Caixa Leasing and Factoring	3,659	2.9	3,066	2.5
Banco Comercial Atlântico (Cape Verde)	594	0.5	604	0.5
Banco Comercial e de Investimentos (Mozambique)	991	0.8	1,367	1.1
Mercantile Lisbon Bank Holdings	579	0.5	590	0.5
Partang (Banco Totta Angola)	934	0.7	1,084	1.0
Other companies[(2)]	3,713	3.0	3,282	2.6
Consolidated net assets	125,757	100.0	120,565	100.0

(1) *Separate Operations*
(2) *Includes the units registered by the equivalent equity method*.

Cash, loans and advances to Credit Institutions amounted to €8.6 billion, while the resources obtained from the same entities totalled €15.9 billion, of which €9 billion was borrowed by CGD (domestic activity) from the ECB. CGD's total assets eligible for ECB funding operations at the end of December were €14.4 billion.

Loans and advances to customers (gross) totalled €81.6 billion, representing a decrease of €2.9 billion (down 3.4 per cent) when compared with the figures in December 2010.

About 78 per cent. of total loans and advances to customers come from CGD's domestic operations. Nonetheless, reference should be made to the contribution from international operations from Banco Comercial e de Investimentos (Mozambique) with a 33 per cent. increase of €237 million, and a 16.7 per cent. increase of €195 million by BNU Macau. Mention must also be made to the decrease of 9.3 per cent. of Bank Caixa Geral (Spain) of €533 million and of Caixa Leasing and Factoring, which has decreased 12.3 per cent. by €436 million.

In terms of credit structure, the Individual Customer Segment continued to account for a large proportion of total credit absorbing 49.2 per cent. of the total loans balance. Credit to Corporate represented 45.4 per cent. of the total. The credit balance to General Government stood at €4.4 billion, an increase of 19.9 per cent..

The balance of the credit to the service sector was directed primarily at the sub-segment "financial activities" with €7.8 billion, "Real estate" with €4 billion and "Wholesale and retail trade" with €3.4 billion.

Regarding credit to private individuals, the balance stood at €40.1 billion at the end of the year, a decrease of €0.6 billion (1.5 per cent), resulting from a decrease in "Housing" (1.4 per cent) and in "Other Purposes" (2.6 per cent). With regard to mortgage loans, the amount of new domestic deals in 2011 reached €1.2 billion – a significant decrease of 56.7 per cent. when compared with the preceding year -, and represented a market share in terms of production of 23.6 per cent..

The overall balance of deposits totalled €64 billion, supported essentially by time and savings deposits representing 70.7 per cent. of the total, which grew 11 per cent. (€4.5 billion) from the start of the year. From the total outstanding deposits, €52.3 billion concerned the domestic activity of CGD, representing 81.7 per cent. of total consolidated deposits. Among the branches and subsidiaries of the Group, we should refer to the balances in BNU Macau (€2.6 billion), Banco Caixa Geral (€2.5 billion) and France branch (€1.9 billion). There was an increase of 7.9 per cent. (€3.7 billion) in total deposits from individual customers and an increase of 40.8 per cent. (€1.2 billion) in the balance of total deposits of the public sector. In contrast, the balance derived from corporate contracted 9.13 per cent.

The balance of total funds raised by the Group (excluding interbank money market) fell 3.1 per cent. compared with the end of 2010, totalling €100.3 billion in 2011. However, not including funding from institutional investors, the total resources taken from customers showed an increase of 2.1 per cent. (€1.8 billion).

On balance sheet resources totalled €90.2 billion, due in large part to retail, whose balance reached €75.9 billion, representing an increase of 2.2 per cent. when compared to December 2010, and benefitted from the positive trends in customer deposits with an increase of 6.3 per cent. (€3.8 billion).

The balance of funds obtained from institutional investors through own issues decreased €5 billion, a fall of 25.7 per cent. when compared to December 2010, which was influenced mainly by the reduction of issuance under the ECP (European Commercial Paper) and USCP (United States Commercial Paper) programs and to a lesser degree the EMTN program. Mortgage bonds decreased by €1.3 billion, a decrease of 18.5 per cent. when compared to the end of 2010, reaching an outstanding amount of €7.1 billion.

Shareholders' Equity

In 2011, the Group's equity capital amounted to €5.3 billion, representing a decrease of €2.4 billion (31 per cent) to the level at the end of 2010. This variation was negatively affected by the change in fair value reserves, which suffered a decrease of €1.6 billion when compared with the values in December 2010, of which €922 million corresponded to potential capital losses (not considering the tax effect) on bonds issued by the three vehicles held by BPN and guaranteed by the Portuguese State.

In November 2011, the Portuguese State has increased CGD's capital by €100 million to €5,150 million, by incorporating reserves to ensure greater stability and to strengthen the equity instruments needed by CGD as its main motivation, by maintaining solvency and capitalisation levels compliant with Basel III Accord requirements.

The following table sets out the capital position of CGD and the CGD Group as at 31 December 2010 and 2011, respectively, with their risk-weighted assets and Tier 1 capital ratio being calculated in accordance with the requirements of the Bank of Portugal.

Consolidated Solvency Ratio

			(EUR million)	
		31-12-2010 (1)	**31-12-2011** (2)	**Change** (2)-(1)
A -	**Basis own funds (Tier I)**	**6,844**	**6,229**	**(615)**
	Share capital	5,050	5,150	100
	Reserves and retained earnings	1,162	1,175	13
	Net income for the year	312	(477)	(789)
	Non controlling interest	1,273	874	(399)
	Impacts of the adoption of IAS (*transitional regime*)	94	70	(25)
	Deductions to basis own funds (*)	***(1,048)***	***(562)***	***485***
B -	**Complementary own funds (Tier II)**	**2,682**	**1,820**	**(862)**
	Subordinated liabilities with unspecified maturity	156	1	(155)
	Subordinated liabilities with specified maturity	2,680	2,089	(590)
	Revaluation reserves	243	139	(104)
	Other (*)	(397)	(410)	(13)
C -	**Deductions to total basis own funds**	**(40)**	**(42)**	**(2)**
D -	**Total eligible own funds (A+B+C)**	**9,486**	**8,007**	**(1,479)**
E -	**Weighted risk positions**	**76,989**	**69,021**	**(7,969)**
	Credit risk	67,660	63,667	(3,993)
	Market risk	5,098	1,451	(3,647)
	Operational risk	4,232	3,903	(329)

Ratios	31-12-2010 (1)	31-12-2011 (2)	Change (2)-(1)
Tier I (A/E)	**8.9%**	**9.0%**	**0.1%**
Core Tier I	**8.8%**	**9.5%**	**0.7%**
Tier II (B/E)	**3.5%**	**2.6%**	**(0.9)%**
Deductions (C/E)	**(0.1)%**	**(0.1)%**	**0.0%**
Solvency ratio (D/E)	**12.3%**	**11.6%**	**(0.7)%**

(*) Include deductions of investments in insurance companies and credit institutions in which equity investments is ≥ 10 per cent..

The solvency ratio on a consolidated basis, calculated according to Basel II and Bank of Portugal rules, and including the results for the year, stood at 11.6 per cent. at the end of 2011. The Core Tier 1 Ratio was 9.5 per cent., having been reinforced by 0.7 percentage points by the end of 2010, notwithstanding the negative impact of rating downgrades on the Portuguese Republic. This ratio benefited from the coming into force of the prudential regulations under which domestic currency exposures to Regional and Local Authorities of Member States cease to be dependent on country risk. in addition to CGD's €100 million increase in share capital through the incorporation of reserves.

In turn, the Tier 1 ratio rose from 8.9 per cent. in 2010 to 9.0 per cent., lower than Core Tier 1, having been penalised by the repurchase of preference shares issued by the CGD Group in the scope of last September's exchange operation.

CGD's own funds totalled €4.7 billion, a decrease of 23.7 per cent. (€1.4 billion) when compared with the previous year, and were particularly affected by the deterioration of the negative revaluation reserves owing to the losses suffered in the period.

The solvency ratio of the individual activity of CGD, according to the regulatory framework of Basel II and calculated under Bank of Portugal rules, including retained earnings, was 12 per cent. at the end of 2011. The Tier 1 ratio improved, in turn, rising from 9.5 per cent. to 10.1 per cent..

Income and Profit Ratios

Consolidated net income of CGD was minus €488.4 million against a positive value of €254.9 million in 2010. This result reflected the recognition in the income statement of provisions and impairments on equity held by CGD and on securities held by the Group's insurance companies amounting to €1.674 billion. Credit impairment increased to €825.9 million and securities impairment to €613.1 million. These potential capital losses were already, for the most part, previously recorded at fair value reserves. The prolonged effect of this devaluation has led to the transfer to losses by way of impairment.

Out of the Group's gross operating income - €1.1 billion - €586 million derived from domestic activity and €256 million from international banking activity, while insurance and health contributed with €252 million.

Total net interest income in 2011, including income from equity instruments, totalled €1,832 million, an increase of 13.6 per cent. when compared with 2010, which was exclusively originated from net interest income (€270 million, increasing 19.1 per cent) while income from equity instruments contracted, totalling

€146.7 million, reflected the 25.7 per cent. decrease (€50.8 million) from the disposal of a significant part of CGD's equity investment in EDP, in 2010.

The complementary margin totalled €694.8 million, showing a decrease of €282.9 million (28.9 per cent.).

Net commissions totalled €504.6 million, a slight increase in comparison with 2010, of which those relating to credit contributed €142.4 million (25.2 per cent), and means of payments (€130.7 million, up 4.1 per cent.).

Special reference should be made to the 16.5 per cent. reinforcement of the contribution from international operations, offsetting almost all of the decrease in income from domestic banking operations.

Net operating income from Financial Operations registered a loss of €24.8 million, due to the instability of government debt markets, guided by the consequence of the higher risk premium and inversion of the interest rate cycle.

Other operating income totalled €214.9 million, as opposed to the equivalent figure of €351 million in 2010, which was influenced by capital gains on CGD's sale of its headquarters building to its employees pension fund in September 2010.

The Technical Margin from Insurance contributed €505 million to the Group's activity, representing a decrease of €4 million (0.8 per cent) in comparison with the previous year.

The amount of premiums received, net of reinsurance, amounted to €1,243.7 million, and investment income allocated to insurance contracts, for the amount of €143.4 million, comprised significant reductions of €79.7 million (down 6 per cent) and €63.4 million (down 30.6 per cent) over 2010. The same trend was recorded in claims net of reinsurance, which fell €142.9 million, representing a decrease of 15.3 per cent. to €788.7 million.

As a result of the developments described, the net operating income of banking and insurance activity amounted to €3,031.8 million, a decrease of 2.2 per cent. (€67.6 million) compared to the previous year.

Operating costs have decreased by 3 per cent. (€58 million) to €1,903.2 million. Variations in staff costs and supplies and outsourced services were down 4.4 per cent. (€45.4 million) and 3.6 per cent. (€26.2 million) respectively.

Given the developments described in structural costs and revenue from banking and insurance, the cost-to-income ratio of the CGD Group improved from 63.3 per cent. to 62.6 per cent., while this efficiency ratio for individual activity stood at 55.7 per cent..

Provisions and impairment of credit, net of reversals and recovery, totalled €825.9 million in 2011, and net impairment of other assets totalled €701.1 million, of which €613.1 million related to equity, namely PT, BCP, ZON and BRISA, formerly recognised in investment funds and securities portfolios of the CGD Group's insurance companies, particularly their exposure to Greek debt.

Current tax plus the extraordinary banking sector contribution of €29.4 million, totalled €98.4 million. Negative deferred tax was, in turn, €204.9 million.

Reflecting the drop in earnings, gross return on equity ("ROE") stood at -8 per cent. (-6.4 per cent. before tax) and gross return on assets ("ROA") stood at -0.43 per cent. (-0.35 per cent. before tax).

Risk Management

In CGD Group, risk management operations are centralised. Risk management encompasses the assessment and control of the CGD Group's credit, market and liquidity risks, based on the principle of the separation of functions between the commercial and risk areas.

The risk management area is part of the support structure and is present:

- In the Assets and Liabilities Management Committee (ALCO), in conjunction with business generating areas and with members of the executive committee. Under the terms of an executive committee resolution, the committee was, inter alia, given the following responsibilities:

  - The promotion of the Assets and Liabilities Management (ALM) process and actions and procedures necessary for the implementation thereof in consolidated terms and on a separate basis for diverse CGD Group entities;

  - The preparation of proposals for strategic guidelines on CGD Group's commercial and risk areas.

  - Financing and liquidity policy;

  - The preparation of proposals for strategic guidelines on the risk management policy, defining indicators, limits and management rules;

  - The preparation of proposals for strategic guidelines on CGD Group's capital ratios.

- In the expanded credit board, in conjunction with the business generation areas, the legal area, credit recovery area and the executive committee. Under the terms of an executive committee resolution, the board was, *inter alia*, given the following responsibilities:

  - Authorisation of operations, which being part of the internal regulatory framework require the board's assessment;

  - Analysis of non-performing loans;

  - Definition of the credit policies strategy and respective risk.

Risk Profile and Respective Evolution

CGD Group's operations have consistently tended to adopt an adequate risk aversion approach, although there is room for an innovation and a market monitoring component in the products to which it is exposed.

Principles and Policies

The furtherance of CGD Group's risk profile enshrines the following principles:

- Focus on risk-weighted return;
- Sustained growth and business diversification;
- Definition and monitoring of the use of limits by type of risk;
- Proactive risk management;
- Prompt response from the risk management area.

Credit Risk

Credit risk is associated with losses and the level of uncertainty over a customer/counterparty's capacity to meet its obligations. Given the nature of banking activity, credit risk is particularly important, owing to its material nature, notwithstanding its interconnection with other risks.

Main Developments in 2011

The main non-recurring activity in the first semester of the year was the discussion with the supervisor on the candidature for the use of internal models for the prudential calculation of own funds requirements for credit risk presented at the end of 2010.

In the second semester of the year, endeavours concentrated on the response to the Special Inspections Programme in which the Bank of Portugal, supported by independent auditors, assessed CGD as regards:

- The quality of the bank's assets;
- Its credit risk management practices; and,
- The quality of its periodic prudential reports.

As publically announced, "The assessment concluded that the global amount of impairment registered in the Group's consolidated accounts was adequate". It also concluded that "The aggregate impact of the results of the Special Inspections Programme on the assessment of CGD Group's solvency, on 30 June 2011, would translate into an increase of the Tier 1 ratio from 8.5 per cent. to 8.6 per cent., remaining above the minimum level of 8 per cent. required at the said date. It is estimated that the above referred to regulatory changes will have an additional positive impact of 0.2 percentage points on this ratio."

