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►B ►C1 **COMMISSION DECISION**

of 24 July 2013

on the State aid SA.35062 (13/N-2) implemented by Portugal for Caixa Geral de Depósitos ◄

(notified under document C(2013) 4801)

(Only the English text is authentic)

(Text with EEA relevance)

(2014/767/EU)

(OJ L 323, 7.11.2014, p. 19)

Corrected by:

►C1 Corrigendum, OJ L 348, 4.12.2014, p. 30 (2014/767/EU)

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COMMISSION DECISION

of 24 July 2013

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(Only the English text is authentic)

(Text with EEA relevance)

(2014/767/EU)

Article 1

The State aid consisting of the subscription by Portugal of newly issued ordinary shares in the amount of EUR 750 million from CGD and the subscription by Portugal of convertible instruments issued by CGD in an amount of EUR 900 million is compatible with the internal market, in the light of the commitments set out in the Annex.

Article 2

Portugal shall ensure that the restructuring plan submitted on 15 October 2012 and complemented by the submission of 19 July 2013 is implemented in full, including the commitments set out in the Annex and in accordance with the schedule set out in that Annex.

Article 3

Portugal shall inform the Commission within two months of notification of this Decision of the measures taken to comply with it.

Article 4

This Decision is addressed to the the Portuguese Republic.

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ANNEX

COMMITMENTS CAIXA GERAL DE DEPÓSITOS, S.A.

1. **Background**

This document sets out the terms (the 'Commitments') for the restructuring of Caixa Geral de Depósitos S.A. ('CGD' or 'the Bank'), which the Portuguese Republic and CGD have committed to implement.

2. **Definitions**

In this document, unless the context requires otherwise, the singular shall include the plural (and vice versa) and the capitalized terms used herein have the following meanings:

Term	Meaning
Asset management	means the development of specialized solutions to invest the savings of the retail (management of mutual and pension funds, and development of solutions tailored for individual investment needs) and institutional clients that include pension funds, Insurance Companies, Corporates and Public Institutions (management of investment portfolios based on customer requirements, either tracking a benchmark or following absolute return solutions)
Bancassurance	means a partnership between a bank and a third party insurance company whereby the Bank sells insurance company products through its retail network
BCG Spain	Banco Caixa Geral, S.A. (Spain) also referred to as the Spanish retail operation
Caixa Seguros	means CGD's main subsidiary active in insurance business
C/I ratio	means the ratio of operating expenses (labour and SG&A costs) to operating income (the sum of net interest income, commission income, revenues from capital instruments, revenues from financial operations, and any other income from operations)
Commitments	mean the undertakings related to the restructuring of CGD set out in this document
Corporate banking	means the banking services offered to corporations, either large corporations or SMEs
Coverage ratio of credit at risk	means the coverage ratio of credit at risk with accumulated loan loss provisions
Core Region	means the Domestic Core Region (Portugal) and the International Core Region (as set out in clause 4.2.2.1)
Credit at risk	as defined in instruction no 16/2004 (consolidated version as of the 31 May 2013 – includes the revision introduced by instruction 23/2011) of the Bank of Portugal, corresponding to the sum of the following elements: a) total value owed on the loans that have payments of principal or interest overdue for a period of at least 90 days. Current account loans that have not been previously contracted shall be considered as credit at risk when the overdraft has existed for 90 days;

