CAIXA GERAL DE DEPÓSITOS

CONSOLIDATED OPERATIONS

31 DECEMBER 2010

(*) UNAUDITED ACCOUNTS

1 – Highlights

Results for 2010

Results in 2010 were strongly affected by EUR 339.1 million of impairment of financial investments and other securities.

The depreciation of securities, noted since the onset of the current financial crisis, forced CGD to recognise impairment, as a cost for the year, particularly on its investments and CGD Group's insurance companies' securities portfolios for a respective total accumulated amount of EUR 1 231.7 million, since the start of 2008.

1. Caixa Geral de Depósitos Group's **consolidated net income** was down 10.2% in 2010 to EUR 250.6 million, in comparison to the preceding year's EUR 278.9 million. This evolution, as referred to in item 9, translated the recognition of EUR 339.1 million of impairment of financial investments in the income statement, most of which previously recognised in fair value reserves.

2. **Income before tax and minority shareholders' interests** was slightly down by 2.7% over 2009 to EUR 364.4 million.

3. **Net operating income from banking and insurance operations** was up 3.3% by EUR 99.9 million over the preceding year to EUR 3 099.4 million.

4. The 7.7% drop in **net interest income** over the preceding year to EUR 1 415.3 million, derived both from the impact of the reduction of interest rates which affected returns, taking into account the composition of the credit portfolio and higher funding costs.

   It should be remembered that the option to afford priority to supporting the economy, even with an inevitable reduction of profitability, translated into a policy of moderation in fixing credit spreads.

5. **Net commissions** were up 12.2% to EUR 502.3 million.

6. **Income from financial operations** was down 37.6% to EUR 124.4 million, in 2010, in comparison to the preceding year's EUR 199.5 million.

7. **The technical margin on insurance operations** was up 3.6% by EUR 17.8 million over the preceding year to EUR 509 million.

8. **Operating costs**, up 1.6% to EUR 1 967.2 million, tended towards containment, benefiting, in the case of CGD's separate operations, from a reduction of around 2.4% in all cost component parts.

9. **Net impairment of other financial assets** for the year, totalled EUR 354.7 million of which an amount of EUR 339.1 million was related to EDP, ZON and BCP, investment funds and the Group's insurance company portfolios, translating into losses, a large part of which previously recognised in fair value reserves.

10. The Group's **net assets** were up 4% over December 2009 to EUR 125.9 billion.

11. **Shareholders' equity** was up 9.7% by EUR 695 million over the end of 2009 to EUR 7 851 million, owing to the December 2010 increase of EUR 550 million in share capital.

12. **Loans and advances to customers** (gross) were up 6.1% by EUR 4.9 billion over December 2009 to EUR 84.5 billion. Mortgage loans in Portugal were up 1.3% and corporate loans up 3.1%.

13. **Customer resources** were up 5.3% over the preceding year to EUR 67.7 billion.

14. The **deposit-to-loans conversion rate** was 121.0%.

15. The **solvency ratio**, on a consolidated basis, including retained earnings, at 12.3%, with a Tier I ratio of 8.9% and Core Tier I ratio of 8.8%, translated CGD's strength.

16. Between 30 June and 31 December, CGD **reduced its level of funding from the ECB** by around 35% from EUR 10.1 billion to EUR 6.55 billion.

17. Total **assets eligible** for ECB funding, at 31 December, were around EUR 13 billion.

18. The **credit overdue for more than 90 days ratio** was 2.63% with a respective cover ratio of 117.4%.

19. Notwithstanding the difficult economic and financial circumstances, CGD continues to retain the highest ratings awarded to a Portuguese banking group:

	Short term	**Long term**
MOODY'S	Prime –1	A1
STANDARD & POOR'S	A-2	A-
FITCHRATINGS	F1	A

2 – Key Indicators

CAIXA GERAL DE DEPÓSITOS

Consolidated Operations at 31 December 2010
Summary of Principal Indicators

(EUR million)

	December 2009	December 2010	Change
Results:			
Net interest income	1 532.9	1 415.3	-7.7%
Net interest income including income from equity investments	1 641.3	1 612.7	-1.7%
Commissions (net)	447.8	502.3	12.2%
Non-interest Income	866.9	977.7	12.8%
Technical margin on insurance operations	491.2	509.0	3.6%
Net operating income from banking and insurance operations	2 999.5	3 099.4	3.3%
Gross operating income	1 063.0	1 132.2	6.5%
Income before tax and minority shareholders' interests	374.5	364.4	-2.7%
Net income for period	278.9	250.6	-10.2%
Balance sheet:			
Net assets	120 985	125 871	4.0%
Cash and loans and advances to credit institutions	11 518	6 158	-46.5%
Securities investments	25 929	30 555	17.8%
Loans and advances to customers (net)	77 222	81 907	6.1%
Loans and advances to customers (gross)	79 627	84 517	6.1%
Central banks' and credit institutions' resources	6 479	14 604	125.4%
Customer deposits	64 256	67 680	5.3%
Debt securities	25 182	19 307	-23.3%
Technical provisions for insurance operations	6 439	5 743	-10.8%
Shareholders' equity	7 157	7 851	9.7%
Resources taken from customers	83 089	83 991	1.1%
Profit and efficiency ratios:			
Gross return on equity - ROE (1) (2)	5.9%	5.0%	
Net return on equity - ROE (1)	4.8%	4.1%	
Gross return on assets - ROA (1) (2)	0.32%	0.29%	
Net return on assets - ROA (1)	0.26%	0.24%	
Cost-to-income (consolidated) *(2)*	64.7%	63.3%	
Cost-to-income (separate) *(2)*	59.6%	58.5%	
Employee costs / Net operating income (2)	34.7%	33.7%	
Operating costs / Average net assets (2)	1.65%	1.59%	
Net operating income / Average net assets (2)	2.56%	2.51%	
Credit quality and cover levels:			
Overdue credit / Total credit	2.87%	2.93%	
Credit more than 90 days overdue / Total credit	2.47%	2.63%	
Non-performing credit / Total credit (2)	3.00%	3.13%	
Non-performing credit (net) / Total credit (net) (2)	-0.02%	0.04%	
Overdue credit (net) / Total credit (net)	-0.16%	-0.16%	
Overdue credit cover	105.3%	105.3%	
Credit more than 90 days overdue cover	122.4%	117.4%	
Structure ratios:			
Loans and advances to customers / Net assets	63.8%	65.1%	
Loans and advances to customers / Customer resources	120.2%	121.0%	
Solvency ratios			
Solvency	12.6%	12.3%	
Tier 1	8.5%	8.9%	
Core Tier 1	8.3%	8.8%	

(1) Considering average shareholders' equity and net assets values.
(2) Ratios defined by the Bank of Portugal.

3 – ECONOMIC-FINANCIAL ENVIRONMENT

World economic activity returned to expansion in 2010, more noticeably in the emerging countries, particularly the Asian bloc. The return of annual growth into positive territory was based on the stimuli provided by the main central banks which kept interest rates at historically low levels, based on the absence of inflationary pressures and higher levels of private consumption in many economies.

The IMF, in its World Economic Outlook, dated October 2010, indicated world economic growth of 4.8%.

2010 was characterised by heightened tensions in the public debt market, most notably so in the peripheral Euro Area countries. The fact that these countries had to pay significantly higher premiums to satisfy their borrowing requirements, forced them to reinforce austerity measures. Although varying between member states, a common factor was the endeavour to achieve faster consolidation of their respective public finances, both through cost containment and revenue enhancing initiatives.

The US authorities once again played a decisive role in relaunching the world economy, in 2010. The Fed kept its reference rate unchanged at its lowest ever level and reinforced its assets purchase programme which had initially been drawn up in March 2009. The Obama administration also announced the implementation of various economic stimulus packages in 2010.

The Asian bloc continued to register a highly positive level of performance. Japan's economic growth moved once more into expansionary territory in 2010, fuelled by private consumption, deriving from the stimulus measures introduced by the central bank and the government, notwithstanding a slight increase in unemployment. Also in Asia, China's economic indicators remained strong, particularly on a level of its domestic activity which benefited from very strong monetary stimuli and continued growth of high levels of lending.

Reference should also be made to Brazil's economic performance. The IMF, in October 2010, expected Brazil to post its highest rate of growth since 1986 at 7.5%.

Notwithstanding high levels of financial instability in the **Euro Area** in 2010, economic growth was surprisingly positive. According to the IMF, growth of 1.7% in 2010, primarily based on the performance of domestic demand, was at its highest level for three years.

Germany's performance in achieving 3.6% growth, was particularly positive and was its highest since reunification. This was offset by the performance of the peripheral economies, which, with the exception of Portugal, once again recorded negative annual growth rates.

Euro area inflation, as measured by the HICP (Harmonised Index of Consumer Prices) recorded an average rate of change of 1.6%, in 2010, higher than the 0.3% of 2009. This performance was mainly associated with higher prices for energy goods.

