SUPPLEMENT TO THE BASE PROSPECTUS dated 19 February 2009

CAIXA GERAL DE DEPÓSITOS, S.A.

(incorporated with limited liability in Portugal)

€5,000,000,000 PUBLIC SECTOR COVERED BOND PROGRAMME

This is a Supplement (the "**Supplement**") to the Base Prospectus dated 19 February 2009 (the "**Base Prospectus**") for the purposes of Articles 135-C, 238 and 142 of the Portuguese Securities Code prepared in connection with the Public Sector Covered Bond Programme (the "**Programme**") established by Caixa Geral de Depósitos, S.A. (the "**Issuer**"). 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 Supervisory Board and the Statutory Auditor of the Issuer (see *Board of Directors, General Meeting, Supervisory Board 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.

The date of this Supplement is 8 July 2009

I. General Amendments

1. References to the Issuer's the reports and audited consolidated financial statements in respect of the financial years 31 December 2006 and 31 December 2007, together with the auditors' reports prepared in connection therewith, shall be replaced by references to the Issuer's reports and audited consolidated financial statements in respect of the financial years 31 December 2007 and 31 December 2008, together with the auditors' reports prepared in connection therewith, and the unaudited financial statements of the Issuer for the nine month period ended on 30 September 2008 shall be replaced by references to the unaudited financial statements of the Issuer for the three month period ended on 31 March 2009 (in the sections headed **Responsibility Statements**, **Documents Incorporated by Reference** and **General Information**).

   Any such documents are available at the Issuer's and CMVM's website (www.cgd.pt and www.cmvm.pt, respectively).

   For the avoidance of doubt, uniform resource locators ("URLs") given in respect of website addresses in this Supplement are indicative textual references only and it is not intended to incorporate the contents of any such websites into this Supplement nor should the contents of such websites be deemed to be incorporated into this Supplement or the Base Prospectus.

2. References to Issuer's share capital in the amount of €3,500,000,000 shall be replaced for €4,500,000,000.

II. Responsibility Statements

3. The forth paragraph shall be entirely deleted and replaced by the following paragraph:

"*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 2007 and 31 December 2008. The Auditor's Reports referring to the above financial periods are incorporated by reference in this Base Prospectus (see Documents Incorporated by Reference).*"

III. Risk Factors

4. The following shall be inserted in the paragraph headed **EU Savings Directive**, between the sentence starting at "*If a payment were to be made or collected through an EU Member State*" and the sentence starting at "*If a withholding tax is imposed on payment made by a Paying Agent*":

   "*Investors should note that the European Commission has announced proposals to amend the Directive. If implemented, the proposed amendments would, inter alia, extend the scope of the Directive to (i) payments made through certain intermediate structures (whether or not* *established in a Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to interest.*"

IV. DESCRIPTION OF THE ISSUER

5. The section entitled **Description of the Issuer** shall be replaced by the following:

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**"). 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 (tel: +351 21 795 30 00 / +351 21 790 50 00). Its share capital is €4,500,000,000 (following share capital increases from €3,100,000,000 to € 3,500,000,000 on the 1 of August 2008, and from €3,500,000,000 to the current share capital amount, on 27 May 2009). 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 is contained or referred to in the Annual Report of the Issuer for 2008 (available at www.cgd.pt and www.cmvm.pt).

CGD (together with its subsidiaries, the "**CGD Group**") remained the banking sector leader in Portugal in 2008 in terms of segments and key products, specifically as regards the individual customers segment, both in terms of deposits and mortgages. Reference should be made, in the case of banking operations, to the market share of client deposits, with 27.6% at the year end, particularly the individual customers segment with 32.1%. The global market share of loans and advances to customers was 19.9% (23.2% in the individual customers segment). CGD, in turn, had a 26.8% share of the mortgage sub-segment (Source: Bank of Portugal Monetary and Financial Statistics – loans and advances includes securitised operations).

In national insurance, the CGD Group, through its holding company for the insurance sector, is a market leader in terms of annual total sales with a market share of 26.1%. The CGD group is also a "non-life" insurance market leader with a share of 29.6%, and also ranks first in terms of "life insurance" with a share of 24.7%. (Source: Instituto de Seguros de Portugal (Portuguese Insurance Institute), December 2007 and Associação Portuguesa de Seguradores (Portuguese Insurers Association) for December 2008). Its position was further consolidated with the acquisition in 25 January 2005 of the insurance company Império-Bonança.

In asset management, the CGD subsidiary Caixagest holds first position in terms of funds managed in the unit trust funds investment league, with a market share of 25.2%, with high demand providing Fundimo with a 12.6% share of open-ended property investment funds, climbing to the first place in terms of capital under management (Source: Associação Portuguesa de Fundos de Investimento, Pensões e Patrimónios, December 2008).

CGD was classified as the 99th largest banking institution worldwide, by assets (103rd in 2007), and 128th by shareholders' equity, in 2008 (131st in 2007) - Source: July 2008, issue of "The Banker".

CGD came 36th in the "Global Finance" report of February 2009, on the world's 50 safest banks. It is the only domestic bank to be included on the list.

CGD is a member of the European Savings Banks Group, the Credit Local d'Europe and the EU's Committee of Clearing Banks - 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, as at 31 December 2008, of 1,223 branches, 391 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 into 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, with a total of 213 branches), France (French Branch with 46 branches), Madeira, the United Kingdom, Switzerland, Luxembourg, Germany, India, China, Macao, Mozambique (Banco Comercial e de Investimentos with 50 branches), Cape Verde (Banco Interatlântico and Banco Comercial do Atlântico with 35 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 31 March 2009.

CAIXA GERAL DE DEPÓSITOS GROUP – 31 March 2009

	CAIXA GERAL DE DEPÓSITOS	BANCO CAIXA GERAL (Spain) 99.8%	BANCO CAIXA GERAL BRAZIL 100.0%				
COMMERCIAL BANKS	BANCO NACIONAL ULTRAMARINO (Macao) 100.0%	CAIXA GERAL DEP-SUBSIDIÁRIA OFFSHORE MACAU 100.0%	BANCO INTERATLÁNTICO (Cape Verde) 70.0%	BANCO COM. ATLÁNTICO (Cape Verde) 65.2%	MERCANTILE BANK HOLDINGS (South Africa) 91.8%	PARBANCA SGPS 100.0%	B. COMERCIAL E DE INVESTIMENTOS· (Mozambique) 51.0%
INVESTMENT BANKING & VENTURE CAPITAL	GERBANCA SGPS 100.0%	CAIXA BANCO DE INVESTIMENTO 99.7%	CAIXA CAPITAL 100.0%	CAIXA DESENVOLVIMENTO SGPS 100.0%	A PROMOTORA (Cape Verde) 62.2%		
ASSET MANAGEMENT	CAIXA – GESTÃO DE ACTIVIOS, SGPS 100.0%	CAIXAGEST 100.0%	CGD PENSÕES 100.0%	FUNDIMO 100.0%			
SPECIALIZED CREDIT	CAIXA LEASING E FACTORING –I FIC 100%	CREDIP – IFIC 80.0%	BCI - ALD (Mozambique) 100.0%				
INSURANCE	CAIXA SEGUROS E SAÚDE, SGPS 100.0%	Companhia de Seguros FIDELIDADE - MUNDIAL 100.0%	IMPÉRIO BONANÇA Companhia de Seguros 100.0%	VIA DIRECTA Companhia de Seguros 100.0%	CARES-Companhia de Seguros 100.0%	MULTICARE – Seguros de Saúde 100.0%	GARANTIA (Cape Verde) 80.9%
	HPP – Hospitais Privado de Portugal, SGPS 75.0%	GEP – Gestão de Peritagens Automóveis 100.0%	EAPS – Empresa de Análise, Prevenção e Segurança 100.0%	EPS – Gestão de Sistemas de Saúde 100.0%	LCS - Linha de Cuidados de Saúde 100.0%	FIDELIDADE - MUNDIAL, SGII 100.0%	Companhia Portuguesa de Resseguros 100.0%
OTHER	CAIXATEC Tecnologias de Informação 100.0%	CAIXANET 80.0%	IMOCAIXA 100.0%	IMOBILIARIA CAIXA GERAL (Spain) 100%			
	SOGRUPO - Serviços Administrativos ACE	SOGRUPO – Sistemas de Informação ACE	SOGRUPO IV - Gestão de Imóveis ACE				
HOLDING COMPANIES	CAIXA PARTICIPAÇÕES, SGPS 100.0%	WOLFPART SGPS 100.0%	PARCAIXA SGPS 51.0%				

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 2007 and 31 December 2008. 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.