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Term	Meaning
	b) total value of outstanding loans that have been restructured, after having been unsettled by a period not less than 90 days, without adequate collateral reinforcement (covering the full amount of principal and interest outstanding) or full payment by the borrower of all interest and other charges that were due; c) total value of credit with instalments of principal or interest overdue for less than 90 days, but on which there is evidence to justify its classification as credit at risk, including the bankruptcy or liquidation of the debtor. In case of insolvency of the debtor, the recoverable balances may cease to be considered at risk after approval by a court of law in the respective agreement under the Code of Insolvency and Corporate Recovery (*Código de Insolvência e Recuperação de Empresas*), if no doubts persist about the effective collectability of the amounts due.
Decision	means the decision of 24 July 2013 of the European Commission on the restructuring of CGD in the context of which these Commitments are undertaken
Divestiture Trustee	one or more natural or legal person(s), independent from CGD, approved by the Commission and appointed by CGD and who has received from CGD the exclusive mandate to sell Caixa Seguros to a purchaser. The Divestiture Trustee shall protect the legitimate financial interests of CGD, subject to CGD's unconditional obligation to divest […].
Employee	means any person that has a contract of employment with CGD
Factoring	means a financial transaction whereby a business sells its accounts receivable (i.e. invoices) to a third party (called a factor) at a discount. A composite product offering a mix of finance, credit insurance and financial management services (collections).
International Instrumental Activities	has the meaning set out in clause 4.2.2.2
Investment banking	means specialised financial services provided to corporate and institutional customers, including advisory in corporate mergers and acquisitions, project finance, corporate finance (acquisition finance, structured finance, bonds, commercial paper, securitisation, etc.), equity capital markets operations (IPOs, tender offers, equity-linked transactions, etc.) and market risk management (through hedging and structured finance solutions). Additionally, it also includes the provision of financial brokerage services and research reports to institutional and private individual investors, intermediation on fixed income securities and syndication of structured loans.
KPI	Key Performance Indicators
Leasing	means a contract by which an individual or a firm can obtain the use of certain fixed assets for which it must pay a series of contractual, periodic payments having the option to buy the asset at the end of the contract
LDR	means net loans to deposits ratio

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Term	Meaning
Monitoring Trustee or Trustee	has the meaning set out in clause 6.10 and Appendix I herein
New Production	consists of all new contracted business with the exception of all previously contractually committed production or any new production which is strictly necessary to preserve the value of the loan collateral or which is otherwise related to minimising capital losses and/or enhancing the expected recovery value of a loan
Nonperforming loans (NPL) ratio on new credit	means new loans production that have payments of interest and/or principal that are past due by 90 days or more/total new credit portfolio
Proprietary trading	means the regular trading activities of CGD, unrelated to client business, using the Bank's own capital and balance sheet.
Restructuring Period	is the time period specified in clause 3.3
Renting	means an agreement where a payment is made for the temporary use of a good (in particular a vehicle) owned by a non-financial company, usually accompanied by the provision of a number of associated services
Restructuring Plan	means the plan submitted by CGD to the European Commission, via the Republic of Portugal, as last amended and supplemented by written communications on 19 July 2013
Remedial Actions	mean action(s) that will allow CGD to meet the identified target(s). The remedial actions shall be presented by CGD as described in clause 4.2.3.3.The Monitoring Trustee will analyse the remedial actions proposed and will report to the Commission on their adequacy to meet the targets in the Restructuring Plan
RWAs	means risk weighted assets that shall be calculated on a consolidated basis in accordance with relevant Portuguese regulations and as approved by Bank of Portugal at the date of the Decision
SME	means a Small & Medium Enterprise which has a turnover below or equal to EUR 50 million and credit exposure to CGD that does not exceed EUR 1 million
VAR	means Value At Risk, the portfolio risk measure as described in the 1996 amendment by the Basel Committee on Bank Supervision. For the purposes of the calculation, figures refer to a historical simulation methodology using a 10-day holding period, a 99 % confidence interval and 501 trading days of data (corresponding to a 2-year horizon)
Venture capital	means the act of providing financial capital to start-up companies, in particular those with high growth potential, in exchange for equity in the business

3. **General**

3.1. Portugal is to ensure that the Restructuring Plan for CGD is correctly and fully implemented.

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3.2. Portugal is to ensure that the Commitments are fully observed during the implementation of the Restructuring Plan.

3.3. The Restructuring Period will end on 31 December 2017. The Commitments apply during the Restructuring Period, unless otherwise provided.

4. **Restructuring of cgd: split into core activities and non-core activities**

4.1. CGD will split its activities into two parts: the Core Activities and Non-Core Activities. The combined total balance sheet size ([1]) of the Core Activities and Non-core Activities was EUR 120 642 million in December 2011. In June 2012 the balance sheet total was EUR 117 694 million, by end December 2012 the balance sheet total was EUR 116 857 million.