The non-normalisation of financing conditions in the Euro Area led the ECB (European Central Bank) to maintain an interventionist approach in the domain of unconventional monetary policy measures, while keeping the euro reference rate unchanged during the whole of 2010. The fact that the region's money market operations have not been fully normalised, partly visible in the difficulties faced by several institutions in satisfying their borrowing requirements from the capital markets, led the ECB to extend the conditions in force at liquidity injection auctions, albeit eliminating the longer maturities. The ECB also announced the purchase of public debt in the secondary market following the worsening of the sovereign debt crisis.

Economic activity in **Portugal** expanded by 1.5% in the first three quarters of 2010 in comparison to the same period 2009. Reference should be made to the occurrence of a series of positive changes in the three periods on which information is already available. This performance derived from the positive contribution of net exports and private and public consumption, notwithstanding the sharp fall in investment.

As regards foreign trade, reference should be made to the role played by the 9.0% increase in exports associated with an upturn in the world economy, making it possible to offset the negative effect deriving from the 5.6% increase in imports.

Both private consumption, up 2.3% and public consumption, up 2.8%, contributed to good economic performance, mainly in the first half year. However, the challenges required by the need to reduce the budget deficit and consequent approval of austerity measures led to a decrease in these components' contribution to third quarter growth.

Gross fixed capital formation was also down 4.9%, partly owing to the level of economic activity and domestic demand prospects as well as lower levels of public investment. The sharpest contraction was noted in investment in equipment and construction.

As regards inflation, the Portuguese HIPC recorded an average rate of change of 1.4% in 2010. This particularly derived from the increase in prices of energy goods and diverse indirect taxes, although the HIPC remained 0.2 percentage points lower than the Euro Area as a whole.

Unemployment, at 10.9% in third quarter 2010, remained high.

The core issue in the **bond market**, in 2010, was the widening of spreads on sovereign debt, whose sharp deterioration had a negative effect on corporate bonds which were also negatively affected by significantly higher spreads, particularly in the financial sector.

Yields on US and German government bonds were down in 2010, benefiting from the continuation of central banks' low interest rate levels, as well as the unconventional monetary policy decisions made by the respective central banks.

As opposed to the preceding year, Portuguese public debt bonds, as in the case of other countries on the periphery of the Euro Area, diverged from the evolution of German yields. Starting April, amid rising concern over the budget problems of several European countries, these spreads widened significantly.

Notwithstanding financial assistance plans for Greece in April and Ireland in November and the steps taken to create a permanent aid mechanism within the Euro Area, there was an upward trend in yields up to the end of the year. In the case of Portugal the year closed with a rate of more than 6.50% on bonds with a maturity of 10 years.

This adverse environment had an effect on the private debt market, not only in the form of a widening of primary and secondary market spreads but also corporate difficulties in market access, particularly in the case of the financial sector, in the countries most affected by the sovereign debt crisis.

The trend in the **share market** in the first few months of 2010 remained upward as noted over a large part of 2009, after which inversion in the second quarter of the year was in order of the day, owing to the worsening of the sovereign debt situation in the Euro Area and fears that the US economy could once again dip into recession.

The Fed's reinforcement of its monetary policy expansionary measures, together with general macroeconomic improvement pushed the market upward in the second half of the year. The positive surprises witnessed in terms of higher profits and attractive corporate valuations, enabled the year to close at a profit, notwithstanding various dissimilarities in terms of regional performance.

4 – Group Developments

In 2010, in light of the economic and financial slowdown, particularly felt in the Eurozone, CGD Group reinforced its intervention in international markets in which it has historical, linguistic and cultural affinities. Particular reference should be made to Group activities in Lusophone Africa and Brazil, which represented another step in exploiting the synergies created by CGD Group's presence worldwide.

In Angola, permission was given to form Banco para Promoção e Desenvolvimento (BPD*)*, in 2010. The bank will have a start-up capital of five hundred million dollars, jointly owned in equal parts by CGD and Sonangol Groups. BPD will gear its operations to supporting the development of the Angolan and Portuguese economies.

Reference should also be made, in the case of Angola, to CGD's exercising of its purchase option on 1% of the share capital of Partang, SGPS, SA, which owns 51% of the share capital of Banco Caixa Geral Totta Angola (BCGTA), in July, giving CGD a controlling interest in the holding company and, indirectly, the bank itself.

In Mozambique, permission was given to form Banco Nacional de Investimento (BNI) 49.5% of which to be held by CGD, 49.5% by the State of Mozambique through its National Directorate for the Treasury and 1% by Banco Comercial de Investimentos (CGD Group). The title deed for the formation of BNI was signed in June, when its 70 million meticais in share capital i.e. around EUR 1.6 million was realised by the shareholders. BNI will concentrate on supporting the development of Mozambique's economy.

Caixa Banco de Investimento (CBI), in furthering its international strategy also plans to establish a presence in Angola and Mozambique, over the short term.

The recommencement of CGD Group's banking operations in Brazil, through Banco Caixa Geral Brasil (BCG Brasil), was highly successful. Two operations designed to leverage the Group's corporate and investment banking operations in the Brazilian market, were performed in first half 2010:

- An increase in BCG Brasil's share capital from 123 million to 400 million reais, to fund the bank's respective business plan up to 2012;

- CGD Group entered into a partnership with Banif Group in Brazil for a 70% equity investment in Banif Corretora de Valores e Câmbio, S.A. (“Banif CVC”). The acquisition will permit a broader, more consistent range of activity in the Brazilian capital market.

In Spain, there were two share capital increases with the objective of maintaining Banco Caixa Geral’s solvency ratios at adequate levels: one of which, for EUR 20 million, in May and the other for around EUR 26 million, in October, mostly subscribed for and paid up by CGD. The downgrading of the rating on the Portuguese Republic partly justified the need to increase the bank’s capital, owing to its level of exposure to Portuguese assets.

In Cape Verde, Banco Interatlântico increased its capital by 400 million to 1 billion Cape Verde escudos, in April. CGD accompanied this capital increase by maintaining its 70% equity investment in the bank.

Reference should be made, as regards Caixa Seguros e Saúde, SGPS (CSS), to the opening of the new Cascais Hospital in February, managed by HPP Saúde, under a PPP arrangement. March witnessed the formation of HPP ACE, which provides a diverse range of services to the Group’s hospitals. HPP - Hospitais Privados de Portugal, SGPS, increased its share capital by EUR 25 million, in July, subscribed and paid up by CSS, which increased the size of its investment to 94.33%.

Several operations were realised in second half 2010 with the aim of concentrating the whole of CGD Group’s investment in CBI in Gerbanca, SGPS. Gerbanca is now a fully owned CGD subsidiary.

Reference should, lastly, be made to the May disposal of the full amount of the 17.6% investment in the share capital of UNICRE and 5% of the capital of EDP – Energias de Portugal, in September and December.

5 – Financial Analysis – Consolidated Operations

Results

Caixa Geral de Depósitos Group's **consolidated net income** was down 10.2% over the preceding year to EUR 250.6 million, in 2010.

Income before tax and minority shareholders' interests was slightly down by 2.7% over 2009 to EUR 364.4 million.

This evolution translated the recognition of impairment of EUR 339.1 million in CGD's income statement, particularly on investments held by CGD and Group insurance companies' securities portfolios. Most of these potential capital losses, accumulating since second half 2008, were previously recognised in fair value reserves. The prolonged effect of the depreciation of such assets determined their transfer to costs for the year in the form of impairment losses.

Contributory factors to the Group's net income, prior to impairment of securities net of tax, were national and international banking operations with EUR 323.2 million and EUR 78.8 million, respectively, and insurance and healthcare area operations with EUR 109.5 million.

RESULTS FROM CGD GROUP'S MAIN BUSINESS AREAS

(EUR thousand)	December 2009	December 2010	Change	
			Total	%
Income before impairment on securities (1):	**443 694**	**511 390**	**67 696**	**15.3%**
Banking	362 569	401 913	39 345	10.9%
Domestic	293 773	323 153	29 380	10.0%
International	68 796	78 761	9 965	14.5%
Insurance and healthcare	81 125	109 476	28 351	34.9%
Impairment on securities (1)	**164 794**	**260 808**	**96 013**	**58.3%**
Consolidated net income	**278 899**	**250 582**	**-28 317**	**-10.2%**

(1) Net of tax

Net interest income, including income from equity instruments of EUR 1 612.7 million, was similar to 2009, with the 82.2% increase of EUR 89 million in income from equity instruments having offset the 7.7% reduction of EUR 117.7 billion in net interest income.

The negative evolution of net interest income derived, inter alia, from the impact of the reduction of interest rates which do not lend themselves to reflecting short term increases in funding costs.