Profit and Loss Account

	Year ended 31 December	
	2007	**2008**
	(€million)	
Interest and similar income	5,910.1	7,325.5
Interest and similar costs	(3,971.0)	(5,244.4)
Income from equity instruments	92.9	120.3
Net interest income	**2,032.0**	**2,201.4**
Income from services rendered and commissions (net)	394.9	418.8
Results from financial operations	84.3	246.6
Other net operating income	88.8	179.5
Net Operating Income	**2,600.1**	**3,046.3**
Technical margin on insurance operations	**549.2**	**514.9**
Premiums net of reinsurance	2,242.8	2,213.7
Result of investments relating to insurance contracts	310.8	227.1
Cost of claims costs net of reinsurance	(1,868.4)	(1,805.6)
Commissions and other income and cost relating to insurance contracts	(135.9)	(120.3)
Net operating income from banking and insurance operations	**3,149.3**	**3,561.2**
Staff costs	(942.2)	(1,003.8)
Other administrative costs	(650.7)	(675.9)
Depreciation and amortisation	(142.7)	(159.0)
Provisions net of reversals	(72.8)	130.6
Loan impairment net of reversals and recovery	(249.4)	(447.6)
Other asset impairment net of reversals and recovery	(19.4)	(774.1)
Result of associated companies	3.2	30.4
Income before tax and minority interest	**1,075.1**	**661.8**
Income tax:		
Current	(315.2)	(322.9)
Deferred	137.6	166.2
	(177.5)	(156.7)
Consolidated net income for the year	**897.6**	**505.1**
Minority interest	(41.3)	(46.1)

	Year ended 31 December	
	2007	**2008**
	(€million)	
Net income attributable to the shareholder of CGD	**856.3**	**459.0**
Average number of ordinary shares outstanding	**590,000,000**	**653,534,247**
Earnings per share (in Euros)	**1.45**	**0.70**

Consolidated Balance Sheet

	As at 31 December	
	2007	**2008**
	(€ million)	
Assets		
Cash and cash equivalents at central banks	1,925.5	1,897.8
Cash balances at other credit institutions	952.7	614.8
Loans and advances to credit institutions	4,789.7	5,554.8
	7,667.8	**8,067.4**
Financial assets at fair value through profit or loss	6,841.9	4,807.1
Available-for-sale financial assets	15,371.1	15,911.4
Unit-linked investments	777.1	620.5
Hedging derivatives	125.6	184.1
Held-to-maturity investments	0.0	0.0
	23,115.7	**21,523.1**
Loans and advances to customers	66,844.3	75,311.2
Non-current assets held for sale	455.0	173.1
Investment property	410.3	321.4
Tangible assets	977.1	1,041.9
Intangible assets	411.2	395.8
Investments in associates	316.7	86.8
Current tax assets	29.7	41.1
Deferred tax assets	683.1	1,066.9
Technical provisions for outwards reinsurance	234.3	240.2
Other assets	2,408.5	2,791.1
Total assets	**103,553.8**	**111,060.1**
Liabilities		
Resources of central banks and other credit institutions	8,841.2	6,951.8
Customer resources	54,038.8	60,127.8
Liability of unit-linked products	777.1	620.5
Debt securities	16,230.9	19,929.1
	71,046.8	**80,677.3**
Financial liabilities at fair value through profit or loss	1,193.8	2,214.0
Hedging derivatives	814.4	421.9
Non-current liabilities held for sale	283.8	0.0
Provisions for employee benefits	531.6	505.9
Provisions for other risks	404.9	236.2
Technical provisions for insurance contracts	7,673.9	7,192.3

	As at 31 December	
	2007	2008
	(€ million)	
Current tax liabilities	182.1	148.6
Deferred tax liabilities	153.1	64.4
Other Subordinated liabilities	2,667.4	3,144.8
Other liabilities	4,219.7	4,018.8
Total liabilities	**98,012.7**	**105,575.9**
Share capital	3,100	3,500
Fair value reserves	381.2	(873.3)
Other reserves and retained earnings	503.8	1,241.9
Net income attributable to the shareholder of CGD	856.3	459.0
Minority interests	699.8	1,156.6
Total shareholders equity	**5,541.1**	**5,484.1**
Total liabilities and shareholders equity	**103,553.8**	**111,060.1**

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

	As at 31 December	
	2007	2008
	(%)	
Structural Ratios		
Customer loans[1]/customer deposits	125.7	125.3
Customer loans[1]/net assets	65.6	67.8
Mortgages/Customer loans[2]	47.9	45.7
Profitability and Efficiency Ratios		
Return on equity (before tax) [3]	20.5	12.6
Return on equity (after tax) [3]	17.1	9.6
Return on assets (before tax) [3]	1.09	0.61
Return on assets (after tax) [3]	0.91	0.47
Net operating income [3]/average net assets	3.19	3.34
Cost-to-income [4]	55.1	51.2
Operating costs based on average net assets	1.75	1.71
Employee Costs based on Net Operating Income	29.9	27.9
Asset Quality Ratios		
Non-performing credit ratio [5]	2.07	2.33

	As at 31 December	
	2007	2008
	(%)	
Non-performing credit (net) / total credit (net) [5]	(0.43)	(0.42)
Overdue credit / total credit	2.05	2.38
Credit more than 90 days overdue /total credit	1.80	2.00
Accumulated impairment /overdue credit	121.4	115.1
Accumulated impairment /credit more than 90 day overdue	137.9	137.3
Capital Ratios		
Solvency ratio for the purpose of the Bank of Portugal	10.1	10.7
Tier 1 for the purpose of the Bank of Portugal	6.2	7.0
Core Tier 1	5.8	6.8

(1) Costumer loans after impairment.

(2) Costumer loans before impairment.

(3) Considering average shareholders' equity and net asset values.

(4) Includes income from associated companies.

(5) Indicators calculated in accordance with Bank of Portugal "instruction"

Consolidated Statements of Changes in Equity for the years ended 31 December 2008 and 2007

(Amounts expressed in thousand of euros)

		Other reserves and retained earnings							
	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Net income for the year	Sub-total	Minority interest	Total
Balances at 31 December 2006	2,950,000	656,405	299,045	(319,452)	(20,407)	733,808	4,319,806	693,851	5,013,657
Appropriation of net income for 2006:									
Transfer to reserves and retained earnings…………………………	—	—	419,651	54,157	473,808	(473,808)	—	—	—
Dividends paid to the State………………………………………	—	—	—	—	—	(260,000)	(260,000)	—	(260,000)
Measurement gain/(losses) on available-for-sale financial assets(net)	—	(196,868)	—	—	—	—	(196,868)	—	(196,868)
Reclassification of unrealised gains………………………………...	—	(78,360)	78,360	—	78,360	—	—	—	—
Currency changes…………………………………………………...	—	—	(20,480)	—	(20,480)	—	(20,480)	(454)	(20,934)
Dividends paid on preference shares…………………………….....	—	—	—	—	—	—	—	(29,816)	(29,816)
Share capital increase……………………………………………….	150,000	—	(600)	—	(600)	—	149,400	—	149,400
Other………………………………………………………………...	—	—	37,231	(44,088)	(6,857)	—	(6,857)	(5,096)	(11,953)
Net income for the year……………………………………………..	—	—	—	—	—	856,311	856,311	41,299	897,611
Balances at 31 December 2007	3,100,000	381,177	813,207	(309,383)	503,824	856,311	4,841,312	699,784	5,541,097
Appropriation of net income for 2007:									
Transfer to reserves and retained earnings…………………………..	—	—	461,267	55,044	516,311	(516,311)	—	—	—
Dividends paid to the State……………………………………….	—	—	—	—	—	(340,000)	(340,000)	—	(340,000)
Measurement gain/(losses) on available-for-sale financial assets (net).	—	(1,080,241)	—	—	—	—	(1,080,241)	—	(1,080,241)

Reclassification of unrealised gains…………………………………..	—	(180,925)	180,925	—	180,925	—	—	—	—
Currency changes…………………………………………………..	—	—	(21,517)	—	(21,517)	—	(21,517)	(2,487)	(24,004)
Transfer from reserves to retained earnings	—	—	(32,029)	32,029	—	—	—	—	—
Changes in the scope of consolidation:									
Acquisition of Parcaixa SGPS, SA	—	—	—	—	—	—	—	490,000	490,000
Sale of part of Caixa Leasing e Factoring - IFIC, S.A.	—	—	11,433	—	11,433	—	11,433	(11,563)	(130)
Sale of Compal	—	—	—	—	—	—	—	(23,129)	(23,129)
Dividends paid on preference shares………………………………….	—	—	—	—	—	—	—	(34,493)	(34,493)
Share capital increase………………………………………………….	400,000	—	—	—	—	—	400,000	—	400,000
Other…………………………………………………………………....	—	6,685	50,848	45	50,893	—	57,578	(7,705)	49,873
Net income for the year………………………………………………..	—	—	—	—	—	459,023	459,023	46,143	505,166
Balances at 31 December 2008	3,500,000	(873,304)	(1,464,134)	(222,265)	1,241,869	459,023	4,327,588	1,156,550	5,484,138

For the years ended 31 December 2008 and 2007
(Amounts expressed in thousand of euros)

	2007	2008
Operating activities		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	6,495,077	7,771,052
Interest, commissions and similar costs paid	(3,514,735)	(4,259,615)
Premiums received (insurance)	2,228,889	2,238,623
Cost of claims paid (insurance)	(1,910,531)	(2,255,247)
Recovery of principal and interest on loans and advances to costumers	91,836	53,144
Results of foreign exchange operations	52,782	(12,108)
Payments to employees and suppliers	(1,534,617)	(1,557,833)
Payments and contributions to pension funds	(111,052)	(108,626)
Other results	(46,141)	167,974
	1,751,508	2,037,364
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	(6,267,012)	(9,710,172)
Assets held for trade and other assets at fair value through profit or loss	2,557,327	4,886,944
Other assets	797,215	(129,811)
	(2,912,470)	(4,953,039)
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	3,305,628	(1,859,962)
Customer resources	(744,824)	4,585,959
Other liabilities	(1,065,622)	(678,026)
	1,495,182	2,047,972
Net cash from operating activities before taxation	334,220	(867,703)
Income tax	(373,592)	(340,461)
Net cash from operating activities	(39,372)	(1,208,163)

Investing Activities		
Dividends received from equity investments	92,896	120,252
Acquisition of investments in subsidiary and associated companies, net of disposals	(226,662)	531,785
Acquisition of available-for-sale financial assets, net of disposals	(3,007,645)	(2,571,702)
Acquisition of tangible and intangible assets and investment property, net of disposals	116,728	(111,248)
Net cash from investing activities	(3,024,683)	(2,030,913)
Financing Activities		
Interest on subordinated liabilities	(90,395)	(132,928)
Interest on debt securities	(535,393)	(880,283)
Dividends paid on preference shares	(29,816)	(34,493)
Issue of subordinated liabilities, net of repayments	733,857	460,624
Issue of debt securities, net of repayments	3,053,343	3,400,606
Share capital increase	150,000	400,000
Dividends paid	(260,000)	(340,000)
Net cash from financing activities	3,021,596	2,873,526
Increase (decrease) in cash and cash equivalents	(42,459)	(365,551)
Cash and cash equivalents at the beginning of year	2,922,275	2,878,165
Changes in the consolidation perimeter	(1,651)	-
Cash and cash equivalents at the end of year	2,878,165	2,512,614

OVERVIEW OF THE FINANCIAL PERFORMANCE OF THE CGD GROUP

According to the INE's National Quarterly Accounts, GDP growth in the domestic economy over 2008 was nil, representing a relative deceleration compared to the preceding year (1.9%). This performance was highly conditioned by the negative contribution of exports and GFCF, which decreased respectively by 0.5% and 0.1% in 2008.