Methodology

Risk analysis

The Group has been implementing a system of identification, valuation and control of the risk of its loan portfolio, covering all customer segments and being pro-active when granting credit and in monitoring risk throughout the life of operations.

- In the case of corporate with a high level of exposure, the assessment of credit risk, besides the support of internal rating models (incorporating both financial information and elements of a qualitative nature), is subject to individual assessment by a team of analysts who prepare reports analysing credit risk and issue an independent opinion on the inherent credit risk. This analysis is done on a periodic basis and whenever there are changes in the relationship with the client and endogenous and/or exogenous factors that recommend a reassessment of risk are identified.

- In the retail sector, the assessment of credit risk is supported by the use of statistical tools for risk assessment (rating and scoring models) for a set of internal regulations that establish objective criteria to be followed in lending, as well as a delegation of responsibilities based on the credit ratings assigned to customers.

Impairment credit model – this model was developed by the CGD Group under the scope of IAS 39, and allows for the identification and monitoring of loans with objective evidence of impairment and the credits showing evidence of impairment.

The risk factors used in the model of credit impairment are revised annually, thus, adjusting the impairment analysis to the effects of current market conditions that had not been seen before. Using the credit impairment model, we can analyse and process the loan portfolio, which is subdivided in accordance with the following approaches:

- Collective analysis of impairments – for the exposures individually considered as not significant, the impairment provisions for sub-segments of risk are calculated for assets with similar risk characteristics (credit segment, type of collateral, history of payment behaviour, amongst others); and

- Individual impairment analysis – for clients with exposures considered significant, an assessment, which involves the commercial areas of CGD, the recovery credit area and the credit risk management area, is made individually, on a quarterly basis.

The individual evaluation of clients with the most significant exposures is focused mainly on the following criteria:

- Compliance with contractual terms agreed with the CGD Group;

- Assessment of the economic-financial situation;

- Forecast changes in client activity;

- Verification of the existence of operations involving overdue credit and interest within the CGD Group and/or the financial system;

- Adequacy of guarantees and collateral to offset the amount of the loan; and

- Analysis of historical information on the behaviour and timely payment of customers.

For significant exposures in which there are no objective signs of impairment, a collective provision is determined, in conformity with the risk factors determined for loans with similar characteristics.

Limits

In order to support the process of credit analysis, the CGD Group has developed and implemented a new methodology for attributing credit limits (a model which defines limits of exposure) for short-term business, with parameters defined on the basis of economic-financial indicators and risk levels, making it possible to estimate the recommended short-term risk exposure to each client. The model allows the use of a single set of clear and objective rules for calculating the reference levels which are only indicative and will be used as a basis for calculating the referred limits, which will subsequently be the object of analysis on an individual basis for validation. This model is applied to companies both in the SME segment as well as small businesses and major companies.

Risk assessment associated with lending to financial institutions is based on internally established limits. These limits are defined taking into consideration the entity's financial sector in comparison to its peers, its rating, value at risk, as well as other qualitative factors. Compliance with the limits, credit exposure and risk profile parameters of counterparties and groups are monitored regularly by analysts.

Risk Control

The credit portfolio is regularly monitored in terms of its composition and quality. The analysis includes the splitting up of the portfolio by product, customer segmentation, level of exposure, operating sector and geographical area, and a loan-to-value (LTV), debt to income rate and portfolio rating is produced for this purpose. In 2011, work was initiated on the preparation of several specific reports per product or sector of activity.

Follow-up work on the performance of the internal development of risk classification models is also particularly important. This exercise, which processes the information from the use of these models, provides indications of their continued adequacy, guidelines on eventual re-estimation of needs and information on type of use.

For CGD, the monitoring process of risk rating models is particularly important. This action gives powerful indications of its sustainability, acquired by processing information obtained from the use of internally developed models. This is a way to find out if there is a need for new estimations of the models used as well as providing guidance on the need for reassessment of these models and information about how they should be used.

Recovery

The most striking aspect of the activity of the Credit Recovery Division (DRC) in 2011 was the exponential increase in the use of bankruptcy procedures both by individual customers and in the companies' area.

This situation required the allocation of customers that were still in the commercial area to the Credit Recovery Division, often without any default with Caixa having been recorded. It also affected companies whose inclusion in the recovery area on account of their former economic-financial situation and the large amount of their loans, which would previously have been unthinkable.

Added to this situation of customers involved in insolvency proceedings is the fact that, in 2011, there was also a large number of guarantees called in by the tax authorities and social security services which, affecting real guarantees covering Caixa loans, forced CGD to file credit payment requests within very short periods and in proceedings which were also often to be found in commercial areas.

The aspects referred to above, in addition to increasing legal costs, have put the activity of the Credit Recovery Division under great pressure in the judicially enforced collection area, making it impossible to concentrate on credit recovery at the extrajudicial negotiations stage which continued to be the division's strategic objective in 2011.

Notwithstanding the unfavourable environment affecting Portuguese society, it was possible to control the increase in the level of default in the individual customers segment, whose overdue credit ratio on mortgage loans (more than 30 days) was 2.78 per cent. in December 2011, in comparison to 2.54 per cent. in December 2010. This situation is reflected in the number of individual customers processed by DRC (13,756), which was very similar to the 2010 figure of 13,898, with the elimination of 13,273 customers from this negotiating area as against 14,895 in 2010. The negotiating area portfolio in December 2011 comprised 12,962 customers with liabilities of €903,525 million.

In the area of loans and advances to companies, the situation in DRC reflects the marked change in the default ratio in Caixa, which increased from 2.96 per cent. in December 2010 to 5.29 per cent. in December 2011. The negotiating area took in 1,710 customers (against 781 in 2010) with the elimination of 1,002 customers (against 798 in 2010), with the corporate negotiating area having 1,460 customers with liabilities of €457,308 million in December 2011.

As stated, the phenomenon occurring in 2011 involved the direct transfer of companies from the commercial area to DRC's legal recovery area, which generated a 14 per cent. increase in liabilities on loans and advances to companies being processed by the Division (€2,118.4 million, in December 2011), whereas legal proceedings involving the liabilities of individual customers represented €1,197,984 million on the same date, up 8 per cent. in 2011.

The Division, responding to such an increase in customers' liabilities, maintained its existing organisational structure, without extra human resources and made improvements to its internal operating processes, admitting the need for changes to procedures involving the whole of Caixa's commercial universe to provide for the increase in customers, individuals and companies in financial difficulties.

In 2011, the Division achieved €328.743 million in collections (most of which extra judicially) and arranged loan settlements of €829.770 million at 88 per cent. of the total achieved in 2010, owing to the worsening of the financial conditions of individual customers and companies in that year.

Regulatory Capital Requirements

For derivative instruments, repurchase transactions, borrowing or lending of securities or commodities, long settlement transactions and lending transactions with a tax margin, the method of marking to market (mark-to-market), as defined in Part 3 of Annex V of Bank of Portugal Notice 5/2007, is applied, consisting of adding to the operation's market value, when positive, its future valuation potential, resulting from the multiplication of the notional amount by a prudential factor based on the type of contract.

For credits and receivables, the standard pattern is followed as established in Bank of Portugal Notice 5/2007. The document "Market Discipline 2011", scheduled for publication in the first semester of 2012, will provide detailed information on the regulatory capital requirements of the CGD Group.

Stress testing

This is used to provide an analytical view of CGD Group's position in terms of solvency when subjected to extreme scenarios. To this end, in 2011 and in addition to the stress tests used for internal management purposes and those required by Bank of Portugal under Instruction 32/2009, CGD participated in the transversal "EU wide stress test exercise", coordinated by the EBA in cooperation with the ECB and the European Commission and those required as a complement to the Capital Funding Plan, under the Memorandum of Understanding.

Capital requirements for internal operation – Results from the use of internally estimated credit risk factors: probability of default ("PD"); loss given default ("LGD"); and equivalent credit conversion factors ("CCF").

Market Risk

Market risk can give rise to potential negative impacts on the results or capital of the institution arising from adverse movements in asset prices in the portfolio compared with the level at which they are traded in the market.

There is market risk in instruments such as shares, funds, commercial paper, bonds, deposits/loans, foreign exchange spot and forward, interest rate derivatives, exchange rate derivatives, on shares/indices/baskets, commodities and credit. Exposure to this type of risk is thus transversal to several risk categories: price, interest rate, exchange rate volatility and commodities. The CGD Group has a large concentration of market risk in the first three categories as a result of the high amount of simple and liquid net assets in its portfolio; notwithstanding the above, there is also room for innovation and market monitoring in products where the CGD Group has market exposure. Execution of market transactions and associated risk control are completely segregated.

Limits

Establishing and monitoring limits is of extreme importance for market risk mitigation. These limits are submitted to the Executive Committee by the Risk Department for discussion and approval. The management rules established for each portfolio or business unit include limits on market risk and further limits on the types of instruments allowed and maximum allowable levels of losses, amongst others. There are specific rules for the risk management of foreign exchange positions of the units in the CGD Group.

Market risk hedging operations are decided by portfolio managers or business units, taking into account risk limits and authorised instruments in which the risk manager area collaborates in assessing the impact of total risk hedges incurred or the alteration of authorised risk under the circumstances.

Values and limits of the foreign exchange position of the CGD Group are calculated in terms of value at risk ("VaR"), as well as total open position and open position by currency.

Methodology

Since 2002, the risk measure used by the Risk Department to monitor the market risk is VaR, being the limits of market risk based on this measure, and in several cases, supplemented with other market risk measures, such as sensitivity limits to risk factors variation: basis point value, interest rate and other sensitivity indicators commonly applied to share portfolios of options (also known as Greeks). VaR is calculated for all types of market risk (interest rate, equities, exchange rates and volatility), using the historical simulation method, whose confidence levels are contingent upon the reasons for holding the portfolio. Caixa also develops stress-testing assessments on the impact of the results of change in risk factors for extreme scenarios.

The Risk Department carries out daily calculations and monitoring of these measures, having conceived a comprehensive reporting structure of VaR, analysis of sensitivity, profitability indicators, performance and stress testing limits for all entities with exposure to market risk in the trading portfolios and exchange rate risk in the balance sheet.

Monitoring and evaluation of foreign exchange risk for domestic operations and for each of the subsidiaries and affiliates are carried out on a daily basis, and every two weeks for the consolidated Group.

Daily theoretical and real VaR measurement back testing analyses are performed with the calculation of theoretical back testing values and the monthly calculation of real back testing values. The number of exceptions obtained, i.e. the number of times that theoretical or real losses exceed VaR, enable the method's accuracy to be assessed and any necessary adjustments made.

Interest Rate Risk in the Balance Sheet

This is the risk incurred by an institution whenever it contracts operations with future cash flows sensitive to eventual changes in interest rates or, in other words, the risk associated with the mismatching of maturities due to a decrease or increase in the interest rate of assets and liabilities held, decreasing their return or increasing their financial cost.

Methodology

The methodology used by CGD to measure this type of risk comprises the aggregation by time bands of all of its assets and liabilities sensitive to interest rate changes, in accordance with the respective re-pricing dates. The respective cash inflows and outflows are calculated for such periods to obtain the corresponding interest rate risk gap.

The analysis of the interest rate risk dimension 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 gaps on net interest income, on a quarterly basis, a regular monthly forecast of sensitive assets and liabilities scenarios, which include relevant banking activity behaviour and trends, evolution of different market rates and expectations reflected in the yield curve, is produced.

ALCO approves guidelines on balance sheet and banking portfolio interest rate risk, including the definitions of limits on certain significant variables in terms of the level of exposure to such risk. The objective in complying with these guidelines is to ensure that CGD has a means of managing the risk/return trade-off; in balance sheet management terms, being in a position to define the adequate level of exposure and controlling the results of the risk policies and positions assumed.

The limits fixed are calculated monthly for the accumulated 12 months' gap and the duration gap, and quarterly both for the economic value at risk indicator (which translates the changes in the economic value of CGD's capital resulting from changes in interest rate levels) and for the earnings at risk indicator (which translates the changes in CGD's forecast net interest income resulting from changes in interest rate levels and the evolution of loans and advances and investment balances).

In the interest rate risk analysis, the implementation of a new asset and liabilities management computer tool, called BancWare ALM, enabled the materially more relevant CGD Group entities in this area to be assessed.

The outputs produced for each of the institutions, in consolidated terms, are set out below:

- In static terms, every month: contractual balance, current value and duration; interest rate and liquidity, structural liquidity gaps, level of immunisation and table of the source and application of funds;

- In dynamic terms, every quarter: forecast balance for the desired simulation period and net interest income with a sensitivity analysis (up/down 200 bp, up/down 100 bp and up/down 50 bp).

The outputs produced in the form of tables and monthly reports are for CGD's Executive Committee and Risk Management Department. Monthly information is also produced for the assessment of ALCO meetings and the same software is also used to process the information required for the production of liquidity and interest rate risk assessments in the banking portfolio, to be sent to the Bank of Portugal on a bi-annual basis.

The accumulated static interest rate gap of 12 months was significantly stable at around an average of 26 per cent. of sensitive assets for the first semester of 2011. The second half witnessed a progressive decrease of this amount, to an average of 24 per cent. of sensitive assets, which rose to 26 per cent. of the sensitive assets, i.e. a total of €24,596 million.

The Interest Rate Risk in the Banking 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 bps on the yield curve. Under the terms of an ALCO resolution and for internal management purposes, the calculation of this impact on own funds and on net interest income is calculated quarterly with internal limits having been defined for the purpose in question, and this information is sent every six months to the Bank of Portugal (Bank of Portugal Notice 19/05).

At 31 December 2011, the impact on shareholders' equity (as defined in Bank of Portugal Notice 12/92) and interest income (understood to be the difference between interest income and costs, comprising the annualised equivalent of its current level), resulting from the referred shift in the yield curve of 200 basis points, was of 11 per cent. and 36 per cent. respectively.

Liquidity Risk

Liquidity risk refers to a situation where the possibility of an occurrence of a time-lag or mismatch between payment inflows and outflows renders the bank unable to satisfy its commitments. This involves a risk in which an institution's reserves and cash assets are not sufficient to honour its obligations at the time of occurrence.

Liquidity risk in the banking business area can occur in the event of:

- Difficulties in funding, normally leading to higher costs of funding but also implying a restriction on the growth of assets;

- Difficulties in meeting obligations to third parties in due time, caused by significant mismatches between residual periods on assets and liabilities.

With a view to the regular monitoring of the new minimum liquidity standards proposed in the "Basel III: International framework for liquidity risk measurement, standards and monitoring" document - the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and with the objective of anticipating eventual corrective measures required for compliance, CGD has been calculating and monitoring the two proposed ratios on a permanent basis in 2011.

Methodology

Liquidity risk management employs an analysis of the periods to maturity of different balance sheet assets and liabilities. The volumes of cash inflows and cash outflows, and respective liquidity gaps, are calculated for each of the different time bands considered, both in terms of the respective periods and its accumulated effect.