Net commissions were up 12.2% by EUR 54.5 million to EUR 502.3 million, particularly including increases in credit headings (up 19.9% by EUR 19.6 million), operations on financial instruments (up 51.5% by EUR 9.3 million) and the provision of services (up 9.9% by EUR 9.7 million). This was offset by commissions from asset management which recorded a fresh reduction of 9.6% to EUR 4.4 million.

Income from financial operations, down to EUR 124.4 million, was heavily penalised by the instability of public debt markets.

Other operating income was influenced by capital gains of EUR 103.9 million on the sale of CGD's headquarter building to Caixa Geral de Depósitos's Employees Pension Fund, as part of the reorganisation and optimisation process on CGD's assets in the form of property for own use. The operation consists of CGD's rental of the referred to property for a minimum period of 20 years, with the bank having a purchase option thereon at market price.

The **technical margin on insurance operations** contributed EUR 509 million to the Group's net operating income, comprising a 3.6% increase of EUR 17.8 million over the preceding year.

Earned premiums net of reinsurance were down 25.4% to EUR 1 323.4 million, over the preceding year. The same occurred with **claims costs net of reinsurance** which were down 34.7% by EUR 494 million to EUR 931.7 million.

As a result of the above evolution, **net operating income from banking and insurance operations** posted a 3.3% improvement of EUR 99.9 million to EUR 3 099.4 million, over the preceding year.

Operating costs, up 1.6% to EUR 1 967.2 million, tended towards containment. The changes in employee costs and other administrative expenses were 0.7% and 3.3%, respectively. This performance benefited, in the case of CGD's separate operations, from a reduction of around 2.4% in all cost component parts.

CGD - Consolidated Operations - December 2010

Based on the referred to evolution of structural costs and net operating income from banking and insurance operations, the group's **cost-to-income** improved from 64.7% to 63.3%, whereas the same efficiency indicator for CGD's separate activity was 58.5%.

EFFICIENCY RATIOS

	December 2009	December 2010
Cost-to-income (separate operations)	**59.6%**	**58.5%**
Cost-to-income (consolidated operations)	**64.7%**	**63.3%**
Employee costs / Net operating income	**34.7%**	**33.7%**
External supplies and services / Net operating income	**23.3%**	**23.2%**
Operating costs / Average net assets	**1.65%**	**1.59%**

Provisions and credit impairment, net of cancellations and reversals were down 1.1% to EUR 420.2 million in 2010, and **net impairment of other assets** was EUR 354.7 million, of which amount EUR 339.1 million on EDP, ZON and BCP securities, investment funds and the Group's insurance companies securities portfolios.

The above referred to performance translated into ROE of 4.1% (5.0% before tax) and ROA of 0.24% (0.29% before tax).

PROFIT RATIOS

	December 2009	December 2010
Gross return on equity – ROE (1)	**5.9%**	**5.0%**
Net return on equity – ROE (1)	**4.8%**	**4.1%**
Gross return on assets – ROA (1)	**0.32%**	**0.29%**
Net return on assets – ROA (1)	**0.26%**	**0.24%**
Net operating income (2) / average net assets	**2.56%**	**2.51%**

(1) Considering average shareholders' equity and net assets values.
(2) Includes income from associated companies.

Balance Sheet

CGD Group's **net assets** were up 4% by EUR 4.9 billion to EUR 125.9 billion at the end of 2010 in comparison to the start of the year, particularly on the back of loans and advances to customers and securities investments.

Cash and loans and advances to credit institutions totalled EUR 6.2 billion, with **resources taken** from the same entities of EUR 14.6 billion, of which EUR 6.55 billion relating to European Central Bank funding obtained by CGD.

Loans and advances to customers (gross) were up 6.1% by EUR 4.9 billion during the year to EUR 84.5 billion at the end of 2010. In the case of operations in Portugal, corporate lending was up 3.1% by EUR 716 million and mortgage loans up 1.3% by EUR 439 million.

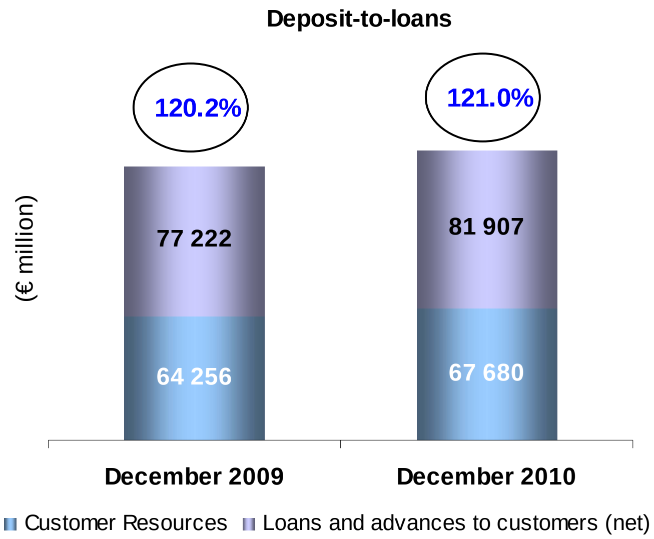
LOANS AND ADVANCES TO CUSTOMERS [(a)]

(EUR million)	December 2009	December 2010	Change Dec/10 - Dec/09	
			Total	%
CGD operations in Portugal	**61 847**	**65 244**	**3 396**	**5.5%**
Of which:				
Corporate	23 349	24 065	716	3.1%
Individual customers	35 078	35 597	519	1.5%
Other CGD Group companies	**17 491**	**18 967**	**1 476**	**8.4%**
Total	**79 338**	**84 210**	**4 872**	**6.1%**

(a) Before impairment and interest.

New mortgage loans on national territory, at EUR 2 747 million, were down 21.3% over 2009.

Around 77.5% of total loans and advances to customers related to CGD's operations in Portugal. Regarding other CGD Group companies, reference should be made to the increases achieved by Banco Caixa Geral (EUR 761 million - up 17.4%), BCI Moçambique (EUR 165.5 million - up 29.9%) and Partang (EUR 128.6 million - up 385%).



The **deposit-to-loans conversion ratio** was 121.0% against the end of 2009 ratio of 120.2%.

Asset quality as measured by the **non-performing credit ratio**, calculated in accordance with Bank of Portugal regulations was 3.13%, with a **total overdue credit ratio** of 2.93% against the December 2009 figure of 2.87%. The **credit overdue for more than 90 days ratio** was 2.63% against 2.47% at the end of 2009.

ASSET QUALITY

	December 2009	December 2010
Non-performing credit / Total credit (a)	3.00%	3.13%
Overdue credit / Total credit	2.87%	2.93%
Credit more than 90 days overdue / Total credit	2.47%	2.63%
Non-performing credit cover ratio	100.7%	98.7%
Overdue credit cover	105.3%	105.3%
Credit more than 90 days overdue cover	122.4%	117.4%

(a) Calculated in accordance with Bank of Portugal Instruction

Accumulated impairment on loans and advances to customers (normal and overdue) at the end of December, totalled EUR 2 609.8 million. The **cover rate** on credit overdue more than 90 days was 117.4%, in comparison to the end of 2009 figure of 122.4%.

Securities investments, including Group insurance companies' investment operations increased to EUR 30.6 billion.

SECURITIES INVESTMENTS (a)

(EUR million)	December 2009	December 2010	Change Dec/10 - Dec/09	
			Total	%
Banking	15 050	18 933	3 883	25.8%
Insurance	10 879	11 623	744	6.8%
Total	**25 929**	**30 555**	**4 626**	**17.8%**

(a) After impairment

The increase of EUR 4.6 billion, in 2010, is particularly explained by the purchase of EUR 3.1 billion in bonds issued by Parups, SA, Parvalorem, SA and Parparticipações, SGPS, SA, which vehicles were set up by the Portuguese government as part of the restructuring of BPN-Banco Português de Negócios, SA. These securities were a part replacement for BPN's issue of commercial paper of which an amount of EUR 3 billion was recognised in loans and advances to credit institutions at the end of 2009.

Its activity, during the course of the year was essentially based on reinforcing its securities portfolios eligible to be used as collateral for borrowing operations with the ECB. Accordingly, several opportunities deriving from the maturity or sale of several positions in financial debts and asset backed securities to be replaced by more liquid and/or higher credit quality assets with a greater sectoral and geographical diversification were exploited.

At the same time, a proactive strategy for the performance of repos operations with other entities was adopted, both inside and outside the Group, guaranteeing a higher volume of eligible assets to provide for any contingencies.

CGD disposed of 5% of the equity capital of EDP – Energias de Portugal, SA to Parpública, SGPS, SA in September and December.

Liquidity Funding and Management

Concerns over the sustainability of the public finances in several Euro Zone countries, translated by rating agencies' successive negative assessments, were the hallmark of 2010. This was the reason for the expressive increase in debt risk premiums on the said countries, particularly conditioning banks' liquidity opportunities in the market.