The split of CGD will be executed as follows:

4.2. The Core Activities

Assets allocated to the Core Activities

The Core Activities include the Domestic Core Activities (retail households, SMEs, corporate banking, Investment banking, Asset management, leasing, factoring, renting, bancassurance and Venture capital), the International Core Activities and the International Instrumental Activities.

4.2.1. The Domestic Core Activities include the net assets set out below (cut-off date 31 December 2012):

4.2.1.1. EUR [850-900] million Cash and balances with the central bank;

4.2.1.2. EUR [1 000-1 500] million Loans (/Receivables) to credit institutions;

4.2.1.3. EUR [2 500-3 000] million Financial assets held for trading;

4.2.1.4. EUR [10 000-15 000] million Available-for-sale financial assets;

4.2.1.5. EUR [0-5] million held-to-maturity financial assets;

4.2.1.6. EUR [60 000-65 000] million Loans to clients;

thereof:

4.2.1.6.1. Developers and construction EUR [8 000-8 500] million;

4.2.1.6.2. Residential mortgages EUR [30 000-35 000] million;

4.2.1.6.3. Large Corporate EUR [10 000-15 000] million;

4.2.1.6.4. SMEs EUR [3 000-3 500] million;

4.2.1.6.5. Consumer loans EUR [1 500-2 000] million;

4.2.1.6.6. Other EUR [4 000-4 500] million (includes other financial institutions and central and local government);

([1]) Accounting perimeter.

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4.2.1.7. EUR [400-450] million Property, plant and equipment;

4.2.1.8. EUR [150-200] million Intangible assets;

4.2.1.9. EUR [4 000-4 500] million Other assets

thereof:

4.2.1.9.1. Investment properties EUR [80-90] million;

4.2.1.9.2. Hedging derivative instruments EUR [30-40] million;

4.2.1.9.3. Non-current assets held for sale EUR [500-550] million;

4.2.1.9.4. Current tax assets EUR [30-40] million;

4.2.1.9.5. Deferred tax assets EUR [1 000-1 500] million;

4.2.1.9.6. Other assets EUR [2 000-2 500] million;

4.2.1.10. EUR [30-40] million net assets contribution arising from participations on other domestic business units (equity method) listed in Appendix II.

4.2.2. The International Core Activities and the International Instrumental Activities include the net assets contribution and the international areas set out below (cut-off date 31 December 2012).

4.2.2.1. International Core Activities includes all the international areas ('International Core Region') where CGD owns a significant retail banking presence either through a local branch or an affiliated unit, as set out below:

4.2.2.1.1. Spain – total net assets: EUR [4 000-4 500] million [1];

4.2.2.1.2. France – total net assets: EUR [4 000-4 500] million;

4.2.2.1.3. Macao (China) – total net assets: EUR [3 000-3 500] million;

4.2.2.1.4. Mozambique – total net assets: EUR [1 500-2 000] million;

4.2.2.1.5. Angola – total net assets: EUR [1 000-1 500] million;

4.2.2.1.6. South Africa – total net assets: EUR [600-650] million;

4.2.2.1.7. Brazil – total net assets: EUR [500-550] million;

4.2.2.1.8. Cape Verde – total net assets: EUR [750-800] million;

4.2.2.1.9. Timor – total net assets: EUR [50-60] million;

4.2.2.1.10. São Tomé – total net assets: EUR [0-5] million.

[1] Excluding Spanish branch and non-core assets to be transferred to the Spanish branch.