These figures reflect a deteriorating international environment with a spill over of the crisis in financial markets to the real economy, shown also in the decrease of external demand for Portuguese exports with the consequence of a deceleration of exports, whose growth was down by around 8 pp, -0.5% in 2008.

In the same vein, the deterioration in confidence levels of both investors and consumers, in combination with greater restrictions on access to borrowing, was reflected in both investment and consumption, notably mortgage lending.

The highly uncertain context relating to the evolution of the economy and high levels of debt faced by Portuguese households, in conjunction with the drop in inflation in the second half of 2008, may have led to a reassessment of individual borrowers' consumption decisions, notwithstanding the reduction of the standard rate of VAT from 21% to 20% in July 2008.

In terms of inflation, the HICP (Harmonized Index of Consumer Prices) recorded annual growth of 2.7% or 0.3 pp up over the preceding year. This was largely due to the increase in the prices of energy goods and commodities in the first half of the year, which was, in the meantime, reversed owing to the reduction in world demand and consequent increase of reserves.

The unemployment rate, in 2008, was slightly down from the 2007 figure of 8% to 7.6%. This can be explained by the time gap existing between the economic cycle and its consequences in the labour market. The effects of the current economic crisis are therefore only likely to affect the unemployment rate in 2009.

Lastly, the central and local government deficit was 0.5 pp down over 2007 in line with the definition contained in the Budget Policy Guideline Report.

Deposits and Credit Aggregates

The M3 liquidity aggregate, excluding currency in circulation was up 13.1% over the same period last year, representing an acceleration of 8.9% over 2007. Total deposits particularly included the evolution of individual customers' and emigrants' deposits with growth of 14.3%.(Source: Bank of Portugal, Statistics Bulletin for February 2009 and page 40 of the Annual Report).

As in former years, growth total domestic credit was relatively higher than that in total deposits, although the rates were very similar.

The fall in lending to central and local government was reversed with growth of around 21% recorded for the period in question, with a relative deceleration in other types of credit.

Particular reference should be made to the evolution of mortgage lending which expanded by 4.3% in 2008 after achieving growth of 8.5% in 2007.

Interest Rates

In 2008, the European Central Bank implemented a policy of increasing reference rates as a means of guaranteeing a level of inflation compatible with price stability, up to July, when it increased its reference rate by 25 bps.

Inflationary pressures, however, began to lessen as from July 2008 in line with the falling prices of oil and the principal commodities, owing to lower world demand.

With visible signs of difficulties in the European economy and consequent increase in uncertainty and risk perception, the money market started to show increasing signs of inefficiency, requiring the ECB to make several fund injections to meet banks' liquidity requirements.

The Eurozone monetary authority intervened once again before the end of the year by changing the reference rate to 2.5%.

An upward trend can be noted in interest rates on new lending operations, in 2008. These peaked, in September with interest on lending of 6.51% for new corporate loans against the March figure of 5.55%.

Owing to the ECB's changes to its reference rates, there was a reversal of the trend of bank interest rates on lending and borrowing which started to move upward in October and which are expected to come into line with the medium term reference rate.

Assets and Liabilities

In 2008 CGD Group's net assets were up 7.2% over 2007 to EUR 111.1 billion. Particularly significant contributory factors were increases in loans and advances to customers (gross) of 11.2 %, to EUR 77.4 billion, mainly fuelled by a 16.1% increase in corporate loans and 5.9% increase in mortgage lending.. On the liabilities side, reference should be made to the expansion of credit institutions' resources and debt securities.

CGDs separate accounts, which include the activity of France, London, Luxembourg, Monaco, New York, Grand Cayman, Madeira offshore, East Timor and Zhuhai branches, contributed 74.8% to the Group's net assets during 2008 (73.7% in 2007), the insurance sector for 10.8% and Banco Caixa Geral in Spain for 4.6%. In the case of other institutions, reference should be made to Caixa Leasing e Factoring with 3% and BNU (Macau) with 2%.

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:

	2007		2008	
	Value	%	Value	%
	(€million)			
Caixa Geral de Depósitos	76,310	73.7	83,022	74.8
Caixa-Seguros	12,675	12.2	11,952	10.8
Banco Caixa Geral (Spain)	4,608	4.4	5,137	4.6
BNU-Banco Nacional Ultramarino, SA (Macao)	1,909	1.8	2,172	2.0
Caixa – Banco de Investimento	1,620	1.6	1,750	1.6
Caixa Leasing and Factoring	2,745	2.7	3,336	3.0
Banco Comercial Atlântico (Cape Verde)	554	0.5	574	0.5
Banco Comercial e de Investimentos (Mozambique)	449	0.4	645	0.6
Mercantile Lisbon Bank Holdings	374	0.4	373	0.3
Other companies (a)	2,310	2.2	2,098	1.9
Consolidated net assets	103,554	100.0	111,060	100.0

(a) Includes companies consolidated by the equity accounting method

In 2008 cash and cash equivalents and loans and advances to credit institutions were up 5.2% over 2007 to EUR 8.1 billion with EUR 7 billion in resources having been taken from the same entities, against EUR 21.4 billion in December 2007.

In addition to resources obtained from credit institutions on the money market in the form of deposits, in 2008 total resources taken by the group were up 7.8% over the preceding year to EUR 98.3 billion, split up into balance sheet resources with a 12.2% increase to EUR 88.1 billion and "off-balance-sheet" resources, down 19.9% to EUR 10.2 billion. Debt securities registered an increase of 22.8%, (up EUR 3.7 billion).

The 11.2% increase in the balance on loans and advances to customers (gross) to EUR 77.4 billion during the year 2008, was fuelled by a 16.1% increase in corporate loans and, to a lesser extent, a 5.9% growth in mortgage lending in comparison with 2007 figures. In 2008, around 80% of the total loans and advances to customers results from CGD's operations in Portugal.

CGD Group companies particularly included Banco Caixa Geral (Spain), with EUR 575 million (up 13.2%) and Caixa Leasing e Factoring with EUR613 million (up 22.5%).

In terms of credit structure, the individual customers segment continued in 2008 to account for a preponderant proportion of total credit, absorbing 50.1% of the total loans balance, with 45.7% for housing. Reference should, however be made to the reinforcement of corporate loans which absorbed 46% of the total, against 44.1% in 2007 and 7.6% for other purposes.

The global deposits balance, almost exclusively comprising deposits taken from the retail sector was 9.7% up over the preceding year to EUR 55.5 billion. This more aggressive deposit taking approach has been supported by term deposits and savings accounts with an increase of 19.4% to 67.8% of the total, against the preceding year's 62.3%.

In 2008 the total resources taken by the Group, excluding money market resources from financial institutions were up 7.8% in comparison with 2007 to EUR 98.3 billion with a split up between a 12.2% increase in balance sheet resources to EUR 88.1 billion and a 19.9% fall in “off-balance sheet” resources to EUR 10.2 billion.

Shareholders' Equity

During the year of 2008 there was a 1% decrease of EUR 57 million in shareholders' equity to EUR 5.5 billions. Reference should be made to CGD's capacity to generate its own funds, deriving from profits, and the year end increase of EUR 400 million in share capital.

Factors having a negative effect in 2008 included the payment of EUR 340 million in dividends to the state shareholder and a EUR 1 254 million decrease in the amount of fair value reserves. The reduction in the amount of fair value reserves during that year derived from the depreciation of the securities portfolio associated with the occurrence of the turbulence in financial markets.

Own Funds and Solvency Ratio

The group's shareholders' equity was 1% down to EUR 5.5 billion over December 2007.

This behaviour was negatively influenced by the distribution of EUR 340 million in dividends to the state shareholder and, particularly the significant reduction of EUR 1 254 million in fair value reserves, as a result of the international financial crisis, determining potential capital losses on diverse financial assets affecting shareholders' equity.

Positive contributions particularly included CGD's generation of own funds from the profits earned on its operations, increase in minority shareholders' interests with the formation of Parcaixa and the EUR 400 million share capital increase in August 2008, to EUR 3 500 million, with the aim of ensuring adequate solvency for the group's development vis-à-vis the constraints caused by the financial crisis.

The consolidated solvency ratio, in December 2008, determined under the Basel II regulatory framework was 10.7% as against the preceding year's ratio of 10.1%. This evolution particularly benefited from the 16.2% increase in own funds which was much higher than the 9.6% increase in weighted risk positions.

Tier I, in turn, increased from 6.2% to 7% and Core Tier I from 5.8% to 6.8%.

There was a 16.2% increase of EUR 1 002 million in total own funds during the year, of which EUR 897 million relating to basis own funds.

The positive evolution of around EUR 1 014 million in core capital, is justified by the EUR 400 million increase in share capital, CGD's self-sufficiency in terms of cash generation with retained earnings of EUR 144 million and the EUR 427 million increase in minority shareholders' interests. Reference should be made to the fact that the deductions from this aggregate were mitigated by the entry into effect of two new official notices issued by the Bank of Portugal during the course of the last quarter of 2008, excluding the assessment of potential capital gains and losses on debt securities classified as available for sale (official notice 6/2008) and consideration of the total amount of deferred tax assets on the calculation of capital ratios (official notice 7/2008).

The lower growth of around EUR 897 million in basis own funds derives from the EUR 116 million increase relating to the deduction of 50% of investments in more than 10% of insurance sector companies and credit institutions.

Complementary own funds were up EUR 108 million over the end of the preceding year, owing to the new subordinated debt issues with a fixed maturity date, which, net of amortisations, were up EUR 507 million. Negative factors particularly included the EUR 277 million decrease in revaluation reserves and the increase in the deduction comprising 50% of investments of more than 10% in insurance companies and credit institutions.