Notwithstanding the deterioration of financing conditions in the first few months of the year, CGD successfully launched its third public issue of covered bonds, for the amount of EUR 1 billion and a maturity of 10 years at a fixed rate of 4.25% which was awarded the top AAA/Aaa classification by the three rating agencies. Several private bond placements were also issued under the EMTN programme in the form of Schuldschein loans.

In this economic environment, the use of the Euro Commercial Paper programme was highly conditioned by the lack of investor demand. The outstanding balance was significantly down although there continued to be a high level of issue rotation.

Liquidity requirements were therefore essentially guaranteed by funds taken from CGD's branch office network and ECB funding.

Three bond issues, targeted at retail customers, were made under the EMTN programme. Two of the issues, totalling EUR 514 million were made at a 3 year variable rate and one, for the amount of EUR 500 million at a 5 year fixed rate.

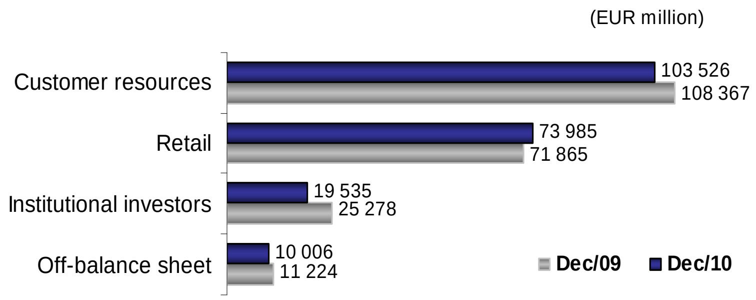
CGD also undertook its Nostrum Mortgage II, residential mortgage loan securitisation operation, for the amount of EUR 5.4 billion, enabling it to reinforce its securities portfolio eligible as collateral for the ECB.

In such an economic environment the balance on the **total resources taken by the group** (excluding the interbank money market) was down 4.5% over the end of 2009, to EUR 103.5 billion. However, not considering funding from institutional investors, the total balance on customer resources was up 1.1% by EUR 0.9 billion.

Balance sheet resources totalled EUR 93.5 billion mainly from retail activity with EUR 74 billion. This was up 2.9% since the start of the year, having benefited from the 4.2% positive evolution of customer deposits and 4.0% increase in capitalisation insurance.

The balance of resources taken from **institutional investors** in the form of own issues was down 22.7% by EUR 5.7 billion, particularly influenced by the reduction in balances issued under the ECP and USCP programmes and to a lesser extent the EMTN programme. Covered bonds, however, posted 17% growth of EUR 1.04 billion over the end of 2009 to a balance of EUR 7.1 billion.

Total Customer Resources



RESOURCES TAKEN BY GROUP

Balances (EUR million)	December 2009	December 2010	Change Dec/10 – Dec/09 Total	%
Balance sheet	**97 143**	**93 520**	**-3 624**	**-3.7%**
Retail	**71 865**	**73 985**	**2 119**	**2.9%**
Customer deposits	57 785	60 209	2 424	4.2%
Capitalisation insurance [(a)]	10 423	10 843	420	4.0%
Other customer resources	3 657	2 932	-725	-19.8%
Institutional investors	**25 278**	**19 535**	**-5 743**	**-22.7%**
EMTN	10 517	8 989	-1 528	-14.5%
ECP and USCP	5 832	676	-5 156	-88.4%
Nostrum Mortgages and Nostrum Consumer	581	475	-106	-18.2%
Covered bonds	6 088	7 125	1 037	17.0%
Bonds guaranteed by the Portuguese Republic	1 248	1 250	2	0.2%
Bonds issued on the public sector	1 012	1 020	8	0.8%
Off-balance sheet	**11 224**	**10 006**	**-1 218**	**-10.8%**
Investment units in unit trust investment funds	5 684	4 966	-718	-12.6%
Caixagest	4 106	3 283	-823	-20.0%
Fundimo	1 578	1 683	105	6.6%
Pension funds	2 100	2 183	83	3.9%
Wealth management [(b)]	3 440	2 857	-583	-16.9%
Total	**108 367**	**103 526**	**-4 841**	**-4.5%**
Total excluding institutional investors	**83 089**	**83 991**	**902**	**1.1%**

a) Includes fixed-rate insurance and unit linked products

bi) Does not include CGD insurance companies' portfolios

The balance on **off-balance sheet resources** was down 10.8% by EUR 1.2 billion notwithstanding the positive contributions made by the Fundimo property fund (up 6.6%) and pension funds (up 3.9%).

Shareholders' Equity and Solvency Ratio

The group's **shareholders' equity** was up 9.7% by EUR 695 million over December 2009 to EUR 7.9 billion. A major contributory factor was CGD's share capital increase of EUR 550 million at the end of 2010 to EUR 5 050 million.

The objective of CGD's share capital increase was to consolidate its strength and guarantee the reinforcement and maintenance of its solvency and capitalisation at adequate levels while reinforcing the measures required to adapt to the new Basel 3 requirements.

SHAREHOLDERS' EQUITY

(EUR million)	December 2009	December 2010	Change Dec/10 - Dec/09	
			Total	%
Share capital	4 500	5 050	550	12.2%
Fair value reserves	-331	-500	-169	51.0%
Other reserves and retained earnings	1 455	1 520	65	4.5%
Minority shareholders' interests	1 254	1 530	276	22.0%
Net income for period	279	251	-28	-10.2%
Total	**7 157**	**7 851**	**695**	**9.7%**

The **solvency ratio**, on a consolidated basis, including retained earnings, was 12.3% in December 2010. Reference should also be made to the Core Tier I and Tier I ratios of 8.8% and 8.9%, respectively.

Pension Fund

Pension liabilities for CGD employees, at 31 December 2010 and 2009 totalled EUR 1 308.2 million and EUR 1 332.4 million, respectively, 108.9% and 100% funded by the CGD Pension Fund.

CGD employees' healthcare plan liabilities were fully provisioned for the amounts of EUR 436.7 million and EUR 460 million at 31 December 2010 and 2009, respectively.

Actuarial deviations, associated with the said liabilities, in 2010, totalled EUR 127.1 million of which EUR 108.9 million were allocated to the "corridor" (with EUR 18.2 million outside the corridor).

CGD adjusted its wage revaluation rate at the end of December 2010, from 3.5% to 2.50% in addition to the rate of growth of its pensions from 2.25% to 1.75%, taking into account the impacts of the global wage costs reduction proposal for companies operating in the State Business Sector as set out in the Budget Law for 2011.

The yield on the CGD Pension Fund was 1.93%.

Ratings

Moody's

In May 2010, Moody's classified CGD's long term rating and BFSR – Bank Financial Strength Rating as eligible for an "eventual downwards revision", following a similar revision on the Portuguese Republic.

In July, following its downgrading of the long term rating on the Portuguese Republic from Aa2 to A1, with a stable outlook, Moody's downgraded its ratings on eight Portuguese banks, in which CGD's long term rating was changed from Aa3 to A1, with a stable outlook. The short term Prime-1 rating was left unchanged.

Moody's placed CGD's ratings on "review for a possible downgrade", in December, as part of the revision process on the ratings of Portuguese banks.

Standard & Poor's

Standard & Poor's, following its April 2010 downgrade of the long and short term ratings on the Portuguese Republic from A+ and A-1 to A- and A-2 respectively, with a negative outlook, downgraded the ratings on five Portuguese banks with a rating of more than A-, including CGD, whose long term rating was changed from A+ to A- and short term rating from A-1 to A-2, with outlook remaining negative.

The agency placed CGD's long term (A- and A-2, respectively) ratings on *CreditWatch Negative*, in December, following its similar revision on the Portuguese Republic.

Fitch Ratings

In March 2010, Fitch Ratings following the downgrade of its long term ratings on the Portuguese Republic from AA and AA-, with a negative outlook, revised its long term ratings on CGD from AA- and F1+ to A+ and F1, respectively, maintaining a negative outlook.

The same agency, as part of its revision process on the ratings of Portuguese banks changed CGD's "individual rating" which assesses the bank's intrinsic quality without any external support, from B/C to C, in November, having restated the other ratings.

Following the downgrading of its long term rating on the Portuguese Republic from AA- to A+, with a negative outlook, Fitch Ratings, revised CGD's long term rating from A+ to A, with a negative outlook, in December having restated its F1 short term rating with a stable outlook.