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4.2.2.2. International Instrumental Activities are specialized operations that provide services to CGD Group (such as funding, access to institutional markets and products structuring). Instrumental Activities are performed by local specialized branches or affiliated units in key markets, as set out below:

4.2.2.2.1. Luxembourg – total net assets: EUR [100-150] million;.

4.2.2.2.2. Cayman Islands – total net assets: EUR [600-650] million;

4.2.2.2.3. United Kingdom (London) – total net assets: EUR [400-450] million;

4.2.2.2.4. United States of America (New York) – total net assets: EUR [250-300] million;

4.2.2.2.5. China (Zhuhai) – total net assets: EUR [5-10] million.

4.2.3. Size

4.2.3.1. By end-December 2014 the balance sheet size of the Core Activities shall not be higher than EUR [100-150] billion ([1]), the RWAs shall not be higher than EUR [70-80] billion, the C/I shall not be higher than [70-80] %, the LDR shall not be higher than [120-130] %, and the coverage ratio of credit at risk shall not be lower than [50-60] %.

4.2.3.2. By end-December 2016, the balance sheet size of the Core Activities shall not be higher than EUR [100-150] billion ([2]), the RWAs shall not be higher than EUR [70-80] billion, the C/I shall not be higher than [50-60] %, the LDR shall not be higher than [120-130] %, and coverage ratio of credit at risk shall not be lower than [50-60] %.

4.2.3.3. The total exposure on the consolidated balance sheet to […] issuers shall not exceed EUR [10-20] billion during the Restructuring Period.

4.2.3.4. Should it become likely that the above balance sheet, RWA, C/I, LDR, and coverage of credit-at-risk targets will not be met, CGD shall on its own initiative, and in any case upon request by the Monitoring Trustee, present Remedial Actions within a month. The Monitoring Trustee will analyse the Remedial Actions proposed and will report to the Commission on their adequacy to meet the targets set out in the Restructuring Plan.

4.2.4. Branches and Employees

The Core Activities will reduce its current structure in Portugal as follows:

4.2.4.1. From 829 (31 December 2012) to [750-800] retail domestic branches ([3]) before the […].

([1]) See footnote 1.
([2]) See footnote 1.
([3]) Excluding self-service branches and including corporate offices

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4.2.4.2. Branches may not be replaced by other entities or structures that essentially provide the same services and involve a meaningful amount of manpower. However, CGD may install automated points of service instead (e.g. ATM or the like).

4.2.4.3. From 11 904 domestic employees (without insurance business unit by 31 December 2012) to [10 000-15 000] employees by […], to [10 000-15 000] employees by […], to [10 000-15 000] employees by end of […], to [10 000-15 000] employees by […].

4.2.4.4. After the year […] and until the end of the Restructuring Period the number of branches in Portugal shall not increase.

4.2.4.5. Should it become likely that above branch and employee targets are not met, CGD shall on its own initiative, and in any case upon request by the Monitoring Trustee, present Remedial Actions within a month from the request by the Monitoring Trustee. The Monitoring Trustee will analyse the Remedial Actions proposed and will report to the Commission on their adequacy to meet the targets set out in the Restructuring Plan.

4.2.5. Description of Core Activities

4.2.5.1. The Core Activities shall be those of a commercial retail bank, with a particular focus on households, SME and Corporate Banking, which also provides Investment banking, Asset management, Renting, Leasing and Factoring services, Banc-assurance and Venture capital, primarily focused on the Domestic Core Region and on the International Core Region, as well as International Instrumental Activities.

4.2.5.2. Consequently, during the Restructuring Period CGD:

4.2.5.2.1. Shall not engage in any new production outside the Core Region and outside the International Instrumental Activities' areas defined in clauses 4.2.2. For the avoidance of doubt, CGD will still be allowed to engage new production with customers domiciled outside the Core Region when booked in the Core Region or in the International Instrumental Activities.

4.2.5.2.2. Shall ensure that the net assets of the International Instrumental Activities do not exceed [0-5]% of the Core Activities balance sheet size.

4.2.5.2.3. Shall not engage any new production in Portugal other than in the activities described in 4.2.

4.2.6. Principles which apply to the International Core Activities and to the International Instrumental Activities

Until the end of the Restructuring Period, CGD will make its best efforts to decrease its exposure on capital and intra group funding to its International Core Activities. CGD shall not increase its exposure on capital and intra group funding to its International Core Activities and International Instrumental Activities except when this increase arises directly from previously existing (before this Decision) contractual obligations assumed with third parties or regulatory related obligations, or is required by a final and mandatory decision taken by a public authority on CGD.