The value of other deductions from total own funds was relatively insignificant and similar to 2007. Those deductions were due to the group's maintenance of the properties acquired in repayment of its own loans.

Weighted assets were, in turn, 9.6% up to EUR 66.9 billion, determining minimum own funds requirements of EUR 5 348 million which, in comparison to total existing funds of EUR 7 177 million, gave a surplus of EUR 1 829 million, at the end of 2008.

Weighted risk positions were, for the first time, in 2008, calculated in accordance with the requirements of the New Basel II Capital Accord, with CGD having used the standard method to calculate credit risk. This change conditions the comparison between 2007 and 2008. It should also be noted that capital had to be allocated to a new type of risk in 2008: operational risk, for the determination of which CGD adopted the basic indicator method.

Of total weighted positions at the end of 2008, EUR 59 974 million (89.7%) comprised credit risk positions, EUR 4 521 million (6.8%) operational risk, EUR 1 902 million (2.8%) market risk and EUR 454 million (0.7%) securitisation positions.

An analysis of weighted credit risk positions shows that the corporate segments absorbed 42.9% of the total, the retail portfolio 17.9% and positions "guaranteed by property" 19.8%.

Income and Profit Ratios

CGD Group's consolidated net income for 2008 was down 46.4% to EUR 459 million against the preceding year's EUR 856.3 million, notwithstanding the highly positive contribution represented by its 13.1% increase in net operating income from banking and insurance operations. This reduction translates the highly negative effects of the financial market crisis, reflected in the depreciation of the securities portfolio and the need to recognise the respective losses. This was particularly the case of the EUR 220 million and EUR 262.2 million equity investments in BCP and ZON-Multimédia, respectively, in addition to impairment on other securities related with insurance operations (EUR 122.1 million).

CGD's own operations contributed 67.7% to the group's net income with special reference to the highly satisfactory performance of CGD's foreign branches, with EUR 87.9 million, i.e. 19.1% of the total against the preceding year's 11.9%.

Reference should be made to the excellent results achieved by retail banking operations, both in Portugal and abroad, translating into significant growths of net operating income from commercial banking operations (up 7.1%), net interest income, including income from equity instruments (up 8.3%) and net commissions (up 6%).

Net operating income from banking and insurance operations was up 13.1%, to EUR 3 561.2 million and costs evolution was contained. Net interest income from equity instruments was up 8.3% to EUR 2 201.4 million, split into net interest income, with a 7.3% increase to EUR 2 081.2 million and income from capital instruments (dividends), with a 29.4% increase to EUR 120.3 million.

In 2008, non-interest income was significantly up by 48.7% to EUR 844.8 million, evidencing the strong improvement in operating returns on banking activity.

Income from financial operations, totalling EUR 246.6 million, was influenced by the negative impact of the revaluation of securities trading portfolios at market prices and consequent recognition of capital losses, as effective losses, even if, to a large extent, offset by the EUR 156 million in capital gains made on CGD's disposal of its equity investments in REN-Redes Energéticas Nacionais and ADP-Águas de Portugal.

The technical margin on insurance operations contributed EUR 515 million to the group's net operating income, comprising a 6.2% decrease of EUR 34.3 million over the preceding year. The fall in this margin is explained by the 26.9% reduction of EUR 83.7 million in income and gains on investments allocated to insurance contracts, which were affected by EUR 58.8 million in losses on the disposal and valuation of investments, which, in the preceding year, contributed an amount of EUR 40.6 million. The results are in line with negative financial market performance.

Operating costs were up 5.9% by EUR 103 million to EUR 1 838.7 million, owing to increases of 6.5% in employee costs, 3.9% in other administrative expenses and 11.4% in depreciation and amortisation. The most significant cost increases occurred in international operations and the insurance sector, the latter of which were associated with the opening of HPP's two new hospitals, in 2008, and early retirements and indemnities paid on the termination of employment, under the terms of the new organisational structure currently being implemented.

Net operating income was 24.4% up to EUR 2 764.4 million. After the deduction of operating costs and amortisation for the amount of EUR 1 157.1 million (up 4.2%), gross operating income was 44.6% up over the preceding year to 1 607.2 million.

Income from associated companies totalled EUR 30.4 million, against EUR 3.2 million in 2007, mainly from REN.

Income tax totaled EUR 156.7 million, of which EUR 322.9 million relating to current tax (up 2.,4%), corresponding to tax effectively paid for the year and resulting from the application of IRC on taxable profit and EUR 166.2 million in deferred tax to be deducted (up 20.7%), on operations permitting the future recovery of tax paid. Most of the deferred tax, in 2008, referred to tax on credit and impairment of securities provisions, namely BCP and ZON, which were temporarily disallowed for tax purposes.

An amount of EUR 46.1 million in income (up 11.7%) was attributable to minority shareholders' interests and, in consolidation terms, consists of the appropriation of the part of the results of subsidiaries, not owned by Caixa, particularly BCI (Mozambique) with EUR 7 million, Mercantile (South Africa) with EUR 2.9 million and Banco Comercial do Atlântico (Cape Verde) with EUR 2.9 million. They also include the income paid to the underwriters of preference shares issued by CGD Finance (EUR 34.4 million).

After the amounts of the appropriations for provisions and impairment, in addition to the results of associated companies, income before tax and CGD's minority shareholders' was 38.4% down over 2007 to EUR 661.9 million.

During 2008, provisions appropriations and impairment on other assets were up EUR 551.3 million over the preceding year to EUR 643.5 million. The latter account heading included an amount of approximately EUR 482 million on the equity investments in BCP and ZON-Multimédia, in addition to impairment of EUR 122.1 million on other Caixa-Seguros portfolio shares.

There was a 79.4% increase of EUR 198.1 million in credit impairment, net of reversals, over the preceding year to EUR 447.6 million.

The amount of accumulated impairment on loans and advances to customers (performing and overdue) increased by 22.7% (EUR 392.2 million) to EUR 2 121.1 million at the end of December, providing an adequate level of overdue credit cover of 115.1% for total overdue credit and 137.3% for credit overdue more than 90 days, which latter value was in line with the preceding year's 137.9%.

There was a significant improvement in the group's cost-to-income ratio, which was brought down from 55.1% to 51.2% for the group and from 52.5% to 46.1% for its banking operations.

Taking net operating income and operating costs into account, gross operating income was up 21.9% over the preceding year to EUR 1 722.5 million.

Efficiency ratios improved to 51.2% for the group and 46.1% in terms of banking operations.

Return on equity was 9.6% (12.6% before tax) and return on assets was 0.47% (0.61% before tax).

Net operating income from banking and insurance to average net assets, was up from 3.19% to 3.34%, influenced by the marked improvement in the level of return from banking operations.

Risk Management

Risk management operations in CGD are centralised. Risk management encompasses the assessment and control of the group's credit, market, interest, balance sheet liquidity and operational risks, based on the principle of the separation of functions between commercial and risk areas.

Credit Risk

Credit risk is associated with the losses and level of uncertainty over a customer's/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 the remaining risks.

CGD Group continuously assesses its credit portfolio to identify the existence of objective evidence of impairment. A credit is considered to be impaired as a result of one or more event losses occurring after that asset has been recognised and when such events have an impact on future cash flows affecting the credit's recoverability.

Separate analyses are performed for significant exposures with due verification of borrowers' capacities to comply with their contracted debt servicing requirements. The following borrower-related information is analysed:

- Assessment of their economic-financial situation;
- Verification of the existence of operations involving overdue credit and interest, within CGD Group and/or the financial system;
- Adequacy of guarantees and collateral to offset the amount of any loan;
- Analysis of historic information on the behaviour and good 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 credits with similar characteristics.

Exposures which are not considered to be significant are grouped into risk sub segments with similar risk characteristics (e.g. credit segment, type of collateral, payments history, etc), with a collective provision being set up.

In 2008, investments continued to be made in improving internal procedures and identification, assessment and credit risk control tools used during the life of the operations/contracts.

Credit risk is spread out over the whole of the commercial structure, which, based on internal regulations and the use of risk assessment tools (rating and scoring models), may assume certain risk levels.

In the case of more significant exposures certain types of customers and operations and their assessment and monitoring are performed by a team of credit analysts who, as a complement to the available tools, produce an independent opinion on the implicit credit risk. Such an analysis is performed whenever there is any change in the relationship with a customer or when a reassessment is recommended by factors which are sometimes external to the customer.

A new methodology for attributing credit limits, using a computerised analysis tool, parameterised on the basis of economic-financial indicators and risk levels, making it possible to estimate the recommended short term risk exposure was introduced in 2008.

Risk assessment associated with lending to financial institutions is based on internally established rules. Exposure limits, using an internal methodology, are set for this type of institution by counterparty and group.

This methodology was reviewed in 2008, with the amount of the referred to limits being defined on factors such as default probability associated with a rating i.e. Value-at-Risk, Loss Given Default (LGD), the size of the entity, the weighting factor on the financial system in which the entity operates and other qualitative factors.

Financial institutions' limits are subject to a country limit whose value is weighted in terms of maximum concentration levels and country rating.

The evolution of the credit risk control portfolio is monitored and credit concentration operations are performed, by type of product, decision structure, maturity, residual period, operating sector and rating level. Provisions cover on customers with a higher number of defaults and default rates per product and decision centre are also monitored.

In addition to analyses of portfolios and use of the other available computer applications, the methodology uses an Alerts System to close the gap between the date of the occurrence of an alert/risk event and the performance of the area responsible for the counterparty.

A quarterly estimate is also performed on the evolution of exposure to the principal economic groups. A report on CGD's market shares by sector of activity and NUTS III (statistical nomenclature) is also carried out each half year.

To improve the use of capital calculation work was also carried out, in 2008, on a project for estimating "loss given defaults" (LGDs) based on internal models for the selected credit portfolio.

2008 was characterised by a higher level of deterioration in credit quality, with a significant increase in the amounts of overdue credit and interest over the preceding year, with an immediate effect on the growth of impairment provisions.