The structural liquidity concept is used for analysis purposes which, according to studies and models developed internally and based on the behaviour of depositors, translates the distribution of sight and term deposits by the different bands considered.

Therefore, in the case of sight deposits, 82 per cent. of the balance (core deposits) is categorised under the "more than 10 years" time band with the rest (non-core deposits) being allocated in bands of up to 12 months, in line with seasonality studies and minimum noted balance. Term deposits and savings accounts are, in turn, split up between the different bands in accordance with a model for estimating their expected average life and expected time distribution of withdrawals.

Securities investments also deserve special treatment, with around 85 per cent. of the total securities investments balance being categorised under the "up to one month" band and the remaining 15 per cent. being split up according to the proportion of the balances in the structure of the residual periods of their initial maturity. Shares and other variable income securities with adequate liquidity are considered globally in the “up to one month” band.

Liquidity gaps are calculated monthly and compliance is measured in three limits (two short-term and one long-term) fixed by ALCO.

The dedicated software used to manage the risk of interest rate structure is also used in the analysis of balance sheet liquidity.

The outputs produced monthly for each of the institutions and in consolidated terms are: liquidity gap, liquidity gap and structural map of sources and uses of funds.

Liquidity risk management also incorporates quarterly stress test exercises in articulation with the current liquidity contingency plan, in line with the disclosure of the principles and recommendations of the Basel Committee on Banking Supervision and Committee of European Banking Supervisors.

The methodology developed internally for the assessment of Caixa's resilience to liquidity difficulties involves the measuring and monitoring of the “survival period” (period of time up to the occurrence of liquidity difficulties if corrective measures have not been applied beforehand), in light of three stress scenarios in the finance markets. A fourth scenario is also considered – base scenario – which assumes that Caixa will perform its activities in line with its budget and consequent funding plan.

The current model also encompasses a series of limits for the survival periods defined for each of the referred scenarios. Any non-compliance with any of the existing limits assumes the implementation of the contingency measures provided for in the contingency plan for Caixa's liquidity in accordance with levels of priority therein defined regarding the use of different financing instruments.

Notwithstanding the problems occurring in the monetary and capital markets, Caixa further developed its policy of taking in resources with more adequate maturity periods to avoid mismatches between assets and liabilities maturity periods, ensuring greater stability of its customer resources, both in its launch of structured savings products and in its particularly attractive interest rates.

To avoid high negative liquidity gaps over short-term time bands, Caixa has endeavoured to ensure a permanent level of efficient treasury management. To provide for the longer maturity periods, particularly associated with the continuous growth of its mortgage loans, Caixa continued to use medium and long-term resource-taking instruments in national and international markets in 2011.

In accordance with new guidelines and requirements of the Bank of Portugal, CGD has developed the new monthly reporting of liquidity (Bank of Portugal Instruction 13/2009), consisting of a diverse set of charts in order to enhance knowledge and control of bank liquidity. Taking into consideration the need for permanently and promptly accompanying the liquidity levels of credit institutions, particularly in periods of disruptions in financial markets, the Bank of Portugal also requested weekly information on liquidity in wholesale markets.

Operational Risk

The operational risk management within the CGD Group is supported by a set of guidelines, methodologies and regulations recognised as good practice:

- Alignment with the approach recommended in the Basel II Accord by having adopted the operational risk definition (such as the risk of losses resulting from inadequacies or procedural faults or caused by persons and information systems or due to external events);

- Internal control methodologies proposed by Committee of Sponsoring Organizations of Treadway Commission and Control Objectives for Information and Related Technology; and

- Underlying approach to the Risk Assessment Model implemented by the Bank of Portugal.

Accordingly, the CGD Group has adopted a methodology for operational risk management based on analyses by processes (end-to-end), having obtained the approval of the Bank of Portugal in 2009 to adopt the standard method (TSA) in the calculation of own funds to be allocated to operational risk on a consolidated basis. This calculation method also includes, on an individual basis, Caixa Banco de Investimento, Caixa Leasing e Factoring and Caixagest, which will be subject to the eligibility criteria applicable to the referred method on a separate basis.

The use of this method in Mercantile Bank (South Africa) and in Banco Caixa Geral (Spain) has also been formally approved by the respective supervisors. For the other Group institutions abroad, the calculation of own funds to be allocated to operational risks on an individual basis is calculated in accordance with the Standard Method Approach. In the case of the group's other institutions abroad, the assessment of capital requirements for operational risk, on a separate basis, uses the standard method.

According to the Standard Method and on a consolidated basis, capital requirement for operating risk was of €312 million as at 31 December 2011, compared to €338 million resulting from the Basic Indicator Approach as at 31 December 2010. In the organisation, operational risk management and internal control are the responsibility of dedicated structures and functions:

- An Operational Risk and Internal Control Management Committee responsible for verifying conformity with operational risk and internal control strategies and policies, monitoring the management thereof and proposing action plans;

- An area exclusively dedicated to operational risk and internal control management, responsible for developing and implementing strategies and policies and ensuring that operational risk is being adequately managed and that the controls are operating efficiently, in co-operation with other departments, branches and subsidiaries;

- Process owners who are responsible for facilitating and promoting the operational risk and internal control process;

- Other particularly relevant parties are the Executive Committee, the Consultancy and Organisation Division (management of processes), Compliance Office (compliance risk management), Accounting, Consolidation and Financial Information Division (calculation of own funds requirements) and the Internal Audit Division (control tests); and,

- Relevant roles are also played by the Prevention, Safety and Business Continuity Office (GPS), the Security Committee for Electronic Channels and the SSI Security, Risk and Continuity Area.

Methodology

The methodology adopted by the Group for operational risk management is integrated with the assessment of an internal control system and may be characterised by the following components distributed by the four stages of risk management:

- Identification

- Catalogue of Group Processes;

- Documentation of activities, potential operational risks, control activities and mitigation; and,

- A decentralised process for data collection on operational risk events, losses and recoveries, including near misses, reinforced and supported by control procedures, and communication activities that contribute to the integrity of the database.

Assessment

- Self-assessment questionnaires on potential operational risk developed in line with a logical procedural approach targeted at people in charge of, and executors of, activities;

- Performance of control tests for design, implementation and operational purposes; and

- Measurement of consumption of shareholders' equity.

  - Monitoring;

  - Risk indicators;

  - Disclosure of information relating to operational risk, derived from the various components of the methodology, to the various intervenient in their management.

Mitigation

Promotion and monitoring of the implementation of action plans as a corollary of the other components of the methodology. The implementation of this methodology is set up within CGD and its branches, domestic subsidiaries (Caixa Gestão de Activos - the Group's Asset Management unit - Caixa Banco de Investimento, Caixa Capital, Caixa Leasing e Factoring) and abroad, Banco Caixa Geral (Spain), Offshore Subsidiary Macau and Banco Comercial do Atlântico (Cape Verde), Interatlântico Bank (Cape Verde) and Banco Nacional Ultramarino (Macau Offshore Subsidiary), Banco Caixa Geral Brazil and Banco Comercial e de Investimentos (Mozambique) and Banco Caixa Geral Totta de Angola.

Apart from the methodology of operational risk management, and aiming to ensure continuous operation of the activity, CGD is implementing a Global Business Continuity Strategy based on two pillars: operational continuity and technological recovery.

Consideration was given to this global but demanding and comprehensive vision, including persons and processes which are critical to CGD's activity, in compliance with the procedures recommended for the business continuity management of the financial sector, approved by the National Council of Financial Supervision on 9 September 2010.

This “Business Continuity Strategy” is based on an integrated crisis management approach. In addition to CGD, it includes other CGD companies such as Fidelidade Mundial, Império Bonança, Caixa Banco de Investimentos, Caixa Leasing e Factoring and Caixa Gestão de Activos.

To guarantee the regulatory obligations of institutions which are parent companies of a financial group, Caixa is developing performance/adaptation programmes within this framework of good contingency management for its foreign subsidiaries.

Basel II

Since the end of 2002, CGD has been developing a series of initiatives referred to as the Basel II Programme with the objective of ensuring compliance with the requirements of the new Basel II Capital Accord and its application for the use of advanced approaches to the calculation of own funds requirements.

The aim behind the implementation of the Basel II Programme is not only to comply with regulatory requirements, but also to endow the CGD Group with the most sophisticated risk assessment and management tools and methodologies in terms of credit, market, interest rate and liquidity. Over time, several stages of different projects have been completed. The knowledge acquired has been incorporated in current activity so that reference to them has been made, directly or indirectly, in the description of the various risks management methodologies.

Presented below is a brief statement of the purpose of each project and how it has progressed during 2011:

Global Basel Project

The main objective of this project is to ensure the coordination of activities common to the Programme. In the first half 2011 the candidature for the use of internal credit risk models in CGD’s more material segments was analysed in conjunction with the Bank of Portugal. The analysis resulted in a series of Bank of Portugal recommendations which will be implemented by CGD from 2012.

Gap Analysis Project

This project was the starting point of the programme and allowed the establishment of the consequent action plan. Umbrella Project encompasses the development of risk management training and execution of guidebooks on management and control of risks for the CGD Group. CGD has continued to prepare a training programme dedicated to a very broad universe of employees of CGD, with e-learning courses on Basel II, credit risk and risk-adjusted return, aimed at improving skills in credit risk management complementing the e-learning training in 2010. In addition, in-house regulations were published covering Risk Management guidelines and focusing on: credit risk, currency risk, interest and liquidity rate risk on the balance sheet and operational risk.

Risk DataMart Project (“DMR”) – aims at integrating all relevant information to the other projects of the

Programme in a centralised repository (implementation of data models change). Additionally, there was a project aimed at developing automatic systems for measuring the quality of information loaded in the DMR to control the quality of such information, both in terms of its integrity and accuracy.

Group Information Collection Project ("PRIG") – arises from the need to ensure the centralisation of information for CGD's Group Entities. During 2010, there has been continuity:

- In the harmonisation of data sent by these entities;

- In supporting entities in the developments required for periodic sending of information.

- The main objective of the Integrated Administration and Control Risk ("SIGCR") has been to define and implement an integrated model of risk management supported by a tool for calculating capital requirements, as well as the implementation of a process of self-assessment of economic capital adequacy ("ICAAP").

- This project made the completion of regular prudent reporting on own funds requirements for credit risk (standard method) possible. The ICAAP report was also prepared and supplied.

Market Risk Project

The main objective of this project is to use advanced methodologies for the measurement of market risk for the CGD Group.

The Balance Sheet Interest Rate and Liquidity Risk Project – results from the need to adopt the recommendations of Basel II within the management and supervision of interest rate and liquidity risk in the balance sheet.

Credit Risk Project

The credit risk project combines:

The Project Scoring and Rating Models, which aim to provide CGD with internal models for estimating probability of default, as required in the internal models approach (IRB) in accordance with Basel II. The developments for the use of rating and scoring internal models supporting the decision-making process were finalised; and the Internal Rating Based Advanced Models Project that presents as its main objective the development of internal models to estimate the risk factors Loss Given Default – ("LGD") and exposure in the event of default ("Exposure-at-Default" or "EAD") providing conditions for adopting the advanced internal models approach (IRBA).

The results obtained with the model simulations are used for pricing decisions in corporate and retail, credit portfolio and housing segments.

The Integrated Ratings System ("*SIR*") which is a repository of financial statements and information on the characterisation of collective legal persons, integrated in a workflow allocation and management of, and disclosure of, internal ratings. It enables and facilitates the analysis of those collective persons. Since 2010, the system provides significant advantages over the former application as it permits the automatic supply of accounting data from all of the available countries via the Simplified Statistical Information System, increasing flexibility of use and management of the data obtained and providing a more agile user-friendly navigation interface.

The Monitoring of Internal Models for the Credit Risk Project, aimed at implementing a support application for the monitoring of internal models. During the first semester of 2011 a software tool was implemented for standardising and systemising the accuracy of the performance of the internally developed credit risk assessment models.

Goals for 2012

As a result of CGD's submission to the Bank of Portugal of an application for the use of internal credit risk ratings models, at the end of the first semester of 2011, Bank of Portugal stipulated a set of recommendations to be implemented by CGD from 2012 onwards. One of Caixa's main objectives for 2011 is to obtain the regulator's approval for this model and as such Caixa is preparing the presentation of a formal candidature for the use of internal models for calculating regulatory own funds, by using an internal market risk model from 2012 onwards.

During the first quarter of 2011, Caixa has proceeded with the necessary adjustments to comply with the legislative revision imposed by the transposition of Directives 2009/111/EC, 2009/27/EC and 2009/83/EC as defined in Decree Law 140-A/2010 of 30 December 2010, and the Regulations and Instructions transposed into internal law.

The introduction of the Basel III Capital Accord will determine the relevant actions to be developed for monitoring and integration of the inherent best practices and risk management principles.

ICAAP, risk aggregation and production of stress test exercises will continue to be revised to keep them in line with the best available practice.

Competition

In 2011, CGD faced intense competition in virtually all of its business areas. There was no particular key competitor for its deposit-taking business in Portugal, although CGD took into account the rates and terms offered by other deposit-taking banks and it followed market trends in the Portuguese deposit-taking sector.

The banks operating in other jurisdictions followed similar policies. In Portugal, the principal competitors of CGD in 2010 for housing loans were MillenniumBCP, Banco Espírito Santo, Banco Santander Totta and Banco BPI.

ANALYSIS OF THE UNAUDITED CONSOLIDATED ACCOUNTS FOR THE FIRST QUARTER OF 2012

Economic Environment

Optimism over economic recovery in several areas of the globe in the first quarter, notably in the US, was in contrast to greater doubts concerning other regions such as the EA, particularly on account of the fiscal situation of countries on the periphery. Notwithstanding the above, at the end of the quarter, the eurogroup and other EU partners formalised an increase in Europe's intervention capacity by means of a combination, albeit temporary, of the financial stabilisation mechanisms. In the EA and notwithstanding a certain improvement at the start of the quarter, business confidence indices remained in terrain associated with contraction. Unemployment was also a particularly negative factor, reaching its highest level of the last 17 years in February at 10.8 per cent.. On a price level, year-on-year inflation in the EA was more than 2.0 per cent. for the fifth consecutive quarter.

In Portugal, available economic indicators continued to be consistent with a scenario of a contraction in economic activity accompanied by deterioration both in the economic climate and consumer confidence, owing to fears regarding the labour market. The unemployment rate, which reached 15 per cent. in February, was, according to Eurostat, at the highest level since such information has been provided by the said organisation. In turn, the year-on-year inflation trend was downwards at 3.1 per cent. at the end of the quarter.