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Before implementing the capital measure, CGD commits to promptly inform the Monitoring Trustee of any such decision and present a business plan for the entities which require additional capital or funding need to the Monitoring Trustee. The Monitoring Trustee will analyse the business plan and will report to the Commission on the adequacy of the measures taken.

4.2.7. Restructuring plan for BCG Spain

4.2.7.1. CGD shall restructure the business of BCG Spain, in order to ensure its long-term viability, autonomy from CGD in terms of funding and positive contribution to CGD's group profitability.

4.2.7.2. CGD commits to cease all activities in the Spanish operation that are not directly related to the core activities of the operation (retail banking [1]), support to SMEs and to cross-border business). In particular CGD commits:

4.2.7.2.1. to stop new production in Project Finance operations;

4.2.7.2.2. to stop new production in Leverage Finance operations;

4.2.7.2.3. to stop new production in Acquisition Finance operations.

4.2.7.3. The restructuring of BCG Spain shall be carried out in two phases.

4.2.7.3.1. Phase 1

Until […], CGD will:

4.2.7.3.1.1. Use CGD's Spanish branch as a vehicle to consolidate the legacy portfolio in Spain, separating core from non-core business activities and shielding the core operation. The non-core wholesale credit and mortgage portfolios of both BCG Spain and CGD's Spanish Branch (*Sucursal em Espanha*) will be consolidated in the Spanish Branch, which will stop any new production and manage the run-off of these portfolios (for a detailed list of EUR [1 000-1 500] million assets to be transferred out of BCG Spain see Appendix III);

4.2.7.3.1.2. Restructure the retail network of BCG Spain including EUR [5 000-5 500] million of assets as of 31 December 2012 (for a detailed list of EUR [5 000-5 500] million of assets see Appendix III), by re-focusing the operation on its core areas, focusing on cross border SME business and reducing the presence of branches with negative profitability, unsustainable LDR, insufficient customers;

4.2.7.3.1.3. The number of branches will be reduced from 173 branches in December 2012 to [100-110] by […] (for a detailed list of branches see Appendix V) and will not be increased during the Restructuring Period;

[1] In traditional areas (Galicia, Extremadura, Castilla y León and Asturias) and in large urban cities and main cross border trade centers (Madrid, Barcelona, País Vasco, Andalucía, Aragón and Valencia).

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4.2.7.3.1.4. The number of employees will be reduced from 797 in December 2012 to [500-523] by […] and will not be increased during the Restructuring Period;

4.2.7.3.1.5. Key performance indicators (KPIs) to be met by […]

Starting from October 2014, the Monitoring Trustee will start to assess whether the following KPIs for BCG Spain will be met by […].

4.2.7.3.1.5.1. Over the whole period of […] the total of Labour costs and SG&A costs must be below or equal to EUR [50-60], and BCG Spain must achieve a C/I ratio of below or equal to [50-60] %;

4.2.7.3.1.5.2. BCG Spain must be entirely self-funded and sufficiently capitalised. No additional capital and net funding must have been provided in the period of end of 2012 to […], and there must not be any need for additional capital and net funding until the end of the Restructuring Period.

4.2.7.3.1.5.3. The amount of new credit production (net), i.e. credit generated after end of 2012 and not having matured or been redeemed by […], must be equal or above EUR [900-950]. The part of new credit production related to cross-border is equal or above [20-30] %.

4.2.7.3.1.5.4. The new credit production, as defined and referred to in the point 4.2.7.3.1.5.3, generates a weighted average net margin (spread) above reference rate (6 months Euribor) of at least [0-5] %.

4.2.7.3.1.5.5. The NPL ratio of the new credit production, as defined in the point 4.2.7.3.1.5.3, is equal to or below [0-5] %.

4.2.7.3.1.5.6. The total amount of deposits is equal or above EUR [0-5] billion [1]. The weighted average cost of the deposits is not higher than […] [2]; the LDR is equal to or below [100-150] %.