The subprime crisis which marked the second half of 2007, spilled over to world financial markets, worsening considerably in September 2008, to affect the rest of economy. This situation has had direct consequences on the portfolios of financial institutions, translating not only into an increase in financial defaults but also a reversal of the trend towards the positive results recorded over the last few years. Considering that CGD Group has several exposures to financial institutions whose recovery presents a certain risk, several prudent specific provisions adjustments were made for these entities, providing for a deterioration in terms of expected potential losses.

The reasons for the increase in impairment provisions, between December 2007 and December 2008, are therefore essentially justified by the two above referred to situations.

Credit Recovery

The credit recovery area made several organisational adjustments in 2008 designed to improve its internal operation, having implemented several recovery instruments to improve the efficiency of recovery operations and concentrate on negotiating settlements as opposed to court action in an attempt to persuade customers to resume their normal commitments and commercial relationship with CGD.

The system for the monitoring, identification and allocation of operations for loans and advances to individual customers in default, to the Credit Recovery Department (DRC) remains in force. In the first 60 days of default (up to 3 unpaid instalments), the monitoring and settlement of the loan is given to the commercial areas with contact centre support and, if the loan remains unpaid, is then given to DRC - Recovery Area after the 3rd instalment has been missed.

Computer procedures were developed for corporate allocations in terms of credit recovery, with the following allocation conditions having been defined:

- Liabilities up to EUR 100 000, provided that at least one operation in default for more than 90 days, is recorded;
- Liabilities of EUR 100 000 or more provided that at least one operation in default for more than 180 days, is recorded.

Prompt attention has been paid to defaults, notably by the commercial areas and contacts made by the call centres requesting the settlement of the debt.

Responsibility for achieving the settlement of operations in default, was given to Caixa Leasing e Factoring staff resources, in mid year, under the terms of CGD's recovery policy.

DRC succeeded in recovering EUR 1 285.3 million, in 2008, of which 76% (67% in the preceding year) related to settlements and 24% (33% in 2007) to collections. In line with CGD guidelines negotiating procedures achieved more much more than legal action.

Negotiations in the leasing and factoring areas, recouped EUR 30 million in just over six months: with collections of around EUR 10 million (33.3%) and settlements of around EUR 20 million (66.6%).

The individual customer credit portfolio under negotiation, at 31 December, was EUR 973.5 million, with defaults of EUR 51.2 million by individual customers and the corporate credit portfolio was EUR 159.4 million with defaults of EUR 68.5 million.

In the individual customers segment, intervention for the purposes of the settling of overdue mortgage lending over the whole of the branch network has been automated. Unrestricted intervention will shortly be introduced for personal loans as an action required to avoid the worsening of defaults and to improve indicators, in times of economic crisis.

47.5% of the global number of individual customers allocated to the negotiating recovery area, in 2008, were reassigned to the branch network after remedying the default, 7.8% were sent for legal action and 44.7% remained at their negotiating stages of which 11.3% were being monitored on the basis of negotiated settlement plans.

The allocation process in the corporate segment was computerised and is currently being progressively implemented by two departments and will be extended to all of other departments in 2009.

The corporate default credit allocation flow was EUR 227.2 million, with negotiations achieving EUR 97.9 million, split up by EUR 47.1 million (48%) for collection and EUR 50.8 million (52%) for settlements and returned to the network.

Legal recovery, in addition to credit recoveries of EUR 199.7 million and settlements of EUR 88.5 million, witnessed a reduction of 2 726 actions in the actions portfolio notwithstanding 4 380 new actions having been taken, with the aim of significantly reducing pending actions, committing to negotiation or extra judicial agreements.

Market Risk

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

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

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

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

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

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

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

There are maximum authorised loss limits which are controlled daily.

Foreign Exchange Risk

Foreign exchange risk is controlled and assessed on a daily, individual basis for domestic operations for each branch office and subsidiary and fortnightly, on a consolidated level for the group as a whole. VaR amounts and limits are calculated on total open and currency positions.

Interest Rate and Liquidity Risk in the Balance Sheet

ALM (Asset-Liability Management) continued to improve its techniques to achieve objectives of prudent liquidity management and use of capital and identify and control interest rate risk.

Tools and Products

In the interest rate risk analysis and balance sheet liquidity area, the implementation of a new asset and liabilities management computer tool called BancWare ALM, purchased in 2005 from the company Sungard-BancWare Inc, enabled certain relevant CGD Group entities in this area to be assessed, with work having begun on the definition of advanced methodologies for such risk management.

The analysis, at the end of 2008, encompassed a perimeter, referred to as subconsolidated ALM which, as a whole included CGD and its offshore branches, Spain, France, Monaco, London, New York and Cayman Island branches, Banco Caixa Geral, Caixa-Banco de Investimento, CGD Finance, Caixa Geral Finance, CGD North America and the Macau offshore branch.

The criteria used to select the institutions for inclusion in this perimeter are associated with their consolidated weight within CGD Group and/or the importance of intragroup operations. It was also ensured that the operations contributing towards the calculation of the indicators and risk structures are the ones that effectively represent interest rate risk for CGD Group. This integration process in the risk analysis perimeter of all group institutions will progressively continue.

The interest rate risk analysis is performed every month and processes all sensitive balance sheet operations for the above referred to perimeter. To determine the level and impact of interest rate risk in the banking portfolio, the analysis perimeter is expanded as, in addition to previous references, it also includes BNU-Macau, Mercantile Bank and CGD branches in Luxembourg, Timor and Zhuhai.

The outputs produced in the form of tables and monthly reports are for the bank's management. 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 on the banking portfolio, to be sent to the Bank of Portugal.

Interest Rate Risk

This is the risk incurred in the activity of an institution associated with mismatching of maturities between assets and liabilities. It is the risk of the occurrence of a decrease or increase in the interest rate associated with assets or liabilities held by a specific investor, decreasing the return or increasing the financial cost inherent thereto.

In general terms, CGD incurs interest rate risk whenever, in the performance of its activity, it enters into operations with future cash flows sensitive to eventual changes in interest rates.

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

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

The accumulated static interest rate gap of up to 12 months was significantly down, in 2008, although it always remained positive, with a year end total of EUR 10 045 million.

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

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 the bank's capital, resulting from changes in interest rate levels) and for the earnings at risk indicator (which translates the changes in the bank's forecast net interest income, resulting from changes in interest rate levels and the evolution of loans and advances and investment balances).

Interest Rate Risk on Banking Portfolio

The interest rate risk in the banking portfolio is also calculated on consolidated operations every six months and sent to the Bank of Portugal. It encompasses all balance sheet and off-balance sheet elements not included in the trading portfolio.

The assessment and measurement of this type of risk are based on the accumulated impact of instruments sensitive to interest rates, resulting from a parallel movement of +/- 200 bp 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.

At year end, impact on shareholders' equity (as defined in Bank of Portugal official 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 to movement in the yield curve, were 7% and 14%, respectively.

Liquidity Risk

This involves a risk where an institution's reserves and cash assets are not sufficient to honour its obligations at the time of occurrence i.e. the possibility of the occurrence of a time-lag or mismatch between payment inflows and outflows, making the bank's unable to satisfy its commitments.

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.

Liquidity risk management continues to use an analysis of the periods to maturity of different balance sheet assets and liabilities.

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 buckets considered.

Therefore, in the case of sight deposits, 82% of the balance (core deposits) is considered in the more than 10 years time bucket with the rest (non-core deposits) being allocated in buckets of up to 12 months, in line with seasonality studies and minimum noted balance. Term deposits and savings accounts are, in turn, allocated into the different buckets 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% of the total securities investments balance being considered in the up to 1 month bucket and the remaining 15% 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 globally considered in the up to 1 month bucket.

Liquidity gaps are calculated monthly and compliance is compared to three limits (two short term and one long term) fixed by the ALCO committee.

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 mortgage lending, Caixa continued to finance in domestic and international markets, in 2008.

Notwithstanding the problems occurring in the monetary and capital markets, Caixa furthered 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, as in debt issues.

Caixa increased its share capital by EUR 400 million at the beginning of August 2008, through an issue of 80 million shares fully subscribed for by the state with a nominal value of 5 euros each.

At the beginning of December 2008, CGD launched the first state-backed bond issue, inaugurating this new debt market segment, in Portugal. The issue totalled EUR 1.25 billion, or 25% above the initially established amount of EUR 1 billion (the state's guarantee permitted an issue of between EUR 1 and 2 billion). The increase was based on the huge demand which was much higher than the available offer. The bonds, with a maturity of 3 years, have a coupon rate of 3.875% (85 bp over the mid swaps level).

The liquidity ratio, information on which is sent to the Bank of Portugal, is in line with the established objectives. CGD has also calculated the liquidity ratio on the domestic activity of all CGD Group banks and branches, as a management guidance instrument, on a monthly basis, since the start of the year.

Operational Risk

Pursuant to the framework of duties and obligations deriving from the Basel II agreement, in conjunction with international trends on adopting best internal control practice – Sarbanes-Oxley Act – CGD has defined, as methods to be adopted, the standard method for the calculation of own funds to be allocated to operating risk, in addition to creating the conditions enabling evolution to the advanced measurement approach (AMA).

Pursuant to the above, CGD, in April 2008, formalised its application to the Bank of Portugal for the use of the standard method to calculate own funds requirements for operational risk (it currently uses the basic indicator method).

To prepare for these challenges, CGD, at the end of 2006, initiated the development and implementation of a new methodology for the management of this risk, aligned with the approaches recommended in the Basel II Accord by COSO (Committee of Sponsoring Organizations of Treadway Commission) and CobiT (Control Objectives for Information and Related Technology) 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.

In organisational terms, 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 strategy 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 strategy and policies, ensuring that operational risk is being adequately managed and that the controls are operating efficiently, in articulation with other departments, branches and subsidiaries;
- Process owners who are responsible for facilitating and promoting the operational risk and internal control process.

Other relevant parties in this process are the Board of Directors, 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).