The first three months of the year were also marked by greater uncertainty over the evolution of several emerging countries, notably China. Various central banks in such economies, owing to the decline in inflationary pressures, evidenced growing concerns over the outlook for growth. Reference should also be made to the Central Bank of Brazil, which announced more significant reductions of its interest rates, bringing them back down to two year minimums.

The more positive performance of indicators in certain regions such as the US, and a more prudent approach by central banks to stimulating economic growth, enabled the improvements in financial markets, beginning in the fourth quarter, to continue into the first three months of 2012. Notwithstanding the continuation of many uncertainties over the valuation of risk assets, this was visible in the performance of share indices which, in the case of the US, were traded at their highest levels since second quarter 2008 and a decline in debt spreads.

Interest rates in the interbank money market fell considerably in the first quarter, accentuating the movement beginning in the last few months of 2011, following the increase in liquidity provided by the ECB's organisation of another auction with a maturity of 3 years and an unlimited supply of funding.

Fresh tensions in the public debt market at different times and for different reasons in the first quarter of the year, translated into fresh increases in spreads on the sovereign debt of the peripheral countries. At the start of the year, spreads on Italian public debt were close to the maximum recorded following S&P's downgrade of its rating on the securities of nine of the seventeen EA member countries. The difference between spreads on Portuguese and German securities also reached a historical maximum in January, owing to fears that Portugal might follow the example of Greece and eventually restructure its debt. In the case of Greece and until the completion of the debt restructuring process, the spread on Greek debt rose to successive highs.

The first quarter of the year witnessed a decline in spreads in the corporate bond market. The favourable performance of US indicators, completion of the debt restructuring operation on Greek sovereign debt and the ECB's reinforcement of liquidity had a positive influence on the market, in contributing to the reduction of risk aversion.

Special reference should also be made to the performance of the commodities market owing to oil prices. Fears over the possibility of supply-side restrictions, owing to the uncertainties deriving from the situation in several oil producing countries and the very low level of stocks reported by several countries, notably the US, had the effect of raising oil prices to their highest for almost a year, having once again exceeded $120/barrel starting from the end of February.

Main Developments within the Group in the First Quarter of 2012

Main Business Area Developments

Retail Banking - Branch Office Network in Portugal

The first quarter of 2012 was characterised by the continuation of the commercial transformation project, particularly the consolidation of service models, improved value proposals, commercial guidelines, quality of customer service and increased customer loyalty and satisfaction indices. At 31 March 2012, more than 813,000 individual and corporate customers benefited from the management services of a dedicated commercial account officer, with Caixa continuing to occupy the leading position in the national banking sector in terms of customer care and services.

The branch office network at 31 March 2012 comprised 828 branches and 37 Caixa Empresas corporate offices. Commercial gap was reduced due to a contraction of credit and an increase in total deposits. In the branch office network total deposits of €55,350 million were up 5.4 per cent. when compared with the previous year, fuelled by the 16.4 per cent. increase made by general government and 7.2 per cent. made by individual customers. Corporate deposits were down 16.5 per cent..

Individual Customers

Turnover in the individual customers segment totalled €86,874 million in the first quarter 2012. Deposits in this customer segment were up 1.4 per cent. and sales down 3.4 per cent.. Individual customers' deposits in the branch office network in Portugal were up 7.2 per cent. year-on-year to €43,660 million at 31 March 2012.

CGD leads in terms of deposits, reflecting its successful implementation of a strategy based on the issue of a collection of savings solutions geared towards customers in all segments, always providing the highest levels of security based on its financial solidity and helping to reinforce its liquidity. Mortgage lending was down 2.9 per cent. year-on-year in portfolio value terms as a reflection of the market's maturity and the difficulties represented by the present economic and social context.

In the individual customers' segment, reference should be made to the Caixazul service, geared towards the personalised management of premium customers, consisting of financial advisory and decision-making support services based on customised solutions and opportunity management. At 31 March 2012 this service had 315,000 customers and accounted for more than 38 per cent. of turnover in the individual customers' segment. The branch office network had 560 such dedicated spaces.

Corporate

Turnover of €39 billion in the corporate segment for the first quarter of 2012 was down 5.3 per cent. in year-on-year terms. Growth was negative across all components (deposit-taking was down 16.5 per cent., sales down 3.6 per cent. and off-balance sheet down 0.9 per cent).

The economic environment, economic crisis in the eurozone and consequent economic contraction, has had a marked effect on the Portuguese business sector, particularly in the case of SMEs, with a moderation in turnover growth, which was down 3 per cent.. To overcome such difficulties, CGD has implemented strategic guidelines to increase its market share and business in the corporate segment: the consolidation of Caixa Empresas service model with the underlying concept of providing a personalised management service to the self-employed and CGD's small and medium-sized corporate customers, whose credit managers represent the relational aspect on the basis of an integrated approach to corporate customers' business and individual needs. At the end of first quarter of 2012, this service had 23,000 customers representing a turnover of €3.6 billion.

International Area Operations

Due to the current environment of national and international economic crisis, and being aware of the crucial role played by international business for the sustained recovery of the Portuguese economy (owing to the strong historical correlation between GDP growth and the expansion of foreign trade), especially in a period of weak domestic demand, CGD Group remained deeply committed to supporting and accompanying the internationalisation actions and strategies of Portuguese companies in the first semester of 2011.

The continuation of a high level of uncertainty regarding the resolution of the sovereign debt crisis in the EA strongly conditioned the outlook for the evolution of the world economy in 2012. Notwithstanding the measures implemented by the European Union, not only in 2011 but also at the beginning of this year, eurozone countries were particularly vulnerable as a result of the continued tensions associated with the debt crises which particularly affect Portugal, Greece and Ireland as well as, to a lesser extent, Spain and Italy. There are also risks of contagion between the EA and other world economies, aggravated not only by the European economy's poor growth forecasts but also by the eventual effects of the deleveraging in progress in the financial system. On a global level, the outlook remains one of a certain deceleration in the economies of emerging countries without, however, compromising their development. It is therefore in an environment of major asymmetries and enormous challenge that the international area is becoming particularly relevant in mitigating the difficulties and constraints currently hanging over domestic activity.

CGD is present in 4 continents and 23 countries, provides a singular geographical diversity and is undeniably advantageous to the Group. With a network of more than 470 branch offices and around 5,000 employees working abroad, Caixa is particularly focused on the economies of emerging and developing countries such as Community of Portuguese Speaking Countries (Africa and Brazil), China and other Latin American countries, and the Maghreb. Support for the internationalisation of Portuguese companies involves export mechanisms and support solutions in the form of commercial and concessionary lines of credit, trade finance instruments and support for the investment by Portuguese companies in markets with major potential for these customers, in the form of the presence of Caixa Group companies in such countries. Therefore, in the first three months of 2012, CGD Group continued to support foreign trade and the internationalisation of Portuguese companies, particularly focusing on SMEs. Caixa continued to fulfil all financial commitments undertaken under medium and long-term concessionary and commercial lines of credit in support of exports, which make a decisive contribution to promoting the export sector, maintaining its support to customers and global economic growth.

The Group's solutions also include corporate advisory services, provided by specialists in foreign markets and trade finance who cooperate closely with the domestic and foreign branch office network in providing detailed information on the specific characteristics of each of the relevant markets for the internationalisation of Portuguese companies and the development of tailor-made support to exports and investment, taking into account their customers' specific needs.

Caixa has also reinforced its process involving international business promotion on the basis of informational actions to improve its corporate customers' capacities in strategic markets for Caixa Group, accompanying its customers in their endeavours to internationalise.

In this first quarter, reference should be made to informational actions designed to improve the skills of Portuguese companies in their internationalisation processes in strategic markets, in its support for and participation in the 20th Congress Commemorating AERLIS's (Lisbon Regional Business Association) 20th Anniversary, on the theme of "Funding, Innovation and Business Internationalisation" in February 2012, and the "Strategic Triangle: Latin America – Europe – Africa" meeting organised by IPDAL (Institute for the Promotion and Development of Latin America) in March 2012.

Internationalisation undoubtedly comprises a fundamental strategic vector for CGD Group, based on its exploitation of opportunities in diverse markets in which Caixa has a presence and the optimisation of synergies between various external entities.

On account of the strong economic relationship between Portugal and Spain and Caixa's support in promoting the internationalisation process of Portuguese companies, based on a joint network of around 1,000 branch offices in the Iberian Peninsula, CGD views its presence in Spain as a natural extension of its domestic market. Notwithstanding having reinforced its bilateral performance, CGD Group's activity in this market has been performed in a economic context of depression, subject to major constraints in all operating sectors aggravated by additional impairment on several operations, translating into a negative contribution of around €39 million to consolidated income.

In a difficult international economic and financial environment, characterised by high levels of uncertainty and instability, income from international activities, excluding CGD's Iberian presence, was not immune to the difficulties deriving from the unfavourable external environment. The contribution made by international activity to the Group's consolidated net income was down 22.7 per cent. over the same quarter of the preceding year to €26.8 million.

Investment Banking

Activity

Caixa – Banco de Investimento, S.A. (CaixaBI) earned a net operating income of €33.4 million and a net income of €18.5 million from its banking activities in the first quarter of 2012, up by around 29 per cent. over the same period of 2011. Net interest income was up by around 5 per cent. over the same period of 2011 to €7.2 million.

As a consequence of the slowdown of the main economies in which CaixaBI has a more significant presence - Portugal and Spain -, total commissions contracted to €9.8 million in comparison to the same period of 2011.

Notwithstanding the unfavourable environment for its activity, CaixaBI kept a leading position in most league tables having participated in the most important operations in the markets where it operates.

Project Finance

In the first quarter of 2012, CGD Group, via CaixaBI, was lead arranger for structured project finance transactions, having become the best positioned Portuguese bank.

Regarding operations in the primary debt market - which were negatively affected by the constraints associated with the instability related to the sovereign debt crisis and the risk aversion to the periphery countries of the eurozone - reference should be made to the following operations:

Bonds: CaixaBI operated as joint dealer manager for CGD's tender offer on two covered bond issues (maturing in 2016 and bonds on the public sector maturing in 2014), mainly acting as sole dealer manager for non-qualified investors resident in Portugal;

Commercial paper: CaixaBI organised and led two new commercial paper programmes for Ibersol involving an amount of €5 million and for Zon Multimédia, for the amount of €100 million.

Caixa BI was active on equity capital. Reference should be made to CaixaBI's participation as advisor in the organisation and structuring of the public takeover offer launched by Tagus for the capital of Brisa.

On an international level, reference should be made to CaixaBI's operations in Mozambique and in Brazil, where it structured and/or contributed to financial advisory services for a diverse collection of projects.

In corporate debt finance CaixaBI was the bookrunner for 4 issues – Portugal Telecom, the Portuguese Republic and two CGD issues. CaixaBI also organised and led two new commercial paper programmes for Parpública and BPN, completed 35 renewals and/or restructuring operations and currently has nine programmes in progress.

Insofar as the unfavourable macroeconomic context has permitted, CaixaBI's efforts were reflected in the Bloomberg ranking for the first quarter of 2012, in which the bank was leader in Portugal, third in Iberia and second in Brazil in terms of the volume of transactions.

Reference should be made to the following projects, successfully completed by CaixaBI in the quarter:

Parpública: financial advisory service to Parpública for the second stage of the REN reprivatisation, with the sale of a 40 per cent. equity investment in REN to the State Grid China Corporation (25 per cent) and the Oman Oil Company (15 per cent);

SGC Group: financial advisory service to SGC Group for the sale of Pargim Empreendimentos e Participações (real estate business focusing on shopping centres in Brazil) to the Brazilian company Aliansce, comprising a further example of CaixaBI's successful implementation of its cross-border strategy between Portugal and Brazil.

In syndication and sales, as already mentioned, CaixaBI was dealer manager and financial Intermediary for CGD's tender offer on two covered bond issues. In terms of commercial paper issues, CaixaBI was involved in 100 issues totalling an amount of €1,550 million.

Regarding capital market activities - and notwithstanding a drop of around 6.3 per cent. in trading volumes over the same period in 2011 - according to CMVM data (statistics in relation to the reception of deposits on behalf of third parties, table 8, available at http://www.cmvm.pt/cmvm/estatisticas/ifs%20internet/pages/maio2012.aspx), published at the end of February, the change in CaixaBI's trading volume in the same period was of 8 per cent..

According to the same source of information, CGD Group achieved the fourth position in the Portuguese financial intermediaries ranking at the end of February with a market share of 10.8 per cent..

Public debt market-making activities in the secondary market in the first quarter 2012 continued to be characterised by extremely difficult conditions such as low liquidity, historically high bid offer spreads and volatility. Notwithstanding these constraints, CaixaBI was leader of all primary dealers in IGCP's general performance ranking.

As liquidity provider, CaixaBI is a benchmark operator within the Euronext, all securities and categories in which it operates having been awarded the maximum A rating.

In venture capital, Caixa BI continued to secure and analyse investment opportunities: 74 projects were considered, 46 of which have been received in the period and 28 were brought forward from the preceding year.

8 projects were approved, comprising potential investment of around €23 million. Of the said amount, €1 million was invested. Of all the projects examined, 42 per cent. were industrial companies, 20 per cent. agro industrial, 19 per cent. technologies and 10 per cent. commercial projects.

Insurance and Healthcare Activities

Caixa Seguros e Saúde, SGPS

Caixa Seguros e Saúde (CSS)'s consolidated net income for first quarter of 2012 was up 60 per cent. over March 2011 to €15.6 million, notwithstanding the significant impact of non-recurring factors resulting in additional impairment registered for the period.

Insurance Market

The domestic insurance market decreased its activity in the first quarter of 2012, processing direct insurance premiums (including resources taken under investment contracts) of €2,831.9 million, down 13.8 per cent. over the same period of 2011.

Life insurance premiums were down 20 per cent. over the preceding year, representing an income of €1, 693.6 million, deriving especially from capitalisation products and retirement savings plans.

Non-life insurance premiums income were down 2.6 per cent. when compared to the previous year, (corresponding to sales of around €1,138.4 million), essentially as a consequence of the economic slowdown.

CSS reinforced its leading position in the domestic insurance market with an overall market share of 31.9 per cent., in both life (35.3 per cent) and non-life (26.9 per cent) insurance activities. CSS insurance companies increased their share of life insurance activity (up 7.4 pp), as a reflection of a better level of performance of financial insurance in comparison to the rest of the market, as well as the non-life insurance segment (up 0.6 pp), especially on account of its sales endeavours in the health, commercial multirisk and industrial areas.

CSS earned €905 million in direct insurance premiums from its operations in Portugal, up 0.6 per cent. over the preceding year, particularly on account of the 1.1 per cent. increase in life insurance.

Premium income from non-life insurance as a whole, centred on transport, personal accidents, motor vehicle and workman's compensation areas owing to the economic slowdown, was down 0.4 per cent.. There was an increase in market share in the latter two areas with a nominal increase in market share, notwithstanding the nominal reduction in the premiums portfolio.