Notwithstanding the referred to changes, CGD continues to retain the highest ratings awarded to a Portuguese banking group:

	Short term	Long term	
MOODY'S	Prime –1	A1	Dec 2010
STANDARD & POOR'S	A-2	A-	Dec 2010
FITCHRATINGS	F1	A	Dec 2010

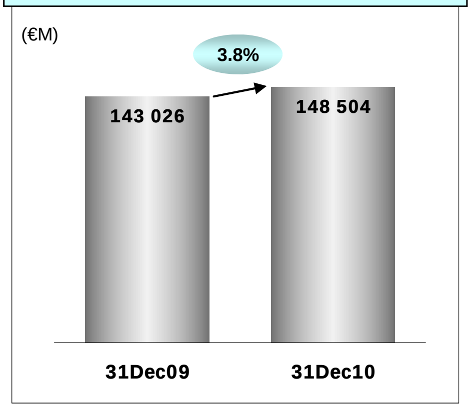
6 - Main Business Area Developments

6.1. Retail Banking – Branch Office Network in Portugal

2010 was characterised by the further reinforcement of the commercial transformation project, particularly the consolidation of service models, improvements to value proposals, commercial guidelines, quality of customer service, customer loyalty and satisfaction. Dedicated commercial managers were allocated to more than 700 thousand individual and corporate customers by end 2010, making Caixa far and away the biggest national bank in terms of customer care and service.

CGD maintained a strategy of reinforcing its branch office network in Portugal in 2010 by opening an additional 9 branch offices. The branch office network, at 31 December, therefore comprised 830 branches and 39 Caixa Empresas corporate centres.

Turnover
Branch Office Network Portugal

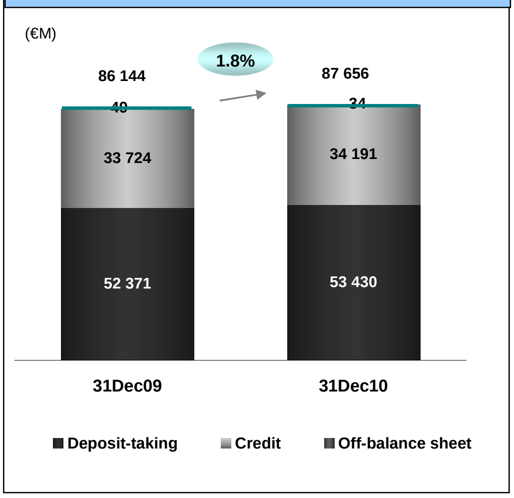


Branch office turnover, in Portugal, at the end of 2010 was up 3.8% in year on year terms, influenced by the economic environment and exceptional evolution of several major corporates and institutional banking segment customers.

Individual Customers

Turnover in the individual customers segment totalled EUR 87.7 billion, with a 1.8% increase in December 2010, over the same month last year. This customer segment posted growths of 2.0% and 1.4%, in terms of deposit-taking and credit, respectively.

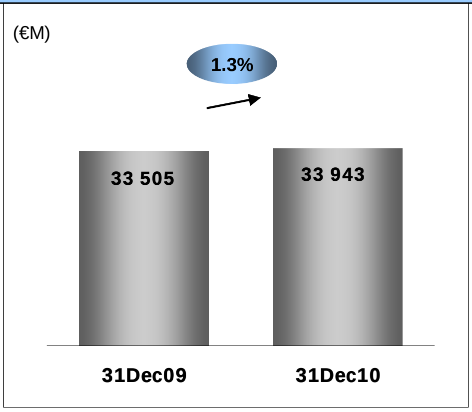
Turnover - Individual Customers
Branch Office Network Portugal



Mortgage lending was up 1.3%, year on year, in portfolio value terms and continues to be one of the levers of growth in the individual customers' segment. There have not been any significant changes in Caixa's dynamic approach over the last few years in this most recent economic cycle, in which it continues to provide access to a diverse range of property financing solutions.

The impact generated by the current economic environment on disposable income and unemployment, has, notwithstanding, originated Caixa's special concern over the financial stability of its mortgage customers. Caixa has, accordingly, been increasing the flexibility of its mortgage lending, with the possibility of extending the maturity of its portfolio operations, introducing grace periods on capital or deferring a part of the capital to the last payment thus reducing costs over the period of the loan contract and mitigating default risk.

Mortgage Loans Portfolio
Branch Office Network Portugal

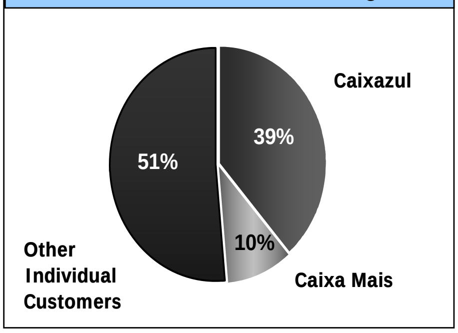


CGD has been actively engaged in promoting **urban rehabilitation** and sustainable development in the main urban centres, in the form of protocols of cooperation with diverse entities, forming partnerships designed to improve salubrity, "liveability", aesthetic features and security in major cities' most traditional zones. Its association with such entities, together with the provision of lines of credit permitting loans to be made under more beneficial terms for all parties involved in urban rehabilitation projects, have enabled Caixa to reaffirm its position as Portugal's urban rehabilitation bank.

Another factor to which Caixa has paid special attention has been its support for people who have been affected by catastrophes such as in Madeira. Special reference should be made to the setting up of lines of credit for the reconstruction of Madeira, in the form of mortgage loans and moratoria on mortgage lending.

Reference should be made, in the individual customers' segment, to the **Caixazul Service**, geared to the personalised management of premium customers and consisting of financial advisory and decision-making support services, based on customised solutions and opportunity management. The service, at the end of 2010, had 322,984 customers and accounted for more than 39% of turnover in the individual customers' segment. The branch office network, in turn, had 541 branches with these spaces.

Individual Customers' Turnover
Branch Office Network Portugal

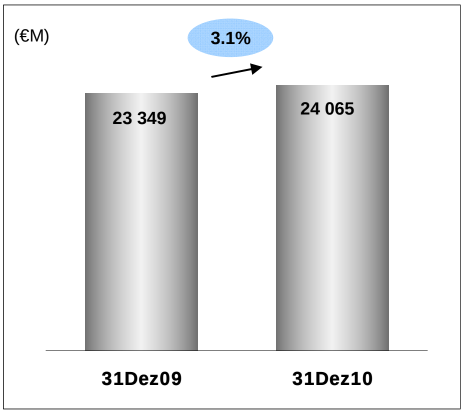


One of the most significant aspects recorded by CGD's branch office network, in 2010, was the launch of its **Caixa Mais** service model provided by 571 commercial staff at 810 branches. This new Caixa Mais service is intrinsically associated with the process involving the transformation of the branch service model and at the end of the year accounted for 10% of turnover in the individual customers segment.

Corporate

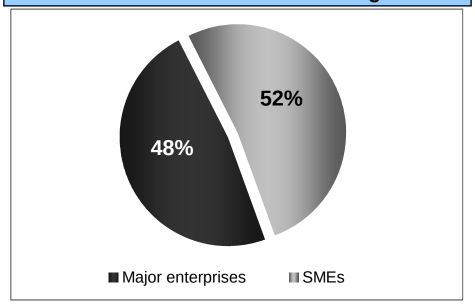
Loans and advances to the corporate segment were up 3.1% over the preceding year to EUR 24.1 billion at the end of 2010.

Loans and Advances to Corporate Sector Branch Office Network Portugal



Continuing to implement CGD's strategic guidelines to achieve growth of market share and business in the corporate segment, work continued to be carried out on the **Caixa Empresas** service model, with the underlying concept of CGD's provision of a personalised management service to the self employed, small and micro corporate customers whose credit managers represent the relational aspect on the basis of an integrated approach to corporate customers' business and individual needs. This service model had 20,438 customers at the end of 2010, with a turnover of EUR 3.5 billion.

Corporate Credit Portfolio Branch Office Network Portugal



Caixa developed a series of initiatives, in 2010, in support of companies and businesspeople with its provision of high quality products and services as well as in its support for internationalisation and to exporting companies in the form of an assertive communication policy on financial instruments, provision of information and assistance to national customers both in the domestic market and in those markets in which Caixa has a presence, endeavouring to contribute towards promoting greater growth in the national economy.

In terms of international operations, reference should be made to investment and export lines of credit for domestic companies' key partner markets of Angola, Brazil and Spain. Reference should be made, in the case of the latter market, to the Iberian Offer. This has been especially designed for companies with interests in the Portuguese and Spanish markets and helps to position Caixa as a corporate bank and CGD Group as a benchmark financial partner in the Iberian Peninsula. Caixa's and Banco Caixa Geral's branch and corporate offices network, provide customers with a broad range of products, services and synergies resulting from a strategy which has been jointly agreed between the two banks, geared to bilateral business. Reference should be made to greater efficiency in terms of current offer i.e. faster (real-time) transfers between Caixa and Banco Caixa Geral and the clearing of cheques and “pagarés” in the Spanish market.

Caixa has developed its Iberian Passport for companies operating in Iberia, requiring the support of a local partner. It has been designed to facilitate business in both markets through the opening of accounts in Portugal and Spain and with a customer account manager in both countries and a credit limit for financing commercial operations with Spain.