Communication, comprising various initiatives and the involvement of top management has been an essential factor in guaranteeing a growing awareness of the importance of this risk management and the maintenance of an adequate internal control system as a relevant risk mitigating factor.

This has resulted in the identification of opportunities for the improvement and development of action plans, making it possible to optimise processes, reduce exposure to the risk inherent to operations and reinforce the internal control and control culture system.

A plan for the expansion of the operational risk management methodology to the remaining group entities by end 2010 is currently being implemented. The work required to realise the plan is either at an advanced stage or has already been completed, in Caixa Banco de Investimentos, Caixa Gestão de Activos, Caixa Leasing e Factoring, Banco Caixa Geral and Caixa Seguros.

In the framework of prudential recommendations issued by the supervisory authorities, which are designed to guarantee the continuous operation of the activity of institutions, CGD is also implementing a global business continuity strategy, based on two fundamental 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 2006, as part of several already existing experiences, but geared to technological support. CGD had already created resources to guarantee the continuity of information systems and protect all critical data.

The solutions implementation strategy, scheduled for completion in 2010, comprises the determination of continuity requirements for CGD's activity's support processes identified under the Operational Risk and Internal Control Programme.

The logistical and technological infrastructures necessary to provide for the following disaster scenarios are being created: local inoperability of workstations in each of the central buildings in Lisbon and Porto; general inoperability of workstations in the Lisbon region and general incapacity of workers to use their workstations.

The solutions to the operational continuity scenarios consider the possibility of the simultaneous inoperability of workstations and technological infrastructure, with the conclusion of the implementation of alternative support solutions for financial markets activity (alternative trading room) in March 2008.

This "new global business continuation strategy" is based on an integrated crisis management approach in addition to encompassing CGD, it also includes other CGD companies such as Fidelidade Mundial, Império Bonança, Caixa Banco de Investimentos, Caixa Leasing e Factoring and Caixa Gestão de Activos.

BASEL II

Since the end of 2002, Caixa Geral de Depósitos 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 equip CGD Group with the most sophisticated risk assessment and management tools and methodologies in terms of credit, market, interest rate and liquidity.

COMPETITION

CGD faces intense competition in virtually all of its business areas. There is no particular key competitor for its deposit-taking business in Portugal, although CGD has taken 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 follow similar policies. In Portugal, the principal competitors of CGD for housing loans are MillenniumBCP, Banco Espírito Santo, Banco Santander Totta and Banco BPI.

CAPITAL

As of May 2009 CGD had a share capital of €4,500,000,000 (following the share capital increase from €3,500,000,000 to its current share capital amount on May 2009) fully subscribed by the Portuguese State and fully paid. The share capital is divided into nine hundred million shares with a nominal value of five euros each and may be represented by one certificate. Shares in CGD, including those to be issued in future capital increases, may only belong to the Portuguese State and are held by the Directorate General of the Treasury.

For the purpose of ensuring the Issuer's independence from its shareholder and of reducing the possibility of any eventual abusive exercise of control over the Issuer by its shareholder, the Issuer has adopted relevant measures in order to grant full transparency in the relations with its shareholder and strict compliance of legal provisions, namely concerning transactions with related parties and conflicts of interest.

The following table sets out the capital position of CGD and the CGD Group, with their risk-weighted assets and Tier 1 capital ratio being calculated in accordance with the requirements of the Bank of Portugal:

	As at 31 December	
	€ million	
	2007	**2008**
Total own funds ((a)+(b)+(c))	6,175	7,177
(a) Base own funds	3,767	4,664
Share Capital	3,100	3,500
Fair value reserves	381	(873)
Other reserves	813	1,464
Retained earnings	(309)	(222)
Net income for year	856	459

	As at 31 December	
	€ million	
	2007	**2008**
Minority interest	700	1,157
(b) Complementary own funds	2,444	2,552
(c) Deductions	36	39
Weighted assets (credit risks) and market risks	61,015	66,851
Own funds requirements	4,880	5,348
Surplus own funds (1-3)	1,295	1,829
Solvency ratio [(1)]	10.1%	10.7%
Tier 1 ratio [(1)]	6.2%	7.0%
Core Tier 1	5.8%	6.8%

Note:

(1) Solvency ratio calculated in accordance with Bank of Portugal rules.

The consolidated solvency ratio, as at 31 December 2008 computed in accordance with official rules of the Bank of Portugal, was 10.7% (as against 10.1% in the preceding year) and was higher than the minimum 8% required by the supervisory authorities, showing the maintenance of adequate financial structure indicators by CGD.

Financial strength is also expressed by consolidated Tier 1 (based own funds over weighted assets), of 7%, as at 31 December 2008.

ANALYSIS OF UNAUDITED CONSOLIDATED ACCOUNTS FOR THE FIRST THREE MONTHS OF THE YEAR 2009

Caixa Geral de Depósitos Group's consolidated net income, for first quarter 2009, totalled EUR 124.2 million. This was supported by the highly positive contribution of net operating income from banking with a 23.7% increase. However, the continued trend towards the depreciation of financial investments and securities portfolios, in first quarter 2009 and the consequent need to recognise the respective losses, translated into a 45.5% decrease in net income over the EUR 228 million achieved in the same period 2008.

The change, however, would have been positive for the amount of 8.2% when quarterly average net income for 2008 is taken into account. This provides a clearer indication of the progressively growing impact of the financial crisis during the course of 2008.

In terms of the Group's net income, special reference should be made to the contribution of EUR 140.7 million made by CGD (Portugal) operations which were up 6.3%.

Results achieved by principal CGD Business Areas	As at 31 March 2008	2009	Change %
	(€ thousands)		
Domestic commercial banking	132,301	140,680	6.3%
Investment banking	1,254	10,688	752.2%
International area	40,897	30,964	(24.3%)
Insurance and healthcare	35,470	(63,072)	(277.8%)
Asset Management	3,272	2,156	(34.1%)
Other	14,831	2,794	(81.2%)
TOTAL	**228,024**	**124,212**	**(45.5%)**

Caixa Seguros e Saúde's losses of EUR 63.1 million derived from recognition of losses in securities investments and, to a lesser extent, the decrease in non-life insurance premiums, as a result of the economic slowdown and across-the-board price falls in the most significant insurance branches.

CGD's international activities accounted for EUR 31 million of CGD Group's consolidated net income in first quarter 2009, accounting for a relative proportion of 24.9% against 17.9% in March 2008.

Net interest income, including income from equity instruments, was up 0.4% over the first quarter 2008 figure, to EUR 554 million, divided into net interest income which was 2% down to EUR 507.6 million and income from equity instruments (dividends) which was up 35.9% to EUR 46.4 million.

Net commissions were up 20.3% to EUR 107 million. Special reference should be made, in the case of operations in Portugal, to automatic means of payment with an increase of 14.2%, a 35.9% increase in credit and 128% increase in guarantees provided. This was offset by reductions of 34.5% in asset management fees and 4.4% in the provision of services.

Income from financial operations totalled EUR 95.4 million, notwithstanding the negative market environment. Gains on interest rate derivatives made a particularly important contribution to this favourable evolution. In following a strategy designed to protect net interest income from the foreseeable fall in interest rates, CGD adopted a policy of covering a part of its balance sheet in 2008, which, with the effective fall in interest rates, translated into significant gains made this quarter. Gains on trading activities were also up over the same period in 2008.

The technical margin on insurance operations contributed EUR 98.1 million to the Group's net operating income, representing a 24.1% reduction of EUR 31.1 million over the preceding year.

The volume of earned premiums, net of reinsurance, at EUR 480 million was 0.2% up over the same quarter 2008. There was also a 1% increase of EUR 4 million in claims costs, net of reinsurance to EUR 399.3 million.

The explanation for the fall in this margin particularly derives from the 20% reduction of EUR 12.4 million in income and gains on investments allocated to insurance contracts, which was affected by the negative evolution of financial markets and the EUR 15.8 million drop in commissions and other associated income and costs.

As a result of the above, net operating income from banking and insurance was 17.4% up over the same period of the preceding year to EUR 895.5 million.

Profit and Loss Account	As at 31 March		Change	
	2008	**2009**	**Amount**	**%**
	(€ million)			
Interest and similar income	1,768.7	1,691.8	(76,9)	(4.3%)
Interest and similar costs	1,250.9	1,184.2	(66,7)	(5.3%)
Income from equity instruments	34.2	46.4	12.3	35.9%
Net Interest income, including income from equity investments	**552.0**	**554.0**	**2,0**	**0.4%**
Income from services and commissions	119.0	148.2	29.2	24.6%
Costs from services and commissions	30.1	41.3	11.2	37.2%
Income from financial operations	(32.2)	95.5	127.7	396.0%
Other net operating income	25.1	41.1	16.0	63.8%
Non-interest income	**81.7**	**243,5**	**161,7**	**197.8%**
Premiums net of reinsurance	479.0	480.0	0.9	0.2%
Investment income allocated to insurance contracts	61.6	49.3	(12.4)	(20.0%)
Claims costs (net of reinsurance)	395.4	399.3	4.0	1.0%
Commissions and other associated income and costs	(16.1)	(31.9)	(15.7)	97.6%
Technical margin on insurance operations	**129.2**	**98.1**	**(31.1)**	**(24.1%)**
Net operating income from banking and insurance operations	**762.9**	**895.5**	**132.6**	**17.4%**
Employee costs	244.7	261.6	16.9	6.9%
Other administrative costs	138.1	149.5	11.4	8.3%
Depreciation and amortisation	35.1	46.2	11.1	31.5%
Operating costs and depreciation	**418.0**	**457.3**	**39.3**	**9.4%**
Gross operating income	**345.0**	**438.2**	**93.2**	**27.0%**
Provisions net of cancellations	7.9	8.6	0.7	8.7%
Impairment on credit and other assets, net of reversals	54.1	261.6	207.5	384.0%
Provisions and impairment	**62.0**	**270.2**	**208.2**	**336.1%**
Income from associated companies	11.9	(0.2)	(12.2)	(102.1%)
Tax				
Current	51.3	87.8	36.5	71.2%
Deferred	3.3	(55.3)	(58.7)	(1755.0%)
Consolidated net income for the period				
Of which:				

Profit and Loss Account	As at 31 March		Change	
	2008	2009	Amount	%
	(€ million)			
Minority shareholders' interests....................................	12.3	11.1	(1.2)	(10.0%)
Net Income attributable to CGD shareholder	**228.0**	**124.2**	**(103.8)**	**(45.5%)**

Operating costs were up 9.4% (an increase of EUR 39.4 million) to EUR 457.3 million, owing to the 6.9% increase in employee costs, 8.3% increase in other administrative expenses and 31.5% increase in depreciation and amortisation. Reference should, however, be made to the fact that increases in employee costs and other administrative expenses on banking activity, in Portugal, were only 1.6% and 2.2%, respectively.