Results

According to the accounting rules applied by CGD, CSS earned a net income of €15.6 million. This performance reflects the impact of various adverse factors, such as impairment due to the insurance area's exposure to Greek sovereign debt.

Excluding these effects, current income would have been close to €31 million.

Taking the HPP sales process into account, they were considered, at 31 March 2012, as a non-current asset available for sale. Therefore, in consolidated terms, the investment in HPP has not been recognised in assets on account of the fact that the amount of the investment, including adjustments, is negative and has therefore been recognised in shareholders' equity as comprehensive income.

Insurance Activities

The net income attributable to the insurance area in the statutory accounts was €18.2 million, close to the level recorded in 2011. This stabilisation of income, however, incorporates both positive and negative effects, notably the improvement in technical income from non-life insurance, decrease in operating expenses and recognition of impairment on Greek debt and the processing of various provisions.

Excluding non-recurring effects, net income would have been close to €31 million, representing a significant improvement over the comparable result for the preceding year.

Improvement of Technical Income

The technical margin, excluding financial activities, reached €66.6 million, an increase of €4.2 million over the preceding year, of which €15.4 million was from life insurance activities (down €2 million over the preceding year) and €51.2 from non-life insurance, which was up €6.2 million in year-on-year terms.

The result from financial activity, after customer allocations, was negative by €6.4 million (due to recognition of impairment) against income of €42.2 million in comparison with the values recorded in the preceding year.

In technical terms the combined ratio net of reinsurance stood at 103.3 per cent. Structural costs, excluding the provision for eventual impairment on assets, totalled €69.8 million, down 2.7 per cent. on a year-on-year comparison.

Solvency

In consolidated terms, CSS increased its solvency margin to 183.2 per cent., resulting from an increase in its fair value reserve and therefore providing all customers and agents related with the Group with a high safety margin.

Financial Analysis - Consolidated Operations

Results

CGD Group's consolidated net income totalled €8.8 million in the first quarter of 2012, a decrease of 89.46 per cent. when compared to the same period of the preceding year. The results for the first quarter of 2012 have continued to be influenced by the adverse economic and financial conditions, and, as such, provisions and impairment for the global amount of €329.7 million had to be registered as a cost for the period. Credit impairment totalled €240.2 million, and net provisions and impairment on other assets, including securities, reached €89.5 million.

Gross operating income evolved most favourably to €372.0 million, with a 33.9 per cent. quarter-on-quarter increase of €94.2 million over the preceding year, owning to an impressive 8.8 per cent. increase of €61.8 million in net operating income from banking and insurance activities in conjunction with a 7.6 per cent. decrease in operating costs.

Results by Main Business Areas (€ million)	March 2011	March 2012	Change Total	Change %
Domestic Commercial Banking	161.0	237.5	76.5	47.5%
International	62.4	76.7	14.3	22.9%
Insurance and Healthcare	32.9	45.8	12.9	39.2%
Investment Banking	21.6	12.0	(9.6)	(44.2%)
TOTAL	277.9	372.0	94.2	33.9%

Net interest income, including income from equity instruments, totalled €389.5 million, representing an increase of 2.3 per cent. (€8.7 million) over the first quarter of 2011 deriving from an increase of 4.3 per cent. (€15.9 million) in net interest income over the first quarter of 2011. The amount of income from equity instruments (dividends) was down by €7.2 million, a decrease of 61.2 per cent..

Net commissions were down by 5.5 per cent. to €117.7 million, reflecting the decline in commissions from investment banking operations.

Income from financial operations was up €48.9 million in comparison with the same period last year, reaching €111 million. This increase was mainly due to the repurchase of own debt (€96.4 million and the net loss of €16.7 million on the revaluation of financial investments). Other operating income totalled €35.1 million, a very similar figure to the first quarter of 2011.

The technical margin on insurance products contributed €111.2 million to the Group's net operating income, representing a 11.8 per cent. increase (€11.7 million) over the same quarter of the preceding year. This change reflected the significant 7.0 per cent. drop of €15.9 million in claims costs, net of reinsurance.

Due to the above, net operating income from banking and insurance was up 8.8 per cent. (€61.8 million) to €764.5 million, in comparison to the same period of the preceding year.

Profit and Loss Account	As at 31 March		Change	
	2011(*)	2012	Amount	%
	(€ million)	(€ million)	(€ million)	
Interest and similar income	1,209.6	1,381.8	172.3	14.2%
Interest and similar costs	840.5	996.9	156.4	18.6%
Income from equity instruments	11.8	4.6	(7.2)	(61.2%)
Net Interest income, including income from equity investments	380.8	389.5	8.7	2.3%
Income from services and commissions	158.4	157.1	(1.3)	(0.8%)
Costs from services and commissions	33.9	39.4	5.5	16.4%
Income from financial operations	62.1	111.0	48.9	78.7%
Other net operating income	35.7	35.1	(0.6)	(1.7%)
Non-interest income	222,4	263,8	41.4	18.6%
Premiums net of reinsurance	309.0	310.4	1.4	0.5%
Investment income allocated to insurance contracts	37.3	33.1	(4.2)	(11.2%)
Claims costs (net of reinsurance)	228.6	212.7	(15.9)	(7.0%)
Commissions and other associated income and costs	(18.2)	(19.7)	(1.5)	(8.2%)
Technical margin in insurance operations	99.5	111.2	11.7	11.8%
Net operating income from banking and insurance operations	702.7	764.5	61.8	8.8%
Employee costs	240.0	213.3	(26.7)	(11.1%)
Other administrative costs	142.0	136.2	(5.9)	(4.1%)
Depreciation and amortisation	42.8	43.0	0.2	0.5%
Operating costs and depreciation	424.8	392.5	(32.4)	(7.6%)
Gross operating income	277.9	372.0	94.2	33.9%
Provisions net of cancellations	(8.2)	89.5	97.7	1191.5%

Profit and Loss Account

	As at 31 March		Change	
	2011(*)	2012	Amount	%
Impairment on credit and other assets, net of reversals	110.0	240.2	130.2	118.3%
Provisions and impairment	101.9	329.7	227.8	223.7%
Income from subsidiaries held for sale	(22.4)	(1.2)	21.2	94.6%
Income from associated companies	1.8	-	(1.8)	(100.7%)
Income before tax and minority shareholders' interests	155.5	41.1	(114.4)	(73.6%)
Tax				
Current & Deferred	46.4	12.3	(34.1)	(73.4%)
Extraordinary Contribution on the Banking Sector	6.9	7.4	0.5	7.7%
Consolidated net income for the period	102.1	21.3	(80.8)	(79.1%)
Minority shareholders' interests	18.7	12.6	(6.1)	(32.5%)
Net Income attributable to CGD shareholder	83.5	8.8	(74.7)	(89.5%)

(*) Restated accounts, considering the figures involving CSS' healthcare area as a non-current asset held for sale. Gains related to the repurchase of liabilities in first quarter 2011 are recognised in results from financial operations.

Operating costs were down 7.6 per cent. to €392.5 million, with a decrease in staff costs and other administrative costs of 11.1 per cent. (€26.7 million) and 4.1 per cent. (€5.9 million) respectively.

Operating costs in domestic activity were down by €31.5 million (a 14.4 per cent. decrease compared to the same month of the preceding year), reflecting the effects of cost containment measures. Special reference should be made to the 20.7 per cent. (€27.5 million) reduction in staff costs and the 5.0 per cent. drop of €3.1 million in external supplies and services. In the case of insurance activity, the contribution of operating costs was down 10.8 per cent., as opposed to international operations in which they were up 11.7 per cent., reflecting the expansion occurring in this business segment.

Whereas the Group's cost-to-income ratio was 51.3 per cent. (a decrease of 9.5 per cent. in comparison to the figure in December 2010 of 60.8 per cent), the ratio for CGD's separate operations diminished from 55.7 per cent. to 45.0 per cent..

Efficiency Ratios	December 2011	March 2012
Cost-to-income (consolidated) [(1)]	60.8%	51.3%
Cost-to-income (separate operations) [(1)]	55.7%	45.0%
Cost-to-income (banking) [(1)]	60.7%	48.6%
Employee costs/Net operating income[(1)]	32.1%	27.9%
External supplies and services/ Net Operating Income	21.9%	17.8%
Operational Costs/Average net assets	1.44%	1.29%

(1) Calculated in accordance with Bank of Portugal Instruction 23/2011.

Loan impairment for the quarter, net of reversals and recovery, was up 118.3 per cent. to €240.20 million, when compared with the same period of 2011.

Return on equity was of 2.67 per cent. (1.39 per cent. after tax) and return on assets was of 0.14 per cent. (0.07 per cent. after tax).

Provisions and impairment of other assets (net) for the quarter totalled €89.5 million, of which a significant proportion provided for loss of value on CGD's equity investments in Portugal Telecom and La Seda Barcelona, in addition to its exposure to securities held by the Group's insurance area.

In March, the Group also integrated the debt restructuring process on Greek sovereign debt, posting a total loss of around €185.5 million. This, however, did not have an effect on results, having already been registered in securities impairment and provisions account headings in 2011.

Current and deferred tax plus the extraordinary contribution of €7.4 million on the banking sector totalled €19.8 million.

Profit Ratios[(1)]	December 2011	March 2012
Gross return on shareholders' equity (ROE)[(1) (2)]	(8.13%)	2.67%
Net return on shareholders' equity (ROE)[(2)]	(6.4%)	1.39%
Gross return on assets (ROA)[(1) (2)]	(0.44%)	0.14%
Net return on assets (ROA) [(2)]	(0.35%)	0.07%
Net operating income[(3)] / average net assets[(1) (2)]	2.36%	2.51%

(1) Calculated in accordance with Bank of Portugal Instruction 23/2011
(2) Considering average shareholders' equity and net assets values (13 observations)
(3) Includes income from associated companies.

CGD Group's net assets fell 4.8 per cent. (€4.8 billion) in annual terms and 1.6 per cent. (€1.94 million) from the start of the year, to €118.6 billion at the end of March 2012. This was largely due to the evolution of securities investments reflected in the balance sheet deleveraging strategy in progress.

There were therefore reductions in the loans and advances to customers and securities portfolios (including assets with repos agreements) of €4.0 billion (4.8 per cent) and of €1.6 billion (5.9 per cent), respectively, in comparison to the preceding year. The balance on the cash and investments in credit institutions was down 9.2 per cent. (€545 million).

On the liabilities' side, reference should be made to decreases in debt securities and subordinated liabilities of €5.0 billion (down 26.8 per cent) and of €0.8 million (down 28.5 per cent), respectively, over March 2011, partly offset by the 5.6 per cent. increase of €3.8 billion in customer resources. Technical provisions for insurance operations and resources taken from credit institutions were down 20.6 per cent. (€1.2 billion) and 5.2 per cent. (€0.7 billion), respectively. In the first quarter CGD reduced its level of borrowing from the ECB to a net exposure of €6.95 billion at the end of March, against last December's €9 billion.

Loans and advances to customers (gross), excluding repos operations, were up €191 million (0.2 per cent) to €81.7 billion when compared with the figures at year end, and have decreased 3.1 per cent. by €2.6 billion in comparison to the 1st quarter of 2011.

Consolidated Balance Sheet

	As at 31 March			
	2011(*)	2012	Change	%.
	(€ million)	(€ million)	(€ million)	
Assets				
Cash and cash equivalents at central banks	1,879	1,178	(701)	(37.3%)
Loans and advances to credit institutions	4,045	4,201	156	3.9%
Loans and advances to customers	83,247	79,257	(3,990)	(4.8%)
Securities investments	26,194	24,866	(1.329)	(5.1%)
Assets with repo agreements	1,177	900	(277)	(23.5%)
Investment in subsidiaries and associated companies	34	35	1	2.0%
Intangible and tangible assets	1,469	1,482	12	0.8%
Current tax assets	96	83	(13)	(13.4%)
Deferred tax assets	1,144	1,754	610	53.3%
Technical provisions on outwards reinsurance	275	243	(32)	(11.7%)
Other assets	3,881	4,639	758	19.5%
Total assets	123,442	118,637	(4,805)	(3.9%)
Liabilities				
Resources from central banks and other credit institutions	14,285	13,538	(746)	(5.2%)
Customer resources	67,374	71,150	3,776	5.6%
Financials liabilities	1,347	2,020	673	50.0%
Debt securities	18,785	13,754	(5,031)	(26.8%)
Provisions	792	852	60	7.6%
Technical provisions for insurance operations	5,623	4,465	(1,158)	(20.6%)
Subordinated liabilities	2,766	1,978	(788)	(28.5%)
Other liabilities	4,987	4,934	(53)	(1.1%)
Total liabilities	115,959	112,692	(3,266)	(2.8%)

Consolidated Balance Sheet	As at 31 March			
	2011(*)	2012	Change	%.
	(€ million)	(€ million)	(€ million)	
Shareholders' equity...	7,483	5,945	(1,538)	(20.6%)
Total liabilities and equity...	123,442	118,637	(4,805)	(3.9%)

(*) Restated accounts, considering the figures involving CSS' healthcare area as a non-current asset held for sale.

Around 78 per cent. of total loans and advances to customers come from CGD's activity in Portugal. Reference should be made to the 2.7 per cent. increase of €674 million in the case of the loans and advances to corporate and institutional investors in the first quarter of 2012. Loans and advances to individual customers and government have decreased 3.2 per cent. and 9 per cent. respectively on an annual basis, and 0.9 per cent. and 1.6 per cent. in comparison to December 2011.

Loan production by the Group's other units represented 22.1 per cent. of total loans and advances to customers. Reference should be made to the reduction in Group businesses in Spain (down 11.9 per cent. with €686 million, when compared with March 2011) and Caixa Leasing e Factoring (down 9.8 per cent.,€334 million). BNU Macau and Banco Comercial e de Investimentos in Mozambique recorded an increase of 18.1 per cent. (€204 million) and an increase of 26.1 per cent. (€186 million), respectively.

Domestic Activity on mortgage lending in terms of operations was down 3 per cent. and 0.8 per cent. in comparison with March 2011 and December 2011 respectively, having its weight been reduced to 51.7 per cent. of the total portfolio. New mortgage loan production in Portugal reached €97.2 million in first quarter of 2012, a significant decrease when compared with the value recorded for the same period of the previous year.

Benefiting from the highly favourable evolution of deposits, the deposit-to-loans conversion ratio was 121.9 per cent. against the 2011 figure of 137.8 per cent. and 122.2 per cent. recorded at year end, thus approaching the recommended goal for Portuguese banks of 120 per cent..