Special reference should be made, in the investment support area, to:

- Further development of the Caixa Invest SRF (Strategic Reference Framework) lines of credit and Special Credit facilities for Small and Medium Sized Companies (SMEs) – Linhas de Crédito PME Investe; with a mutual guarantee, designed to improve access conditions enabling Portuguese SMEs to satisfy their borrowing requirements;

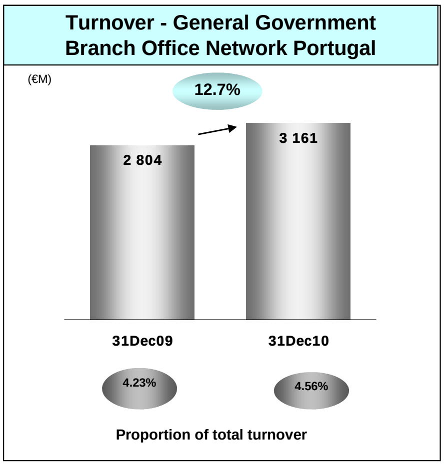
- The Caixa Empresas Energias Renováveis (Renewable Energy) solution for promoting corporate investment in the renewable energies area – solar, hydro and wind power;

- The line of credit for Education and Health, taken out with the Council of Europe Development Bank (CEB) to finance investment projects submitted by companies, private social solidarity institutions and the like at attractive terms and for longer maturities.

General Government

The **general government sector** accounted for 3% of branch office network turnover in Portugal, at 31 December 2010.

Particular reference should be made, in this segment, to the evolution of the credit portfolio, with year-on-year growth of 12.7%.



6.2. International Area Operations

Internationalisation is one of the fundamental areas of CGD Group's strategy. With more than a hundred years of internationalisation experience, always regulated by the highest standards of prudence and rigour, CGD has made a growing contribution to developing the internationalisation of the Portuguese economy, in its awareness of the external sector's importance for the sustained growth of Portuguese companies and Portugal itself.

Owing to the limited size of the domestic economy and, no less importantly, in an environment of enhanced competition and the emergence of a new planetary-wide growth geography, the Portuguese business community and the authorities are consciously and increasingly gearing their respective activity to foreign markets, particularly the new economies of Lusophone Africa, Brazil and other Latin American countries, China and the Maghreb.

CGD Group, with its extensive and diversified international platform, based on a physical presence in 23 countries and operating in a wide range of markets in support of the activities of Portuguese businesspeople, has endeavoured to play a major role in the growth of the Portuguese economy's external operations, notably in its support for small and medium sized enterprises in their role as a fundamental pillar of the domestic production system. The Group has, accordingly, geared its operations to a direct or indirect presence in markets with the highest business potential for Portuguese companies and the Group itself, in addition to countries with which it has cultural or linguistic affinities or with large communities of Portuguese origin.

CGD - Consolidated Operations – December 2010

Owing to the development of the vast range of instruments and the exploitation of synergies between the Group's different overseas companies, CGD's international operations succeeded in contributing EUR 81 million to CGD Group's consolidated net income.

Loans and advances to customers (net) were up 12.1% over December 2009 to EUR 13 812 million. Customer resources were up 6%, year on year, to EUR 10 050 million.

CGD Group reinforced its support mechanisms and solutions for its customers in 2010.

The monitoring and further development of its lines of export credit included the following activities:

- Increase in the size of the line of credit to the Republic of Mozambique from EUR 200 million to EUR 400 million, in March 2010, and extensions of project allocation periods and use of this new tranche to March 2012 and March 2015, respectively;

- The first addendum to the line of credit for Tunisia was signed in March 2010, maintaining a credit ceiling of EUR 100 million and extending project allocation periods and use thereof to 30 March 2012 and 30 March 2015, respectively;

- Signing of the second addendum to the existing line of credit in July 2010 for Morocco, extending the period of the allocation of projects and deadline for the use thereof to 16 January 2012 and 16 January 2014, respectively;

- A finance agreement for a new line of credit of EUR 200 million, also for Morocco, was signed on the same date;

- Award to CGD of a new line of credit for the Democratic Republic of East Timor. This financial instrument is expected to make a significant contribution to Portuguese exports of capital goods and services to East Timor and will have an initial ceiling of EUR 100 million which may be increased to as much as EUR 500 million;

- First prioritisation exercises for the China Eximbank EUR 300 million line of credit.

2010 also witnessed the reinforcement of actions designed to publicise and assist the capabilities of Portuguese companies in terms of their internationalisation processes in Caixa Group's strategic markets:

- Organisation of the "Algeria – Opportunities and Challenges for Portuguese Companies", business forum on the sidelines of the III Portugal-Algeria summit held in Lisbon in November 2010;

- Organisation of "International Meetings – Angola", in December 2010, in articulation with CGD's and Banco Caixa Totta de Angola's corporate network in with the participation of 150 companies, split up into six meetings held in Braga, Porto, Leiria, Ovar and Lisbon (2);

- Interventions in a large number of forums and seminars, notably the "ABCs dos Mercados" and "Conhecer mais Mercados", organised by AICEP and the Business on the Way 2010 programme organised by AEP, notably in the II Internationalisation Forum and with Chambers of Commerce.

There were several events of relevance, in the framework of the development and consolidation of CGD Group's international branch office network in 2010:

- Banco Caixa Geral Brasil's share capital was increased in two equal tranches from BRL 123 million to BRL 400 million in January and April.
- Closure of the representative office in São Paulo, whose team was latterly incorporated into Banco Caixa Geral Brasil's new individual customers service.
- Banco Interatlântico (BI) of Cape Verde increased its share capital from CVE 600 million to CVE 1 000 million (EUR 5.4 million to EUR 9.06 million) in April. CGD accompanied this capital increase by maintaining its 70% equity investment in the bank.
- Also in Cape Verde reference should be made to BCA's highly successful issue of a CVE 500 billion bond loan, particularly targeted at small, private investors and several leading national companies which was oversubscribed by a factor of 2. The main objective of this bond loan was to permit the sustained growth of the bank's activity, reinforce its strength, increase own funds, increase the maximum limit of credit risk concentration and improve solvency ratios.

- The agreement between Caixa Geral de Depósitos and Banif Groups, for a 70% equity investment in Banif Corretora de Valores e Câmbio, S.A. (Banif CVC) was formalised in June. This deal included Brazil's third biggest online home broker.
- The public deed for the formation of Banco Nacional de Investimento in Mozambique, with a share capital of MZN 17 145 million, in which CGD has an equity investment of 49.5%, the State of Mozambique 49.5% and BCI 1% was also signed in June. The objective of this new institution is to incentivise the creation of business partnerships between Portuguese and Mozambican business partnerships in the infrastructures sector (health, energy, education) and human resources training.
- The share capital of Banco Caixa Geral in Spain was also increased from EUR 442.8 million to EUR 462.8 million in the same month, fully subscribed for and paid up by CGD.
- Banco Comercial e de Investimentos increased its share capital to MZN 1 900 million in August.
- The Canadian authorities gave their agreement to the opening of a CGD representative office in Toronto in September.

6.3. Investment Banking

Caixa - Banco de Investimento continued to implement its international affirmation strategy in 2010.

CGD Group's investment bank, enjoys the same "A" rating on its medium and long term liabilities, as awarded to CGD by Fitch Ratings in December 2010.

Results

CaixaBI's net income for 2010, translating the effects of a depressionary situation, was down 11.9% over the preceding year to EUR 40.2 million. Cash flow, affected by the significant increase in provisions, was down 30.1%.

Net operating income was down 23.4% to EUR 90.3 million notwithstanding the significant increase of 17.9% in commissions to EUR 73.7 million.

Structural costs were slightly down, more on account of the reduction of net operating income. The cost-to-income ratio (23.4% to 30.1%) was worse than last year.

Recognition

CaixaBI's performance in 2010, continued to be singled out not only by its customers and partners but also the main international analysts who recognise the merit of the bank's well earned top position in the main league tables:

- Global Finance magazine awarded CaixaBI **Best Investment Bank** in Portugal, in 2010 status.
- Euromoney magazine also distinguished CaixaBI with its **Best Debt House** award in 2010.
- Project Finance Magazine, in turn, awarded its **European Hi-Speed Rail Deal of the year 2010** to the ELOS (high speed Portugal – Spain rail link) project.

Rankings

Bloomberg ranked the bank as the principal bookrunner for the issue of domestic bonds denominated in euros in the primary debt market area for the fourth consecutive year.

The ranking based on CMVM data puts CaixaBI in third position in the equity capital market ranking.

CaixaBI consolidated its position in the M&A market, in Portugal having participated in 16 announced or successfully completed operations, coming second in the Bloomberg ranking.