The most significant cost increases occurred in international operations and the insurance sector, the latter of which were associated with the opening of two new HPP hospitals, in 2008, and early retirements under the terms of the new organisational structure and staff rationalisation process currently being implemented in the insurance area.

There was a significant improvement in the Group's cost-to-income ratio, which was brought down from 53.9% to 51.1% for the Group and from 50.3% to 43.7% for banking operations, i.e. 2.8 pp and 6.6 pp down, respectively.

Efficiency Ratios

	As at 31 March	
	2008	2009
Cost-to-income (banking)	50.3%	43.7%
Cost-to-income (banking and insurance)…………………………………	53.9%	51.1%
Employee costs/Net operating income..	31.6%	29.2%
External supplies an services/ Net Operating Income..	18.1%	16.7%
Net operating income/Average net assets..	3.08%	3.31%

Taking net operating income and operating costs into account, gross operating income was significantly up by 27% over the preceding year to EUR 438.2 million.

Credit impairment, net of reversals, was 134.7% up during the quarter to EUR 137.2 million, reflecting the deterioration of the macroeconomic environment. Impairment on other assets increased to EUR 133 million, comprising a EUR 129.5 million increase over the same quarter of the preceding year. This amount was to particularly cover potential losses of EUR 89.5 million on Caixa Seguros e Saúde's securities and financial investments portfolio and EUR 30.3 million on CGD's investment in BCP.

Net return on equity (ROE) was 10.5% (13% before tax). Net return on assets (ROA) was 0.50% (0.62% before tax).

Profit Ratios

	As at 31 March	
	2008	**2009**
Gross return on shareholders` equity (ROE - calculated in accordance with Bank of Portugal rules)	22.5%	13.0%
Net return on shareholders` equity	18.3%	10.5%
Gross return on assets	1.179%	0.62%
Net return on assets	0.961%	0.50%

Note: Considering average shareholders´ equity and net assets values.

There was a 10.7% increase of EUR 11.2 billion in CGD Group's net assets to EUR 115.3 billion at end March 2009, in comparison to the same date last year, largely based on the evolution of loans and advances to customers and securities investments.

There was an 11% increase of EUR 7.8 billion in loans and advances to customers (gross) to EUR 78 billion**.** Credit to the corporate and institutional segments, in Portugal, was up 16.4% and mortgage lending up 3.9%. Lending to SMEs was up 16% to an end of March balance of EUR 14 billion.

Consolidated Balance Sheet	**As at 31 March**		**Change**	
	2008	**2009**	**Amount**	**%**
	(€ million)			
Assets				
Cash and cash equivalents at central banks	1,477	1,770	292	19.8%
Loans and advances to credit institutions	6,224	7,939	1,715	27.5%
Loans and advances to customers	68,444	75,749	7,305	10.7%
Securities investments	21,139	23,501	2,361	11.2%
Investment properties	421	303	(118)	(27.9%)
Investment in subsidiaries and associated companies	324	91	(233)	(71.9%)
Intangible and tangible assets	1,351	1,443	92	6.8%
Current tax assets	30	46	16	51.7%
Deferred tax assets	750	1,139	389	51.8%
Technical provisions on outwards reinsurance	250	271	21	8.4%
Other assets	3,713	3,059	(654)	(17.6%)
Total assets	**104,125**	**115,311**	**11,187**	**10.7%**
Liabilities				
Resources from central banks and other credit institutions	7,547	5,869	(1,678)	(22.2%)
Customer resources	53,918	61,198	7,280	13.5%
Financials liabilities	1,696	3,101	1,405	82.9%
Debt securities	18,150	23,295	5,144	28.3%

Consolidated Balance Sheet	As at 31 March		Change	
	2008	2009	Amount	%
	(€ million)			
Provisions	931	755	(176)	(18.9%)
Technical provisions for insurance operations	7,596	6,995	(601)	(7.9%)
Subordinated liabilities	2,813	3,169	356	12.7%
Other liabilities	6,337	5,409	(928)	(14.6%)
Total liabilities	**98,987**	**109,791**	**10,804**	**10.9%**
Shareholders' equity	**5,138**	**5,520**	**382**	**7.4%**
Total liabilities and equity	**104,125**	**115,311**	**11,187**	**10.7%**

Approximately 77% of the loans and advances to customers total derived from CGD's operations in Portugal. In the case of other CGD Group companies, reference should be made to the 8.6% increases by Banco Caixa Geral in Spain (EUR 422 million) and 17.2% by Caixa Leasing e Factoring (EUR 576 million).

In 1st quarter 2009, domestic mortgage lending of EUR 722 million was down 22.4% over the same period 2008, in line with the downturn in the property market.

The deposit-to-loans conversion rate was 123.8% against the preceding year's 126.9%.

Loans and Advances to Customers(a)	As at 31 March		Change
	2008	2009	%
	(€ million)		
Corporate and institutional	**22,570**	**26,264**	**16.4%**
Individual customers	**32,416**	**33,721**	**4.0%**
Mortgage lending (b)	31,182	32,384	3.9%
Other (b)	1,234	1,337	8.3%
SUB-TOTAL	**54,986**	**59,985**	**9.1%**
Other CGD Group Companies	15,241	18,000	18.1%
TOTAL	**70,227**	**77,985**	**11.0%**

(a) Before impairment.

(b) Includes securitized loans.

Asset quality, measured by the non-performing loan ratio, calculated under Bank of Portugal regulations, was 2.61% with a total overdue credit ratio of 2.74%. The credit overdue for more than 90 days ratio was 2.21%, against 1.93% in March 2008 and 2% at the end of 2008.

Accumulated impairment on loans and advances to customers (normal and overdue) at end March, was EUR 2 235.9 million. Cover on credit overdue for more than 90 days was 130% against the preceding year's figure of 131.7%.

Asset Quality Ratios

	As at 31 March	
	2008	**2009**
Non-performing credit / total credit (a)	2.25%	2.61%
Overdue credit / total credit	2.27%	2.74%
Overdue Credit > 90 days / total credit	1.93%	2.21%
Non-performing loans cover	112.8%	109.7%
Overdue credit cover	112.1%	104.6%
Cover on credit overdue> 90 days	131.7%	130.0%

(a) Bank of Portugal method.

Securities investments, including Group insurance companies' investment operations were up 11.2% over March last year to EUR 23.5 billion, divided up as follows:

Securities investments (a)	As at 31 March		
	2008	**2009**	**Change**
	(€ million)		
Banking	10,743	13,413	24.9%
Insurance	10,396	10,087	(3.0%)
Total	**21,139**	**23,501**	**11.2%**

(a) After impairment.

(b) Considering the amount transferred from the securities to the credit portfolio for comparison purposes.

Cash and cash equivalents and loans and advances to credit institutions were up 26.1% over end March last year to EUR 9.7 billion. Resources taken from the same entities were 22.2% down over March 2008 to EUR 5.9 billion.

Total resources taken by the Group (excluding the interbank money market) were up 11% over the preceding year to EUR 102.4 billion. These were split up between balance sheet resources of EUR 92.4 billion (up 15.1%) and off-balance sheet resources of EUR 10 billion (down 16.4%).

Retail resources in the balance sheet, influenced by the 11.5% increase in customer deposits, were up 12% to EUR 69 billion.

Resources taken by Group	As at 31 March		
	2008	**2009**	**Change**
	(€ millions)		
Balance sheet:	**80,252**	**92,359**	**15.1%**
Retail	**61,602**	**69,013**	**12.0%**
Customer deposits	50,259	56,028	11.5%
Capitalisation insurance (a)	8,857	9,635	8.8%

Resources taken by Group	**As at 31 March**		
	2008	**2009**	**Change**
Other customer resources	2,485	3,350	34.8%
Institutional investors	**18,649**	**23,346**	**25.2%**
EMTN	7,115	8,477	19.1%
ECP and USCP	4,929	6,988	41.8%
Nostrum Mortgage and Nostrum Consumer	827	666	(19.4%)
Covered bonds	5,778	5,953	3.0%
Bonds guaranteed by the Portuguese Republic	-	1,263	-
Off-balance Sheet:	**11,986**	**10,021**	**(16.4%)**
Investment units in unit trust funds	6,768	4,905	(27.5%)
Caixagest	5,408	3,536	(34.6%)
Fundimo	1,359	1,368	0.7%
Pension fund	1,584	1,574	(0.6%)
Wealth management (b)	3,635	3,543	(2.5%)
Total	**92,238**	**102,380**	**11.0%**

(a) Including fixed-rate insurance and unit-linked products.

(b) Does not include the CGD Group insurance companies' portfolio.

More dynamic deposit-taking was supported by term deposits and savings accounts which were up 19.1% to EUR 6.2 billion, comprising 68.6% of the total, against the preceding year's 64.2%.

There was a 25.2% increase of EUR 4.7 billion in the balance on the resources taken from institutional investors in the form of own issues. Reference should also be made to the EUR 8.5 billion in bonds issued under the Euro Medium Term Notes (EMTN) Programme (up 19.1%), EUR 6 billion in mortgage covered bonds (up 3%) and EUR 7 billion in securities issued under the commercial paper programme (up 41.8%), exploiting the buoyancy in this segment and more attractive funding opportunities.