Loans and Advances to Customers[a]	March 2011	December 2011	March 2012	Change March 2012-2011
	(€ million)	(€ million)	(€ million)	%.
CGD operations in Portugal	65,238	63,382	63,680	(2.4%)
Corporate	25,926	25,174	25,848	(0.3%)
Individual customers	35,598	34,773	34,450	(3.2%)
Mortgage lending	33,937	33,193	32,922	(3.0%)
Other	1,661	1,580	1,528	(8.0%)
Public Sector	3,714	3,435	3,381	(9.0%)
Other CGD Group Companies	19,070	18,151	18,044	(5.4%)
Total	84,308	81,533	81,724	(3.1%)

(a) Before impairment and excluding repos considerations.

Asset quality, measured by the credit at risk and non-performing credit ratio, calculated under Bank of Portugal's rules, has reached 7.4 and 5.0 per cent. respectively against 6.9 and 4.3 per cent. when compared with the year end. The total overdue credit ratio stood at 4.6 per cent. in March 2012, in comparison with the figure of 3.9 per cent. in the end of the year and 3.3 per cent. in the end of March 2011. The ratio of credit overdue for more than 90 days was of 4 per cent., against 3.6 per cent. at the end of 2011.

Accumulated impairment on loans and advances to customers (performing and overdue) at end of March 2012 was of €3,582.4 million, having suffered an increase of 33.1 per cent. by €891.6 million. The credit overdue for more than 90 days cover rate was 109.2 per cent. against 116.5 per cent. at the end of 2011.

Credit impairment, net of cancellations and reversals, in the first quarter of 2012, comprised 1.14 per cent. of the average balance portfolio, up 0.17 per cent. over the end of 2011.

Asset Quality Ratios	March 2011	December 2012	March 2012
Non-performing credit / total credit[a]	3.3%	4.3%	5.0%
Credit at risk / total credit[a]	4.5%	6.9%	7.4%
Overdue credit / total credit	3.3%	3.9%	4.6%
Overdue credit 90 days / total credit	2.7%	3.6%	4.0%
Non-performing credit, net/ total credit, net[a]	0.2%	0.2%	0.7%
Credit at risk, net/ total credit, net	1.4%	2.9%	3.2%
Overdue credit cover	94.4%	105.0%	94.5%
Cover on credit overdue more than 90 days	114.7%	116.5%	109.2%
Cover on average credit overdue	0.54%	0.97%	1.14%

(a) Calculated in accordance with Bank of Portugal Instruction 23/2011.

Securities investments (including assets with repo agreements), including the Group insurance companies' investment book, were down to €25.8 billion in comparison with €27.4 billion in March 2011, reflecting a strong assets deleverage strategy in the current context of liquidity shortage and high funding costs, with particular emphasis on the investment book of insurance companies.

Securities investments[(a)]	March 2011	December 2011	March 2012	Change March 2012/2011
	(€ million)	(€ million)	(€ million)	%.
Banking	16,706	16,226	17,149	2.7%
Insurance	10,666	8,949	8,617	(19.2%)
Total	27,372	25,176	25,766	(5.9%)

(a) After impairment including assets with repo agreements.

Total resources taken by the Group (excluding the interbank money market) were down 3.9 per cent. to €100.1 billion when compared to the same period of the preceding year, and 0.3 per cent. when compared with the value registered in December 2011. However, if the funding obtained from institutional investors would not be considered, the total customer resources balance would have been up 1.4 and 0.6 per cent. against March and December 2011, respectively, to €86.5 billion.

From total resources of €89.4 billion, retail resources in the balance sheet were up 3 per cent., in annual terms, to €75.8 billion, influenced by the 7.6 per cent. increase in customer deposits.

Resources taken by Group	March 2011	December 2011	March 2012	Change March 2012/2011
	(€ million)	(€ million)	(€ million)	%.
Balance sheet:	92,501	90,209	89,368	(3.4%)
Retail	73,644	75,858	75,826	3.0%
Customer deposits	60,405	64,030	65,005	7.6%
Capitalisation insurance(a)	10,254	8,893	8,300	(19.1%)
Other customer resources	2,985	2,935	2,522	(15.5%)
Institutional investors	18,855	14,352	13,542	(28.2%)
EMTN	8,156	7,128	5,853	(28.3%)
ECP and USCP	823	0	1,100	(33.6%)
Nostrum Mortgages	462	403	389	(15.8%)
Mortgage Covered bonds	7,130	5,806	5,177	(27.4%)
Bonds guaranteed by the Portuguese Republic	1,262	0	0	(100%)
Public Sector Covered Bonds	1,022	1,014	1,023	0.1%
Off-balance Sheet:	11,662	10,131	10,712	(8.1%)
Investment units in unit trust funds	4,722	4,055	4,262	(9.7%)
Caixagest	3,058	2,490	2,698	(11.8%)
Fundimo	1,664	1,565	1,564	(6.0%)
Pension fund	2,188	2,075	2,129	(2.7%)
Wealth management(b)	4,752	4,001	4,321	9.1%
Total	104,163	100,340	100,080	(3.9%)
Total excluding institutional investors	85,308	85,989	86,538	1.4%

(a) Including fixed-rate insurance and unit-linked products.
(b) Does not include the CGD Group insurance companies' portfolio.

Due to difficulties in accessing capital market funding, resources taken from institutional investors in the form of own issues were down 28.2 per cent. by €5.3 billion in comparison with March 2011, and 5.6 per cent. by €0.8 billion since the beginning of the year to €13.5 billion.

"Off-balance sheet resources" were down 8.1 per cent. (to €10.7 million) at the end of March 2012, insofar this represents an improvement of 5.7 per cent. comparatively to the end of 2011. This evolution was aggravated by the changes occurred in the balances of Caixagest funds and the wealth management area.

Shareholders' equity	March 2011	December 2011	March 2012	Change March 2012/2011
	(€ million)	(€ million)	(€ million)	%.
Share capital	5,050	5,150	5,150	2.0%
Fair value reserves	(857)	(2,078)	(1,420)	-
Other reserves and retained earnings	1,759	1,708	1,162	(34.0%)
Minority shareholders' interests	1,448	1,045	1,044	(27.9%)
Net income for period	83	(488)	9	-
Total	7,483	5,337	5,945	(20.6%)

Solvency Ratio

The Group's shareholders' equity stood at €5.9 billion at the end of the March 2012, up 11 per cent., over December 2011. The solvency ratio, on a consolidated basis, in March 2012, determined under the Basel II regulatory framework, stood at 11.7 per cent., while Core Tier 1 and Tier 1 ratios were at 9.6 per cent. and 9.2 per cent., respectively. These ratios include retained earnings. On 20 January 2012, CGD presented to the Bank of Portugal its capital plan required by the EBA with the aim of achieving a Core Tier 1 ratio of 9 per cent. as at 30 June 2012. On 29 June 2012, CGD disclosed its registered recapitalisation plan through the information disclosure system of CMVM (www.cmvm.pt).

Relationship with the Portuguese Government

CGD is exclusively owned by the Portuguese Government and is regulated by general and specific regulations applicable to credit institutions and legislation applicable to public limited companies. The public nature of CGD is expected to be maintained and reinforced in the current context of the Portuguese financial system. CGD has complete autonomy in administrative and financial matters.

CGD's corporate objects are the performance of banking operations pursuant to the terms defined in its articles of association and subject to the scope of the limitations defined in applicable legislation. CGD provides the Portuguese Government with banking services in competition with other banks. CGD is additionally able to undertake any other functions which have been specifically given to it by law, the manner and terms of which are defined in contracts entered into with the Portuguese Government.

The rights of the Portuguese Government as shareholder are exercised by a representative appointed in a regulation issued by the Portuguese Minister of Finance.

Board of Directors, General Meeting, Auditing Committee and Statutory Auditor of CGD

General

Pursuant to Decree-law no. 287/93 of 20 August 1993, CGD must at all times be held by the Portuguese State. CGD may, on a contractual basis, undertake special functions considered to be of national interest. There are three corporate bodies within CGD: the Board of Directors ("Conselho de Administração"), the General Meeting ("Assembleia Geral") and the Auditing Committee ("Comissão de Auditoria"). The General Meeting is conducted under the direction of a General Meeting Board ("Mesa da Assembleia Geral").

The members of the Board of Directors, Auditing Committee and the General Meeting Board are elected by the General Meeting. The Board of Directors appoints the Executive Committee. Since the Portuguese State holds the entire share capital of the Issuer, all such members are selected by the Portuguese Government. The current Board of Directors is composed of eleven members, a President, one Vice-President and nine Members, who were elected for a three year period. The term of office of the current members of the Board of Directors is due to last until 2013. The Board of Directors is responsible for the management, administration and representation of the Issuer. The Portuguese State is represented by the Ministry of Finance in the General Meeting. The Auditing Committee assists in the preparation of the Issuer's own and consolidated accounts. The Issuer has also a Statutory Auditor ("Revisor Oficial de Contas") responsible for certifying the same accounts, which is also elected by the General Meeting.

Board of Directors

The following are the members of the Board of Directors of CGD, the business address of which is CGD's head office:

Name	Title	Position in other corporations, if any
Fernando Manuel Barbosa Faria de Oliveira	Chairman	Chairman the Board of Directors of Fundação Caixa Geral de Depósitos – Culturgest and Chairman of Board of Directors of the Portuguese Banking Association.
José Agostinho Martins de Matos	Vice-Chairman / Chairman of the Executive Committee	Chairman of the Board of Directors of Parcaixa, SGPS, SA and Member of Board of Directors the Portuguese Banking Association
António do Pranto Nogueira Leite…..	Member / Vice President of the Executive Committee	Chairman of the Board of Directors of Caixa – Banco de Investimentos, SA, Chairman of the Board of Directors of Partang ,SGPS, SA and Member of the Board of Directors of EDP Renováveis, SA
Norberto Emílio Sequeira da Rosa	Member / Vice President of the Executive Committee	Chairman of the Board of Directors of Caixa – Participações, SGPS, SA, Chairman of Board of Directors of Caixa Seguros e Saúde, SGPS, SA, Chairman of the Board of Directors of CAIXATEC – Tecnologias de Comunicação, SA, Chairman of the Board of Directors of Sogrupo – Sistemas de Informação, ACE, Chairman of the Board of Directors of Caixa Geral de Aposentações, Member of the Board of Directors of CIMPOR – Cimentos de Portugal, SGPS, SA, Member of the Board of Directors of SIBS – Sociedade Interbancária de Serviços, SA, Non-executive Member of the Board of Directors of SIBS Forward Payment Solutions, SA, Non-executive Member of the Board of Directors of ZON – Serviços de Telecomunicações Multimédia, SGPS, SA
João Nuno de Oliveira Jorge Palma...	Executive Member	Chairman of the Board of Directors of Sogrupo – Compras e Serviços Partilhados, ACE and Member of the

		Board of Directors of Banco Comercial e de Investimento, SA
José Pedro Cabral dos Santos............	Executive Member	Member of the Board of Directors of Caixa – Banco de Investimentos, SA
Nuno Maria Pinto de Magalhães Fernandes Thomaz..................................	Executive Member	Chairman of the Board of Directors of Caixa – Gestão de Activos, SGPS, SA, Chairman of the Board of Directors of Caixa – Imobiliário, SA, Chairman of the Board of Directors of Caixa Leasing and Factoring – IFIC, SA, Chairman of the Board of Directors of Imocaixa – Gestão Imobiliária, SA and Member of the Board of Directors of Locarent – Comp. Portuguesa Aluguer de Viaturas, SA
Rodolfo Vasco Castro Gomes Mascarenhas Lavrador	Executive Member	Chairman of the Board of Directors of Banco Caixa Geral – Brasil, S.A, Chairman of the Board of Directors of Banco Caixa Geral, S.A., Chairman of the Board of Directors of Banco Nacional Ultramarino, SA, Chairman of the Board of Directors of Parbanca, SGPS, SA, Vice-Chairman of the Board of Directors of Banco Caixa Geral Totta de Angola, SA, Vice-Chairman of the Board of Directors of Banco Comercial e de Investimentos, SA, and Member of Board of Directors of Partang, SGPS, SA and Chairman of the Wages Committee of Banco Caixa Geral, SA.
Prof. Álvaro José Barrigas do Nascimento.......................	Member	Member of Auditing Committee of Caixa Geral Depósitos, SA
Prof. Eduardo Manuel Hintze da Paz Ferreira................................	Member	Chairman of the Auditing Committee of Caixa Geral Depósitos, SA
Pedro Miguel Duarte Rebelo de Sousa....................................	Member	Member of the Auditing Committee Caixa Geral Depósitos, SA

No potential conflicts exist between any duties to the Issuer of the persons on the board of directors, as listed above, and their private interests or other duties in respect of their management roles.

The Issuer complies with the corporate governance regime in Portugal.

General Meeting

The following are the members of the General Meeting Board of CGD, the business address of which is the Issuer's head office:

Name	Title
Manuel Carlos Lopes Porto	Chairman
Rui Manuel Parente Chancerelle de Machete.....................................	Vice-Chairman
José Lourenço Soares	Secretary

It is the Issuer's understanding that the members of the General Meeting Board comply with the requirements on independence and incompatibilities set forth in the Portuguese Companies Code.

Auditing Committee

The following are the members of the Supervisory Board of CGD, the business address of which is the Issuer's head office:

Name	Title
Eduardo Manuel Hintze da Paz Ferreira..	Chairman
Pedro Miguel Duarte Rebelo de Sousa..	Member
Alvaro José Barrigas do Nascimento...	Member

It is the Issuer's understanding that the members of the Supervisory Board comply with the requirements on independence and incompatibilities set forth in the Portuguese Companies Code. Furthermore, it is the Issuer's understanding that the Chairman, Eduardo Manuel Hintze de Paz Ferreira, complies with the suitability, knowledge and independency requirements set forth in the same Code.

Statutory Auditor

The Statutory Auditor, elected by the General Meeting for the period of 2010 to 2012, is Oliveira Rego & Associados, SROC (represented by Manuel de Oliveira Rego), member of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), registered with the CMVM with registration number 218, with registered office at Av. Praia da Vitória, no. 73, 2.º Esq. 1050-183 Lisboa, its substitute being Alvaro, Falcão & Associados, SROC (represented by Eleutério Ganilho Álvaro), member of the Portuguese Institute of Statutory Auditors, registered with the CMVM with registration number 222, with registered office at Rua Antero de Quental, no. 639, 4200-068 Porto.

Recent Developments

On 6 February 2012, CGD Group announced that, through CGD PINF, a company incorporated in Brazil with a share capital owned by CaixaBI (50%) and by BCG - Brazil (50%), it entered into with the Banif Group the definitive agreements to acquire a stake in Banif Securities and Exchange Brokerage, SA ("Banif CVC"). This acquisition was made for about R$ 130 million (EUR 57.8 million). This price was agreed and announced in June 2010 and the acquisition was made in two stages, first a capital increase in Banif CVC and subsequently a purchase of shares of this company, to achieve a 70% stake in Banif CVC. Banif CVC is a leading home broker (online brokerage) in Brazil with about 35 000 active clients.