The various rankings also positioned CaixaBI among the main worldwide players in the project finance area:

- First place in Portugal as MLA for PFI/PPP Project Finance Loans
- Six place in Iberia as MLA for PFI/PPP Project Finance Loans

- On a European level, the bank came 24th as MLA for PFI/PPP Project Finance Loans and 43rd worldwide

In the financial intermediation area, according to data published by the CMVM for November, CaixaBI recorded a 131% increase in commissions in comparison to the same period last year and now has a market share of 16%, responsible for a volume of trading of EUR 11 023 thousand.

Deals

CaixaBI continued to lead the field in several emblematic business deals, particularly in the following areas:

Corporate Debt Finance

CaixaBI led 17 of the 20 primary bond market issues in which it was involved, in 2010. On the basis of this performance, the Bloomberg league table ranks the bank as the principal bookrunner for euro bonds issued by national entities for the fourth consecutive year.

Portuguese public debt continued to comprise one of the bank's operating priorities in the sovereign debt segment as a specialist treasury securities trader.

CaixaBI organised and led 25 new commercial paper programmes totalling EUR 2.3 billion.

In structured asset finance transactions, the bank was the sole arranger for Nostrum Mortgages No. 2 ,which is Portugal's largest securitisation operation to-date.

Equity Capital Market

CaixaBI once again consolidated its leading position in the capital market, in Portugal, in 2010, as the financial institution with the largest number of successfully completed operations.

The major equity capital market transaction realised in Portugal, in 2010, was Parpública's issue of convertible bonds on Galp Energia shares, as part of the company's fifth reprivatisation stage, in which CaixaBI was involved as joint lead manager and joint bookrunner. The bank also provided financial advisory services to Parpública for structuring and organising the issue.

Reference should also be made to the success of the increase of the share capital of Vista Alegre Atlantis, in which CaixaBI was responsible for the respective organisation and structuring. The structuring of this operation was also highly complex to the extent that, in addition to a public subscription, it included a private offer for a strategic partner and a loan to equity conversion process.

Corporate Finance – Advisory

CaixaBI consolidated its position in Portugal's M&A market, in the financial advisory area, having participated in 16 announced or successfully completed operations, placing it in second position in the Bloomberg ranking.

During the course of 2010, CaixaBI was involved in the largest and one of the most emblematic M&A operations in Portugal over the last 10 years in Portugal Telecom's disposal of its indirect equity investment of around 30% in Vivo, for a total amount of EUR 7.5 billion**.**

Reference should also be made to the financial advisory services on the establishing of a shareholders' agreement between CGD and Votorantim as part of the latter's acquisition of an equity investment in Cimpor.

Project and Structured Finance

Caixa Geral de Depósitos Group was involved in operations totalling around EUR1.2 billion, almost all of which was allocated to operations in Portugal, coming first in the Dealogic national ranking. Reference should be made to the major contribution in terms of sustainability, for Portugal, to the extent that they are reflected in renewable energy projects.

Of international relevance was geographical expansion via operations in Mozambique, Angola and Brazil with the aim of promoting investment banking activities in countries which are part of CGD Group's internationalisation strategy.

In operations in which the finance is structured on a corporate basis, reference should be made to the bank's participation in restructuring the assets of the La Seda Group, for more than EUR 1.7 billion, whose success culminated with an oversubscribed capital increase of EUR 300 million enabling a leading group in its operating sector to restructure its operations.

Financing and Structuring Area

CaixaBI continues to operate as a benchmark liquidity provider, with Euronext having recognised its performance with the allocation of its maximum “A” rating for all securities and categories.

Financial Intermediation

CaixaBI once again produced a positive level of performance, in 2010, in terms of its financial intermediation activity on Euronext Lisbon shares, with both intermediation volumes and commissions received outperforming the rest of the market, enabling CaixaBI to achieve pole position in terms of trading volumes.

Work also began on CaixaBI’s internationalisation in the financial intermediation area through an agreement for the acquisition of an equity investment in Banif CVC, a broker operating in the São Paulo stock exchange, whose completion is dependant on the required legal permits which will permit a direct investment in a financial market with one of the highest worldwide growth rates.

Syndication and Sales

CaixaBI has already placed 5 primary market issues totalling EUR 7 billion, this year. The bank has placed 276 commercial paper issues for more than EUR 8.2 billion.

Venture Capital

244 investment opportunities were analysed in 2010, with 43 approvals totalling EUR 134 million, of which 34 involving an amount of EUR 44 million. Seven disinvestment operations with a realisation price of EUR 19 million were also realised.

6.4. Insurance and Healthcare Operations

The national insurance market achieved growth of 12.5% in its activity in 2010, with EUR 16.3 billion in direct insurance premiums (including resources taken under investment contracts).

Life insurance, with premium income of EUR 12.2 billion, was up 17.2% in year on year terms, particularly owing to the strong growth of capitalisation products and retirement savings plans.

Non-life insurance, as a whole, with sales of around EUR 4.2 billion, was up 0.7%, notwithstanding the unfavourable macroeconomic environment and still insufficiently profitable pricing levels, particularly in terms of motor and workman’s compensation insurance.

The sector continues to be led by Caixa Seguros e Saúde, with an overall market share of 34.5%, at the end of 2010, which continued to lead the life and non-life insurance sectors with market shares of 37.0% and 27.1%, respectively.

Caixa Seguros e Saúde reinforced its leadership of the national insurance market, coming in top position with an overall market share of 34.5%, split up between life insurance with 37.0% and non-life insurance with 27.1% – in the latter case also retaining pole position in all of the main insurance areas.

Caixa Seguros e Saúde, SGPS, S.A., in accordance with CGD Group’s accounting standards earned net income of EUR 66.9 million representing a substantial increase of EUR 7.2 million over the preceding year.

Caixa Seguros e Saúde insurance companies continue to maintain high solvency levels with a consolidated solvency margin cover ratio of 157.9%, in December 2010. This is a comfortable situation for all insured and economic agents associated with the Group’s insurance companies.

CGD Group’s Insurance Operations

There was a significant improvement in the insurance area in comparison to the preceding year which contributed an amount of EUR 90.9 million to Caixa Seguros e Saúde’s consolidated net income in comparison to EUR 39.5 million in 2009. This is essentially the result of a combination effect of the recovery of financial income levels, gradual improvement of technical income and reduction of operating costs.

Direct insurance premiums, including resources taken under investment contracts and foreign operations, totalled EUR 5.7 billion.

CAIXA SEGUROS E SAÚDE, SGPS, SA'S INSURANCE AREA

(EUR million)

	2009	2010
Operations in Portugal		
Total market share	30.3%	34.5%
Life insurance	31.2%	37.0%
Non-life insurance	28.0%	27.1%
Direct insurance premiums	4 396	5 633
Life insurance	3 237	4 502
Non-life insurance	1 159	1 131
Combined ratio net of reinsurance (non-life)	106.3%	104.6%
Loss ratio net of reinsurance (non-life)*	71.1%	69.7%
Expense ratio net of reinsurance (non-life)	35.2%	34.8%
Foreign Insurance Operations		
Direct insurance premiums	74	81
Life insurance	43	43
Non-life insurance	31	38

** Excluding technical income from mathematical provisions on workman's compensation insurance*

Sales for Portugal as a whole were up 28.1% over the same period last year to EUR 5.6 billion. This growth derived from a 39.1% increase in life insurance sales and the commercialising of capitalisation products and retirements savings plans.

Non-life insurance as a whole was down 2.5% in terms of premiums, centred on motor insurance, transport and, particularly workman's compensation, essentially as a result of the economic slowdown.Global market share of 34.5% of insurance operations in Portugal was up over the same period last year (30.3%), owing to the higher market share in life insurance to 37.0% against the 2009 figure of 31.2%, enabling the reduction in non-life insurance from 28.0% in 2009 to 27.1% to be offset in 2010.

The EUR 15.9 million improvement in the aggregate technical margin on life insurance areas over 2009, at EUR 115.2 million, essentially translated the favourable evolution of financial activity, noticeably owing to the lesser impact of impairment in comparison to 2009 and smaller allocations to customers, the latter deriving from the effect of the fall in interest rates and asset yields.

The technical margin on non-life insurance was up EUR 8.3 million over the same period last year to EUR 277.9 million. This also essentially derives from lower claims rates. In technical terms, the combined ratio, net of reinsurance, was down 1.7 pp over the preceding year to 104.6%, having particularly benefited from the reduction of the loss ratio.

Structural costs were down 4.1% over the same period last year to EUR 337 million, in most account headings.

Consequently, Caixa Seguros e Saúde insurance companies as a whole posted aggregate net income of EUR 93.4 million in their statutory accounts as opposed to the 2009 figure of EUR 23.7 million.

The contribution of the area under insurance management to Caixa Seguros e Saúde's statutory net income was EUR 73.9 million against EUR 27.8 million in 2009.This differs from the insurance companies' respective statutory income as it also includes several instrumental companies in addition to various consolidation adjustments.