CGD launched a EUR 1 250 million bond issue with a maturity of 5 years in the first quarter and was the first Portuguese financial institution to re-enter the senior debt market (not underwritten by the state), since May 2008. The issue was warmly received and oversubscribed with a high level of order dispersal and a final price of 225 bp over the mid swaps rate for a maturity of 5 years.

CGD also issued an amount of EUR 200 million in private placements. A subordinated debt issue of EUR 539 million was made in April in the retail segment. Another non-guaranteed public debt issue with a maturity of 4 years for an amount of EUR 1 billion and a spread of 200 bp was also made.

CGD was highly active in the Euro Commercial Paper ("ECP") market during the year, benefiting from investors' preference that placed their trust in Caixa, in their quest for quality credit. The outstanding balance on the ECP programme, which was increased to EUR 10 billion at the beginning of 2008, was more than EUR 6.5 billion, in mid year. This intensive use of the ECP programme was accompanied by significant savings in comparison to market benchmarks, enabling CGD to achieve significant cost reduction in terms of short term finance.

Off-balance sheet resources were 16.4% down (EUR 2 billion), deriving from Caixagest-managed unit trust funds (down 34.6%), which were also affected by the financial crisis. Property and pension fund balances remained practically unchanged from the preceding year.

The Group's shareholders' equity totalled EUR 5.5 billion. This represented a 7.4% increase of EUR 382 million over March 2008. contributory factor was the EUR 400 million increase in share capital, in August 2008.

There was also a significant EUR 728 million reduction in the fair value reserves account heading, owing to the international financial crisis which was responsible for potential capital losses on diverse financial assets affecting shareholders' equity.

Shareholders' equity

	As at March 2008	**As at March 2009**
	(€ million)	
Share capital	3,100	3,500
Fair value reserves	(367)	(1,094)
Other reserves and retained earnings	1,480	1,825
Minority shareholders´ interests	696	1,166
Net income for period	228	124
Total	**5,138**	**5,520**

Solvency Ratio

The March 2009 consolidated solvency ratio, determined under Basel II regulations, was 10.5%. Reference should also be made to the Core Tier I and Tier I ratios of 6.6% and 6.8%, respectively. These ratios include retained earnings.

Solvency and Capital Ratios (a)

	As at 31 Dec 2008 (b)	**As at 31 Mar 2009**
Solvency Ratio	10.7%	10.5%
Tier I	7.0%	6.8%
Core Tier I	6.8%	6.6%
Tier II (c)	3.8%	3.8%

(a) Under the Basel II regulations.

(b) Under Basel I regulations

(c) It includes deductions to own funds.

Subsequent Events

In April 2009, CGD placed a Subordinated Lower Tier II transaction in the retail network of an amount of 538.552 million EUR. This transaction was issued under CGD's EMTN Programme.

In May 2009, CGD successfully launched a senior unsecured transaction under its EMTN Programme, with an amount of 1,000 million EUR and a maturity of 4 years.

In May 2009, CGD had a capital increase of 1,000 million EUR by the Portuguese State.

In June 2009, CGD Group, through its holding company for the insurance sector – Caixa Seguros e Saúde, SGPS – acquired the remaining 25% of the share capital of HPP – Hospitais Privados de Portugal, holding this way the total share capital of this company. At the same time, the same entity of CGD Group sold its 10% participation in the share capital of USP Hospitales.

BOARD OF DIRECTORS, GENERAL MEETING, SUPERVISORY BOARD AND STATUTORY AUDITOR OF THE ISSUER

The following are the members of the Board of Directors of the Issuer for the term 2008/2010, which were appointed in the General Meeting dated 9 January 2008, the business address of which is the Issuer's head office:

Name	Title	Position in other corporations, if any
Fernando Manuel Barbosa Faria de Oliveira	Chairman	Chairman of the Board of Directors of Parcaixa, SGPS, S.A. and Member of the General Council and Supervisory Board of EDP – Energias de Portugal, S.A.
Francisco Manuel Marques Bandeira	Vice-Chairman	Chairman of Board of Directors of BPN – Banco Português de Negócios, S.A., Chairman of Board of Directors of Caixa Geral de Aposentações, Vice-Chairman of the Board of Directors of Banco Comercial e de Investimentos, S.A., Member of the Board of Directors of Grupo Visabeira, SGPS, S.A., Member of the Board of Directors of Portugal Telecom, SGPS, S.A. and Member of the Wages Commission of REN – Redes Energéticas Nacionais, SGPS, S.A.
Jorge Humberto Correia Tomé	Member	Chairman of the Board of Directors of Caixa – Banco de Investimento, S.A., Chairman of Board of Directors of CREDIP – Instituição Financeira de Crédito, S.A., Chairman of the Board of Directors of GERBANCA, SGPS, S.A., Chairman of the Board of Directors of TREM – Aluguer de Material Circulante, ACE, Chairman of the Board of Directors of TREM II – Aluguer de Material Circulante, ACE, Vice- Chairman of Board of Directors of BANCO CAIXA GERAL-BRASIL, SA, Member of the Board of Directors of Banco Comercial e de Investimentos, S.A., Member of the Board of Directors of Portugal Telecom, SGPS, S.A., and member of the Commission for Monitoring and Strategy of Fometinvest, SGPS, S.A.
José Fernando Maia de Araújo e Silva	Member	Chairman of the Board of Directors of Caixa Leasing and Factoring – IFIC, S.A., Chairman of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A., Chairman of the Board of Directors of Imocaixa – Gestão Imobiliária, S.A., Chairman of the Board of Directors of Locarent – Comp. Portuguesa Aluguer de Viaturas, S.A., Chairman of the Board of Directors of Sogrupo IV – Gestão de Imóveis, ACE, Member of the Board of Directors of EDP Renováveis, S.A and member of Caixa Geral de Aposentações.
Norberto Emílio Sequeira da Rosa	Member	Chairman of the Board of Directors of Caixa – Participações, SGPS, S.A., Chairman of the Board of Directors of CAIXATEC – Tecnologias

Name	Title	Position in other corporations, if any
		de Comunicação, S.A., Chairman of the Board of Directors of Sogrupo – Sistemas de Informação, ACE, Vice-Chairman of the Board of Directors of BPN – Banco Português de Negócios, S.A., Member of the Board of Directors of SIBS – Sociedade Interbancária de Serviços, S.A., Member of the Board of Directors (Non executive) of ZON – Serviços de Telecomunicações e Multimédia, SGPS, S.A. and member of Caixa Geral de Aposentações.
Pedro Manuel de Oliveira Cardoso	Member	Chairman of the Board of Directors of CAIXA GESTÃO DE ACTIVOS, SGPS, S.A., Chairman of the Board of Directors of Sogrupo – Serviços Administrativos, ACE and Member of the Board of Directors of BPN – Banco Português de Negócios, S.A.
Rodolfo Vasco Castro Gomes Mascarenhas Lavrador	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, S.A., Chairman of the Board of Directors of Parbanca, SGPS, S.A. (Zona Franca da Madeira), Chairman of the Wages Commission of BANCO CAIXA GERAL, S.A., Member of the Wages Commission of SIBS – Sociedade Interbancária de Serviços, S.A. and Member of the Wages Commission of UNICRE – Instituição Financeira de Crédito, S.A.

GENERAL MEETING

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

Name	Title
Manuel Carlos Lopes Porto	Chairman
Daniel Proença de Carvalho	Vice-Chairman
José Lourenço Soares	Secretary

Mr. José Lourenço Soares is also an employee of the Issuer and a director of BPN – Banco Português de Negócios, S.A. which was recently nationalised and is currently under management of the Issuer[1].

SUPERVISORY BOARD

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

Name	Title
Eduardo Manuel Hintze da Paz Ferreira	Chairman
José Emílio Garrido Coutinho Castel-Branco	Member
Maria Rosa Tobias Sá	Member
José Clemente Gomes	Substitute member
Ana Maria Ratel Barroso Reis Boto	Substitute member

It is the Issuer's understanding that the members of the Supervisory Board comply with the requirements on independence and conflicts 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 independence requirements set forth in the same Code.

STATUTORY AUDITOR

The Statutory Auditor, elected by the General Meeting for the period of 2007 to 2009, is Oliveira Rego & Associados, SROC (represented by Manuel de Oliveira Rego), a 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 Avª Praia da Vitória, no. 73 - 2º Esq. 1050-183 Lisboa, its substitute being Álvaro, Falcão & Associados, SROC, a 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. Before such appointment the same entities had been appointed as Sole Auditor ("*Fiscal Único*") and its substitute for the period of 2004 to 2007.

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[1] The Portuguese Securities Commission recently disclosed (Public consultation number 10/2008) a draft of a Decree-Law Project which amongst other amendments to the Portuguese Companies Code ("**CSC**") foresees that article 374-A of the CSC on independence and conflicts of the members of the General Meeting Board will apply only to the Chairman and to the vice-Chairman of the General Meeting Board of companies whose shares are admitted to trading on a regulated market.

V. CGD LENDING ACTIVITY TO CENTRAL ADMINISTRATIONS, REGIONAL AND LOCAL AUTHORITIES

6. The third paragraph headed "Introduction" shall be deleted and replaced by the following:

   "*At the end of 2008, CGD`s market shares in central, regional and local authorities financing were 44.6% in loans and 32.3% in deposits.*"

VI. TAXATION

7. The number 7 of the second table in Appendix entitled **List of Beneficial Owners** shall be amended as follows:

Code	***Legal basis of the exemption***
(…)	*(…)*
7	*Art. 23 of EBF – Venture Capital Investment Funds*

VII. GENERAL INFORMATION

8. The paragraph headed **Accounts** shall be 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, Lisbon. Deloitte has audited the Issuer's accounts in accordance with generally accepted auditing standards in Portugal for each of the two financial years ended on 31 December 2007 and 31 December 2008. The auditors' reports for the financial year ended 31 December 2007 and 31 December 2008 consolidated financial statements of the Issuer were unqualified."*