This acquisition reinforces CGD Group's capacity in investment banking in Brazil, in which CGD obtained in 2010 a prominent position among the ten largest banks in Brazil in the area of project finance and of mergers and acquisitions, by official rankings of ANBIMA (Brazilian Association of Financial and Capital Markets). The entry in the brokerage area will allow a broad and consistent performance in the Brazilian capital market.

Moreover, the acquisition opens an important channel for attracting foreign investors considering the privileged access of CGD Group to a broader base of institutional clients, either directly or through its participation in the European Securities Network (ESN), a pan-European network of brokerage firms that covers 10 countries in Europe and with presence in the U.S. reaching 1,300 institutional investors and a research team of more than 120 analysts.

The deal is another important step in the expansion strategy of the Group CGD in Brazil, which demonstrates, once again, its great commitment to the country and to Portuguese-Brazilian relations.

CGD informed the market on 29 March 2012 that CGD, Amorim Energia, BV ("AEBV") and ENI SpA ("ENI"), agreed on the terms and conditions that will allow ENI to transfer its stake in GALP Energia, SGPS, SA ("Galp Energia"), and will no longer be part of the Shareholders Agreement entered into between them regarding Galp Energia.

Caixa Geral de Depósitos also informed the market on 29 March 2012 that CGD decided to sell a stake of 9.58% in Cimpor - Cimentos de Portugal, SGPS, SA (“CIMPOR”) under the tender offer announced by InterCement Austria Holding mbH (Camargo Corrêa Group). The decision was subject to Votorantim Cement SA (“VC”) releasing CGD from all obligations under the shareholder agreement in force between the two parties in terms that CGD considers satisfactory.

On 22 June 2012 it was disclosed to the market that (i) CGD sold to InterCement Austria Holding GmbH ("InterCement"), within the public tender offer launched by the latter, on June 18, 2012, 64,406,000 shares, corresponding to 9.5842% of the share capital of CIMPOR, and (ii) Fidelidade - Companhia de Seguros. S.A., and CGD’s Pension Fund, managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A. sold, within the same public tender offer launched by InterCement, the total amount of CIMPOR shares held, 89,748 and 156,353, respectively. Financial and physical settlement occurred on 25 June 2012.

Following the above mentioned sales, the CGD Group no longer holds any participation in CIMPOR share capital. Furthermore, in consequence of the referred disposal by CGD, the shareholder agreement signed by CGD and VC, on 3 February 2010, as well as its amendment signed on 13 March 2010, was extinguished by automatic resolution, for what the voting rights associated to 142,492,130 shares, held by VC, are no longer imputable to CGD.

In light of the above, and within the terms and for the purposes of article 20 of the Portuguese Securities Code, there are no longer CIMPOR voting rights imputable to CGD Group.

In compliance with the goals defined in the Economic and Financial Assistance Programme and requirements of the European Banking Authority (EBA) regarding the objectives for the capital ratio (Core Tier 1), on 27 June 2012 the Issuer has approved a recapitalisation plan for a total amount of 1,650 million Euros, comprising (i) an increase in its share capital of 750,000,000 euros, through the issue of 150,000,000 new nominative shares of 5 Euros each, subscribed at par value by its sole shareholder and (ii) an issue of hybrid financial instruments, eligible as core tier 1 capital, in a total amount of 900,000,000 Euros, fully subscribed by the Portuguese State.

The distribution of the aforementioned amount in stocks on contingent capital bonds (fulfilling the requirements defined in Attachment III of Recommendation EBA/REC/2011/1, of 8 December 2011) shall be defined in due course.

On 13 June 2012, CGD informed the market that CGD has sold, on an over the counter transaction, 33,181,144 shares of ZON MULTIMEDIA - TELECOMMUNICATIONS SERVICES AND MULTIMEDIA SGPS SA. ("ZON"), representing 10.735 per cent. of share capital and voting rights of ZON to JADEIUM BV, a company based in Amsterdam.

Fidelidade – Companhia de Seguros, the Group’s insurance company and CGD´s Pension Funds also have sold to the same purchaser, 215,000 shares and 483,387 shares respectively, representing 0.07 per cent. and 0.156 per cent. of the share capital and voting rights of ZON (without consideration of any own shares that ZON may hold), so the total stake of shares sold by CGD Group is 33,879,531 shares, representing a stake of 10.96 per cent. of ZON capital.

XI. THE PORTUGUESE MORTGAGE MARKET AND THE SERVICING OF THE COVER POOL

34. The paragraphs under the subsection "**Economic Environment**", included in this section, shall be amended and replaced by the following:

"*Over the last 16 years, Portugal's GDP growth has changed considerably. In the period from 1995 to 2011, Portuguese GDP grew at an average annual rate of 1.6 per cent., almost equal to the 1.6 per cent. in the European Union. However, in the last 5 years, Portugal's GDP growth has been lower than that of the euro area (minus 0.2 per cent. compared to 0.5 per cent.). In fact, GDP growth in the first quarter of 2012, keeping in trend with 2011, continued to be negative (minus 2.2 per cent., on a yearly basis, down from 0.6 per cent. in the first quarter of 2011). The Portuguese economy is expected to decrease by 3 per cent. in 2012, as the correction of macroeconomic imbalances takes its effect (according to the statistics of INE - Instituto Nacional de Estatistica and to Eurostat).*

At the same time, the Harmonised Index of Consumer Prices (HICP) is projected to grow by 3.2 per cent. in 2012 (3.7 per cent. in 2011), due to increases in Value Added Tax (VAT). The price for oil is also expected to increase, which will contribute to a rise in consumer prices.

Additionally, the labour market in Portugal has been affected by the economic recession in the last three years. A more flexible labour market trend is expected, in order to ensure greater adaptability to economic needs and evolution. The unemployment rate in Portugal in the first quarter of 2012 rose to 14.9 per cent. of the workforce, and appears likely to increase during 2012. Long term unemployment represents 51 per cent. of the unemployed population (according to INE and to the Paper on Bugetary Strategy for 2011-2016 by the Portuguese Ministry of Finance)."

35. The text under the subsection headed "**Mortgage Evolution**", included in this section, shall be amended and replaced by the following:

"*The Portuguese property sector is characterised by a relatively high ownership ratio (75 per cent.), resulting both from cultural reasons and from the absence of a well-functioning rental market. Thus, the housing market grew from 4.2 to 5.1 million dwellings between 1991 and 2000.*

Since 2001, the number of dwellings in Portugal increased 15 per cent., surpassing the growth of families of just 6.1 per cent.. This trend explains the 31 per cent. reduction of house purchases between 2007 and 2011, from 281,365 to 194,000 buildings.

As a result, since 2006, the number of permits and new residential properties brought to market has been decreasing gradually. There was a 35 per cent. drop in the number of licensed houses in the period 2001-2008, following the slowing trend in demand for housing.

In the following period, there was a 71 per cent. drop in the number of licensed houses (from 58,399 in 2008 to just 16,706 in 2011), resulting from the difficulty of absorption of completed housing in a period of economic downturn.

However, it should be noted that, in the period from 2000 to 2007, the growth rate of real residential property prices in Portugal was lower than that of Ireland, the UK or Spain, as well as the euro area as a whole (-1,1 per cent.. average growth rate in Portugal against 4 per cent. in the euro area).

House valuations were stable in the period 2005-2007, in a non-speculative environment. Just before the subprime crisis, Portuguese nominal prices grew 2.3 per cent. in 2005, 2.1 per cent. in 2006 and 1.3 per cent. in 2007, whereas the euro area had a higher price evolution (7.6 per cent., 6.4 per cent. and 4.3 per cent. respectively).

Because speculative movements did not affect the Portuguese housing market, in the period 2008-2011, Portugal was less affected by the subprime crisis than other countries in the euro area, such as Spain or Ireland, and only a moderate decrease in the house price index was felt, from 2008 to 2011 (a decrease of 5 per cent.,2 per cent., 3 per cent. and 5 per cent. respectively).

In March 2012, Portugal's residential mortgage market was valued at €112.8 billion, around 70.7 per cent. of GDP in 2011. According to Bank of Portugal reports, total outstanding mortgages showed a turning point in March 2011, starting a declining cycle (down 1.48 per cent.), mainly due to a decrease in new lending activity which did not compensate for amortizations in outstanding loans.

The main reason for this trend in the mortgage market is the new lending activity in Portugal, which has been slowing down since the second quarter 2010, reflecting expectations of low consumer confidence and a continued weakness in the macroeconomic environment.

In the first quarter of 2012, new lending fell by 72 per cent. (achieving a value of €483 million in first quarter of 2012 in comparison with €1,734 million in first quarter of 2011) and a deterioration of mortgage activity is expected due to the economic and sovereign debt crisis, resulting in increased unemployment rates and consequently in a decrease in household disposable income.

Furthermore, the continuous tension in sovereign debt market and increased scarcity of funding are increasing mortgage rates in new loans by 1.42 per cent. in the first quarter of 2012 when compared with the first quarter of 2011.

The economic and sovereign debt crisis, in an environment characterised by increasing credit spreads and very limited market liquidity, is also changing priorities of the Portuguese banks in relation to mortgage lending, making the use of more restrictive lending criteria mandatory and implementing deleveraging programs.

The economic environment and the financial adjustment program associated with the request of financial assistance by Portugal to the ECB will imply a contraction in domestic demand, impacting on economic activity, disposable income and employment, and CGD is considering these issues when setting with its lending criteria and management of outstanding loans.

Furthermore, the weight of mortgage payments on disposable income is of crucial importance to CGD as housing loans constitute the largest liability of household debt and account for a large proportion of overall lending."

36. In the third paragraph of the subsection "**Description Of Issuer's Residential Mortgage Business**", included in this section, the expression "*number of insurees and age of applicants*" shall be amended and replaced by the expression "*number of insurees and applicants' age*".

37. In the fifth paragraph of the subsection "**Description Of Issuer's Residential Mortgage Business**", included in this section, it shall be added a comma next to the expression "*number of agreements*".

38. In the subsection "**Description Of Issuer's Residential Mortgage Business – Underwriting**", the expression *"(including age, civil status, spouse's age (if any), details of other existing debts and liabilities both to the Issuer and other entities*" shall be replaced by "*(including age, civil status, spouse's age – if any –, details of other existing debts and liabilities both to the Issuer and other entities*".

39. In the third paragraph of subsection "**Description Of Issuer's Residential Mortgage Business – Underwriting**", the reference to "*Bank of Portugal Regulation 2/2010*" shall be replaced by "*Bank of Portugal Notice 2/2010*".

40. In the second paragraph of subsection "**Description Of Issuer's Residential Mortgage Business – Insurance***"* the sentence "*Life insurance has always been recommended and is mandatory since September 2002 for an amount equal to or greater than that of the loan*" shall be amended and replaced by "*Life insurance is mandatory since September 2002 for an amount equal to or greater than that of the loan*".

41. The second paragraph of subsection "**Description Of Issuer's Residential Mortgage Business – Mortgage Products***"* shall be amended and replaced by the following: "*Residential mortgage loans originated by the Issuer can be up to 40 years in maturity (assuming that is totally amortised before the borrower reaches the age of 80 years old), with the exception for mortgages loans used to purchase houses owned by CGD as a result of mortgage delinquency. Most residential mortgage loans pay interest on a floating rate basis indexed to 3 or 6 month EURIBOR (as the rate varies quarterly or half yearly) with a spread depending on the loan-to-value ratio, the amount of the loan and the client profile, according to risk scoring model. Clients may also choose from a wide range of fixed rates at 2, 3, 5, 10, 15, 20, 25 and 30 years of maturity. 6 month Euribor is the only floating rate used for new loans*."

42. The text under the subsection "**Description Of Issuer's Residential Mortgage Business – Credit decision***"* shall be amended and replaced by the following wording:

"*Like other banks, CGD has inverted the product policies applied before the financial crisis, decreasing loan-to-value ratios and maturities as well introducing less flexible repayment schemes.*

Since 2008, CGD has refocused its strategic guidelines for mortgage lending, having a priority concern in credit decisions, delinquency loans and customer profitability.

In Portugal, most residential mortgage loans pay interest on a floating rate basis, indexed to six-month Euribor with a spread depending on the loan to value ratio and the relevant clients' scoring under Basel II rules. While most banks offer fixed or capped rate alternatives, Portuguese borrowers have shown little interest in these types of products. The potential evolution of instalments and the impact on delinquency are considered in CGD credit decision.

In order to prevent future increases in Euribor and over indebtedness, CGD uses Euribor plus 2 per cent. and includes insurance costs in financial customer capacity evaluation for new loans, and through their inclusion in debt to income ratio.

Additionally, CGD has created the risk-adjusted pricing, a new model in credit decision, which seeks to respond to market developments and the requirements of Basel II.

This model comprises client scoring, which assesses the risk level of customers from a wide range of variables, such as socio-demographic, economic and financial and relationship ones.

This model focuses on lower risk customers, with lower levels of insurance on mortgage loan repayments. At the same time, this model penalises price levels and especially the decision, whenever customers most likely to reveal potentially default. Additionally, CGD is applying a consistent rise in pricing, better adjusted to customer risk.

In pricing decisions, CGD applies different spreads related to cross-selling agreements established with the customer (insurance products, debit and credit cards, home banking, direct payments, deposits, etc.).

In order to preserve or enhance customer profitability, CGD launched, in March 2009, Advanced Price Differentiation (APD).

APD controls and enhances the profitability of operations, strengthens involvement with customers, increases cross-selling, promotes the maintenance of the conditions agreed and improves monitoring of portfolio of mortgages.

This integrated application controls cross-selling situation in mortgage loans, with the purpose of applying higher spreads on such contracts, if cross-selling first negotiated with the customer, is no longer effective.

APD allows identification of customers who do not comply with these cross-selling agreements, triggering a cross-selling alert and a future change of the loan price when applicable. The main purpose of the negotiation is to recover the cross-selling agreement; otherwise there will be a change in price. Thus, APD provides a better management of mortgage loans."

43. The text under the subsection "**Description Of Issuer's Residential Mortgage Business – Delinquency management in the mortgage business**" shall be amended and replaced by the following wording:

"Residential mortgage business in CGD requires a strict and consistent management of delinquency, using multiple solutions to prevent and mitigate non-performing loans.

Early detection of delinquency situations led to the creation in CGD of the concept of client in financial stress. A customer is in financial stress when the client records a default within the CGD Group, or when the client evidences difficulty in paying expenses, even if the customer is not yet in default.

In either circumstance, typically, the client has had a reduction of disposable income measured as an increase greater than 10 per cent. in their debt-to-income ratio when compared to that observed at the time of underwriting.