CGD Group's Hospital Activities

Notwithstanding the global crisis, HPP Saúde succeeded in maintaining and consolidating its growth strategy, with special reference being made to the evolution of Lusíadas, Boavista and Cascais hospitals and their capacity to attract and retain the loyalty of their customers.

2010 was the year of the opening of the new Cascais hospital under a PPP arrangement and the broadening of the range of services provided after a year of management in the old premises.

In the north, reference should be made to the completion of the works in the area of Boavista Hospital's Obstetrics and Gynaecology Department and the installation of another item of MRI equipment in addition to further development on Sangalhos Hospital's surgical operations.

Lusíadas Hospital, in greater Lisbon, consolidated its previous year's growth and increased its market share.

The performance of Faro and Lagos hospitals, in the south of Portugal, was in line with their objectives. The construction project for the new Faro hospital, in replacement of the old hospital was submitted to the Municipality of Faro.

In consolidated terms, the company achieved a positive change of 12.1% in its level of operating income of EUR 163.4 million with accumulated net losses of EUR 23.9 million.

Significant growth was also achieved in sales of medical services between 2009 and 2010, with a 21% increase in scheduled and 24% increase in urgent consultations, 21% increase in operations, 11% increase in *per diem* hospital confinements, 24% increase in the number of imagiology exams and 88.5% increase in deliveries**.**

Other significant events last year were:

- The continued implementation of the accreditation process of the Group's hospitals with the Joint Commission International;
- The acquisition of the whole of Carlton Life in October 2010, as a company providing comprehensive, specialised solutions for geriatric assessments, long term care and accommodation for seniors, enabling the expansion of the activity of Boavista and Lusíadas hospitals.

HPP Saúde, in continuing to provide for the new competitive environment and current macroeconomic scenarios, will continue to develop a sustained growth policy and optimise the efficiency of its processes and resources with the main objectives of improving its indicators and creating value for its customers, partners and shareholder.

Summary of Caixa Seguros e Saúde, SGPS, S.A.'s Consolidated Operations

Caixa Seguros e Saúde, SGPS, S.A. is CGD Group's holding company for its insurance area investments, hospital investments in the HPP – Hospitais Privados de Portugal holding company and several instrumental companies.

Caixa Seguros e Saúde, SGPS, S.A. earned net income of EUR 66.9 million in 2010, in comparison to the preceding year's EUR 7.2 million, in accordance with IAS/IFRS (CGD Group) standards, split up between income of EUR 90.7 million from its insurance operations

(EUR 39.5 million in the preceding year) and losses of EUR 23.8 million from its hospital activities (losses of EUR 32.3 million in the preceding year).

Reference should also be made to the fact that owing to the elimination of several intra group transactions, CGD's net appropriation of CSS's net income, in consolidated terms, was EUR 35.6 million.

CAIXA SEGUROS E SAÚDE, SGPS, SA [a] - INDICATORS

(EUR million)	2009	2010
Assets (net)	15 763	15 965
Shareholders' equity	1 162	1 064
Investment properties, securities portfolio, bank deposits and cash	14 127	14 405
Technical provisions net of reinsurance	6 174	5 473
Liabilities for customer resources and other loans	6 860	7 944
Net income	7	67
	2009	**2010**
Solvency margin components	1 299	1 166
Required solvency margin	740	738
Surplus solvency margin	559	428
Solvency margin cover ratio	175.5%	157.9%

a) The amounts set out in this table comply with the financial statements in IFRS/IAS format (CGD Group) and correspond to the consolidated accounts

Caixa Seguros e Saúde, SGPS, S.A.'s net operating income was up EUR 123 million over 2009 to EUR 745 million of which amount EUR 505 million derived from the technical margin on insurance operations and EUR 240 million from net operating income from financial activity.

Caixa Seguros e Saúde, SGPS's consolidated shareholders' equity was down EUR 98 million over December 2009 to EUR 1 064 million in December 2010 owing to the effect of depreciation on its investment portfolio having an impact on fair value reserves. Reference should also be made to subordinated liabilities of EUR 436.5 million.

CAIXA GERAL DE DEPÓSITOS, S.A.

11 February 2011

7 – CONSOLIDATED BALANCE SHEET

CAIXA GERAL DE DEPÓSITOS

Consolidated Balance Sheet at 31 December 2010

(EUR million)

ASSETS

	31.12.2009	31.12.2010	Δ Dec/10 - Dec/09 Total	Percent
Cash and cash equivalents with central banks	1 926	1 469	-458	-23.8%
Loans and advances to credit institutions	9 591	4 689	-4 902	-51.1%
Loans and advances to customers	77 222	81 907	4 685	6.1%
Securities investments	25 929	30 555	4 626	17.8%
Investment properties	354	396	42	11.9%
Investment in subsidiaries and associated companies	26	28	2	8.8%
Intangible and tangible assets	1 590	1 569	-21	-1.3%
Current tax assets	128	88	-40	-31.6%
Deferred tax assets	951	1 092	142	14.9%
Technical provisions for outwards reinsurance	258	265	6	2.4%
Other assets	3 009	3 812	802	26.7%
TOTAL	**120 985**	**125 871**	**4 886**	**4.0%**

LIABILITIES

	31.12.2009	31.12.2010	Δ Dec/10 - Dec/09 Total	Percent
Central banks' and credit institutions' resources	6 479	14 604	8 125	125.4%
Customer resources	64 256	67 680	3 424	5.3%
Financial liabilities	1 902	1 712	-190	-10.0%
Debt securities	25 182	19 307	-5 876	-23.3%
Provisions	796	803	7	0.9%
Technical provisions for insurance operations	6 439	5 743	-696	-10.8%
Subordinated liabilities	3 202	2 800	-401	-12.5%
Other liabilities	5 572	5 370	-202	-3.6%
SUB-TOTAL	***113 828***	***118 019***	***4 191***	***3.7%***
SHAREHOLDERS' EQUITY	7 157	7 851	695	9.7%
TOTAL	**120 985**	**125 871**	**4 886**	**4.0%**

8– CONSOLIDATED INCOME STATEMENT

CAIXA GERAL DE DEPÓSITOS

Consolidated Income Statement at 31 December 2010

(EUR thousand)

	31.12.2009	31.12.2010	Change Total	Change Percent
Interest and similar income	5 317 030	4 388 089	-928 941	-17.5%
Interest and similar costs	3 784 087	2 972 831	-811 256	-21.4%
Net interest income	*1 532 943*	*1 415 258*	*-117 685*	*-7.7%*
Income from equity instruments	108 402	197 477	89 075	82.2%
Net interest income including income from equity investments	**1 641 345**	**1 612 735**	**-28 610**	**-1.7%**
Income from services and commissions	592 463	648 628	56 166	9.5%
Costs of services and commissions	144 695	146 313	1 618	1.1%
Commissions (net)	*447 768*	*502 315*	*54 547*	*12.2%*
Income from financial operations	199 497	124 388	-75 109	-37.6%
Other net operating income	219 629	350 963	131 334	59.8%
Non-interest Income	**866 893**	**977 666**	**110 773**	**12.8%**
Premiums net of reinsurance	1 774 167	1 323 352	-450 815	-25.4%
Investment income allocated to insurance contracts	250 125	206 767	-43 358	-17.3%
Claims costs net of reinsurance	1 425 806	931 660	-494 146	-34.7%
Commissions and other associated income and costs	-107 250	-89 461	17 789	-16.6%
Technical margin on insurance operations	**491 235**	**508 998**	**17 762**	**3.6%**
Net operating income from banking and insurance operations	**2 999 474**	**3 099 398**	**99 924**	**3.3%**
Employee costs	1 040 370	1 047 134	6 764	0.7%
Other administrative expenses	698 080	721 197	23 117	3.3%
Depreciation and amortisation	197 981	198 849	868	0.4%
Operating costs and depreciation	**1 936 431**	**1 967 180**	**30 749**	**1.6%**
Gross operating income	**1 063 042**	**1 132 218**	**69 176**	**6.5%**
Provisions and credit impairment net of cancellations and reversals	424 905	420 232	-4 673	-1.1%
Impairment of other assets (net)	259 280	354 660	95 380	36.8%
Provisions and impairment	**684 185**	**774 892**	**90 707**	**13.3%**
Income from associated companies	-4 404	7 100	11 504	-261.2%
Income before tax and minority shareholders' interests	**374 453**	**364 426**	**-10 027**	**-2.7%**
Tax	**70 210**	**65 039**	**-5 172**	**-7.4%**
Current	-8 562	129 220	137 782	-1609.2%
Deferred	78 773	-64 181	-142 954	-181.5%
Consolidated net income for period	**304 243**	**299 387**	**-4 855**	**-1.6%**
Minority shareholders' interests	25 343	48 806	23 462	92.6%
NET INCOME ATTRIBUTABLE TO CGD SHAREHOLDER	**278 899**	**250 582**	**-28 317**	**-10.2%**