For these clients, Caixa has created in its information systems the predictive delinquency alert that detects customers:

• with a partial delay in paying of at least one mortgage instalment;

• using the totality of overdraft limit negotiated in a two-month period;

• using their full credit limit in credit cards at least once in the last 6 months;

- *with an indication of credit written off, non-performing loans or credit renegotiation in Bank of Portugal's systems.*

It also detects customers whose payments, by direct debit, are lagging behind or whose debit payments have been cleared.

In order to anticipate and prevent potential indebtedness situations in mortgages, this alert identifies possible cases of serious debt situations and allows CGD to act proactively by providing credit renegotiation solutions that will reduce the risk of default.

Simultaneously, CGD has created a new default commercial alert, sent monthly by e-mail to commercial departments, with mortgage loans which are in an early stage of default. This alert provides useful information to analyse and propose solutions for credit recovery (start date and end date, amount in default, amount in debt). This alert also adds customers' personal information, such as age, other credit in CGD and in the banking system. This alert allows local branches to identify more precisely the level of customer responsibilities and study the solutions that are most appropriate to each particular case.

CGD has also created a delinquency data application, named "Módulo Crédito Vencido", with information on overdue loans, which is updated daily with a high level of product and customer data. This system displays several lists of overdue loans that can be used to analyze and provide recovery solutions.

Delinquencies of less than 90 days are dealt with at branch level. During this period, branches are responsible for the recovery process. For this purpose, the branch receives automatic reports with information about delinquent loans. Delinquency notifications are sent automatically to the borrowers and or guarantors 25 and 55 days after the payment was due, warning that it was not possible to collect the instalment due, highlighting the amount owed, requesting it to be paid as quickly as possible and explaining that if the non-compliance continues, then the matter will be sent to the credit recovery department.

At the same time, CGD's call centre begins a series of initiatives that include text messaging and outbound contacts, with the purpose of obtaining from the customer a payment promise, or, if not feasible, a face-to-face meeting at the branch to examine and negotiate new solutions suitable to the customer's financial situation.

Several solutions for recovery are usually applied, for instance payment plans, extending the term of the contract, capitalisation of instalment arrears, deferral of part of the outstanding principal, or changing the payment date.

After 90 days in arrears (except for loans in relation to which a recovery plan has been approved), the file is transferred to a centralised Credit Recovery Department, and a new notification is sent to the client. At the same time, the client is contacted to confirm that the client's file has been *transferred to a new department.*

Thereafter, a negotiation team ("Recuperadores") begins a negotiation process with the client whereby they try to understand the financial situation of the borrower and prepare a payment plan. If the client is unable to co-operate, a notification is sent after the 4th defaulting instalment, informing the client that the case will be referred to legal proceedings.

On the 5th defaulting instalment, if these internal procedures have had no effect, the client receives both a call from the call centre and a new notification from the Credit Recovery Department, indicating that litigation will be initiated.

The client has 30 days to reply and renegotiate its debt before the file is delivered to an external lawyer who will start court proceedings.

Finally, CGD has developed new tools, in the mortgage lending management applications, to support analysis and decision (scoring, financial effort, customer responsibilities), to automating and simplifying the process of change in post-contract and to reduce the time associated with the preparation of proposals and decision.

Therefore, this contractual changes optimization are now improving non-performing loans management and also preventing default in mortgage."

XII. THE COVERED BONDS LAW

44. In the second paragraph of the subsection headed "**Framework**", the reference to "*regulatory notices*" shall be amended and replaced by "*regulations*".

45. The paragraph under the subsection "**Risk-Weighting & Compliance With European Legislation**", shall be amended and replaced by the following:

"*Covered bonds issued in accordance with the Covered Bonds Law are in compliance with the requirements of article 52 para. 4 of the UCITS Directive as well as with Annex VI, Part 1, Paragraph 68 (a) to (f) of the Capital Requirements Directive. Accordingly, pursuant to Regulation 7/2006, a 10 per cent. risk-weight shall be applied to covered bonds issued pursuant to the Covered Bonds Law.*"

XIII. TAXATION

46. References to "*holders*" of Covered Bonds, included in this section, shall be replaced by references to "*beneficial owners*" and the references to "*holder*" shall be replaced by the "*beneficial owner*".

47. The first paragraph of the subsection "**General Tax Regime on Debt Securities**" shall be replaced by the following:

"*Interest and other types of investment income obtained on Covered Bonds by a Portuguese resident individual is subject to individual income tax. If the payment of interest or other investment income is* *made available to Portuguese resident individuals, withholding tax applies at a rate of 25 per cent., which is the final tax on that income unless the individual elects to include such income in his taxable income, subject to tax at progressive rates of up to 46.5 per cent. (plus an additional surcharge of 2.5 per cent. applicable to income exceeding €153,300 obtained in 2012 and 2013). In this case, the tax withheld is deemed a payment on account of the final tax due. Interest and other investment income paid or made available ("colocado à disposição") to accounts in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 30 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.*

Capital gains obtained by Portuguese resident individuals on the transfer of Covered Bonds are taxed at a special tax rate of 25 per cent. levied on the positive difference between the capital gains and capital losses of each year. In this respect, an income tax exemption applies if the annual positive difference obtained with the transfer of shares, bonds and other securities does not exceed €500. Accrued interest qualifies as interest, rather than as capital gains, for tax purposes. In addition, the positive difference between the capital gains and capital losses resulting from the disposal of shares held for more than 12 months, notes and other debt securities held by investment funds incorporated under Portugal laws is exempt from tax, except in the case of mixed or closed ended investment funds of private subscription to which the rules established in the CIRS apply."

48. The second paragraph of the subsection "**General Tax Regime on Debt Securities**" shall be replaced by the following:

"*Interest and other investment income derived from Covered Bonds and capital gains obtained with the transfer of Covered Bonds by legal persons resident for tax purposes in Portugal and by non resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable income and are subject to Corporate Income Tax at the rate of 25 per cent., to which may be added a municipal surcharge (derrama municipal) of up to 1.5 per cent. of its taxable income. Withholding tax at a rate of 25 per cent. applies on interest and other investment income, which is deemed a payment on account of the final tax due (except where the beneficiary is either a financial institution or an exempt entity as specified by current Portuguese tax law). Corporate taxpayers with a taxable income of more than €1,500,000 are also subject to State surcharge ("derrama estadual") of 3 per cent. on the part of it's taxable profits exceeding €1,500,000 up to €10,000,000, and of 5 per cent, on the part of the taxable profits that exceeds € 10,000,000.*

As general rule, withholding tax at a rate of 25 per cent. applies on interest and other investment income, which is deemed a payment on account of the final tax due. Financial institutions subject to tax in Portugal, pension funds, retirement and/or education savings funds, share savings funds, venture capital funds incorporated under the laws in Portugal and some exempt entities are not subject to Portuguese withholding tax."

49. The tax rate of 21.5 per cent. mentioned in the paragraph under the subsection "**General Tax Regime on Debt Securities**", which starts with "*Interest and other types*", shall be replaced by a reference to a tax rate of 25 per cent..

50. In the subsection "**General Tax Regime on Debt Securities**", after the sixth paragraph which starts with "*Investment income*", a new paragraph with the following wording should be added:

"*A withholding tax rate of 30 per cent. applies in case of investment income payments to individuals or companies domiciled in a "low tax jurisdictions" list approved by Ministerial order (Portaria) no. 150/2004 of 13 February, as amended* by Ministerial order (Portaria) 292/2011, of 8 November 2011."

51. In the subsection "**General Tax Regime on Debt Securities**", the eighth paragraph shall be deleted and replaced by the following wording:

"*Capital gains obtained on the transfer of Covered Bonds by non resident individuals without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation. This exemption shall not apply if the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial order (Portaria) no. 150/2004 of 13 February, as amended by Ministerial order (Portaria) 292/2011, of 8 November 2011 (Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis). Capital gains obtained by individuals that are not entitled to said exemption will be subject to taxation at a 25 per cent. flat rate. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese personal income tax, but the applicable rules should be confirmed on a case by case basis. Accrued interest does not qualify as capital gains for tax purposes."*

52. In the subsection "**General Tax Regime on Debt Securities**", the ninth paragraph shall be deleted and replaced by the following wording:

"*Capital gains obtained on the disposal of Covered Bonds by a legal person non resident in Portugal for tax purposes and without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation. This exemption shall not apply if the beneficial owner is more than 25 per cent. directly or indirectly held by Portuguese resident entities or if the beneficial owner is resident in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial order (Portaria) no. 150/2004 of 13 February, as amended by Ministerial order (Portaria) 292/2011, of 8 November 2011 (Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis). If the exemption does not apply, the gains will be subject to corporate income tax at a rate of 25 per cent.. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis.*"

53. In the first paragraph of subsection headed "**Special Debt Securities Tax Regime**", the expression "*paid to holders of Covered Bonds*" shall be deleted.

54. In the subsection headed "**Special Debt Securities Tax Regime**", the reference to "*Portaria do Ministro das Finanças e da Administração Pública n. 150/2004, of 13 February 2004"* shall be

replaced by "*Portaria do Ministro das Finanças e da Administração Pública n. 150/2004, of 13 February 2004, as amended by Ministerial order (Portaria) 292/2011, of 8 November 2011*."

55. The second paragraph of the subsection headed "**Special Debt Securities Tax Regime**" shall be amended and replaced by the following:

"*Decree-law 193/2005 established the applicable instrument in respect of the provision of evidence of non-residence by the beneficial owners of Covered Bonds for the purpose of the above tax exemptions and that the absence of evidence of non-residence in relation to any beneficial owner of Covered Bonds which benefits from the above mentioned tax exemptions shall result in the loss of the tax exemptions and consequent submission to the applicable Portuguese general tax provisions*."

56. After the last paragraph of the subsection headed "**Domestic Clearing Covered Bonds**", the following paragraphs shall be added:

"*If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the special regime approved by Decree-Law 193/2005. The refund claim is to be submitted to the direct or indirect register entity of the Covered Bonds within 90 days from the date the withholding took place. A special tax form for these purposes was approved by Order (Despacho) n. 4980/2006 (2nd series), published in the Portuguese official gazette, second series, n. 45, of 3 March 2006 issued by the Portuguese Minister of Finance and Public Administration and may be available at www.portaldasfinancas.gov.pt.*

The refund of withholding tax in other circumstances or after the above 90 day period is to be claimed from the Portuguese tax authorities under the general procedures and within the general deadlines."

57. The paragraph under the section "**EU Savings Directive**" shall be replaced by the following:

"*Portugal has implemented the above Savings Directive on taxation of savings income into the Portuguese law through Decree-Law no 62/2005, of 11 March, 2005, as amended by Law no 39-A/2005, of 29 July and Law no 37/2010, of 2 September*."

XIV. SUBSCRIPTION AND SALE AND SECONDARY MARKET ARRANGEMENTS

58. The section headed "**Public Offer Selling Restrictions under the Prospectus Directive**" shall be amended by replacing "*Notes*" with "*Covered Bonds*" in the proviso below paragraph (c).

59. The section headed "**Portugal**" shall be amended by adding the following paragraphs at the end of the section:

"Without prejudice to the above, on 4 May 2012 CMVM launched a public consultation (consulta pública) on the preliminary draft of the decree-law that will transpose into the Portuguese legal

framework the 2010 PD Amending Directive. Accordingly, rules in respect of public offerings of securities are likely to change in a near future, although it is at this stage uncertain the exact scope of those variations and when will the same enter into force.

On 13 July 2012 CMVM released a generic opinion on the application of the 2010 PD Amending Directive in Portugal as from 1 July 2012, considering the vertical direct effect of directives after its implementation deadline, in accordance with which certain effects under such Directive vis-à-vis CMVM shall be deemed to apply in the Portuguese jurisdiction as from such date while the implementation of that Directive in Portugal is pending.

The above public consultation documents and the generic opinion may be found at www.cmvm.pt."

XV. GENERAL INFORMATION

60. The paragraph under the section "**Authorisation**" shall be replaced by the following:

"*The establishment of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer dated 31 October 2006, and the Supplements dated 27 June 2007, 25 January 2008, 23 July 2009, 9 June 2010, 9 September 2010, 3 March 2011, 28 September 2011 and 27 July 2012 were also duly authorised by resolutions of the Board of Directors of the Issuer dated 22 June 2007, 5 December 2007, 28 January 2009, 2 June 2010 and 7 July 2010 and by resolutions of the Executive Committee of the Issuer dated 28 September 2011 and 27 June 2012 respectively, in accordance with the provisions of the Covered Bonds Law*."

61. The paragraph under the section "**Significant or Material Change**" shall be replaced by the following:

"*Save as disclosed in this Base Prospectus, there has been no significant change in the financial or trading position of the Issuer since 31 December 2011 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2011.*"

62. The sole paragraph under the section "**Accounts**" shall be amended and replaced by the following:

"*The auditor of the Issuer is Deloitte & Associados – SROC, S.A. ("Deloitte"), (which is a member of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), registered with the CMVM with registration number 231, with registered office at Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 – 6th, 1050-094, Lisboa, who has audited the Issuer's accounts with the Adjusted Accounting Standards ("Normas de Contabilidade Ajustadas – NCA") established by the Bank of Portugal for each of the two financial years ended on 31 December 2010 and 31 December 2011.*"

63. Under the section "**Documents Available**" the paragraph (b) shall be amended and replaced by the following:

"*(b) the audited consolidated financial statements of the Issuer (together with an English translation thereof) in respect of the financial years ended 31 December 2010 and 31 December 2011;*"

XVI. DEFINITIONS

64. The following definition shall be amended and replaced by the following wording:

 *"**Base Prospectus**" means this base prospectus dated 23 November 2006, supplemented on 27 June 2007, 25 January 2008, 23 July 2009, 5 January 2010, 9 June 2010, 9 September 2010, 3 March 2011, 28 September 2011 and 27 July 2012, prepared in connection with the Programme.*

65. The definition of "***Hedging Contracts***" shall be amended by including "*of*" before "*hedging interest rates*".

66. References to "*10 October 2006*" as the publication date of the Regulation 5/2006, Regulation 6/2006, Regulation 7/2006 and Regulation 8/2006 shall be replaced with references to "*11 October 2006*".

XVII. LAST PAGE

67. The address of Deutsche Bank Aktiengesellschaft shall be replaced by the following:

 "*Grosse Gallusstrasse, 10-14 60272 Frankfurt am Main, Germany*".

68. The address of DZ BANK Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main shall be replaced by the following:

 "*Platz der Republik, 60265 Frankfurt am Main, Germany*".

69. The name and the address of J.P. Morgan Securities Ltd. shall be replaced by the following:

 "***J.P. Morgan Securities plc,*** *25 Bank Street, London, E14 5JP United Kingdom*".