4.2.7.3.2. Phase 2

4.2.7.3.2.1. Starting from […], CGD will continue the implementation of the restructuring plan of BCG Spain until the end of the Restructuring Period if the KPIs are met by […].

4.2.7.3.2.2. If the KPIs referred to above are not met by […], or as soon as the Monitoring Trustee has finalised its assessment that there is sufficient evidence that those KPIs will not be met, BCG Spain will immediately stop engaging in any new production and begin to wind down its operation in Spain whereby CGD could maintain a small presence in order to facilitate the run-off of the Spanish operation.

4.3. The Non-Core Activities

All activities and assets that are not explicitly mentioned in section 4.2 are considered to be Non-Core. In order to restore viability and to focus on its core business, CGD shall dispose of its insurance and health business lines, sell all non-strategic holdings and shall put all Non-Core Activities into run-down mode as described below.

[1] With a 10 % tolerance margin.
[2] See footnote 7.

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4.3.1. The sale of Caixa Seguros

4.3.1.1. CGD's main subsidiary active in the insurance business, Caixa Seguros, shall be sold until […]. The sale of the insurance business unit shall […]:

4.3.1.1.1. […]

4.3.1.1.2. To carry out this divestiture of the insurance business unit's assets (estimated EUR […] billion), Portugal commits that CGD shall find a Purchaser and enter into a final binding sale and purchase agreement at the latest by […]. If CGD has not entered into such an agreement by […], CGD shall on […] appoint a Divestiture Trustee and grant an exclusive mandate to sell the insurance business unit's assets (estimated EUR […] billion) […] until the […] at the latest.

4.3.1.1.3. […].

4.3.2. Assets allocated to the Non-Core Activities to be run-down

4.3.2.1. The Non-Core Activities include the assets set out below (cut-off date 31 December 2012):

4.3.2.1.1. Run-off of the Ex-BPN assets that included as of 31 December 2012: Total EUR [4 000-4 500] million (Credit EUR [1 000-1 500] million and Debt held (available for sale) EUR [2 500-3 000] million)

4.3.2.1.2. Sale of the non-strategic holdings: EUR [200-250] million to be sold until the […] (projected value of sale)

4.3.2.1.3. Run-off of the Spanish non-core credit portfolio worth as of 31 December 2012: EUR [1 500-2 000] million (detailed list in Appendix IV)

4.3.2.1.4. Disposal of the Insurance business unit as defined in point 4.3.1 above.

4.3.2.2. By end-December 2014, the Non-Core Assets shall not be higher than EUR [10-20] billion.

4.3.2.3. By end-December 2016, the Non-Core Assets shall not be higher than EUR [5-10] billion.

4.3.2.4. Principles which apply to the Non-Core Activities

4.3.2.4.1. Limitation on New Production

4.3.2.4.1.1. Termination of any New Production with the exception of:

4.3.2.4.1.2. Contractually committed but not yet paid-out amounts shall be limited to the strict minimum.

4.3.2.4.1.3. No additional financing to existing customers which is not contractually committed except when it is strictly necessary to preserve the value of the loan collateral, or otherwise related to minimizing capital losses and/or enhancing the expected recovery value of a loan.

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4.3.2.4.1.4. Management of existing assets: The existing assets shall be managed in a way that maximizes Net Present Value of the assets. Specifically, if a client cannot respect the terms of his loan, the loan will only be restructured (deferral or partial waiver of repayments, conversion of (part of) the claim in capital, etc.) if such a restructuring would lead to enhancing the present value of the loan. This principle also applies to mortgage loans.

4.3.2.4.2. Active winding down of the Non-Core Assets

4.3.2.4.2.1. The Non-Core Assets shall be managed with the objective of being divested, liquidated or wound down, in an orderly manner but minimizing the cost. Any remaining assets at the end of the Restructuring Period should be wound down in an orderly manner once the assets mature. No new Non-Core Activity shall be undertaken, unless explicitly mentioned in the Commitments. To that end, the following actions may be undertaken:

4.3.2.4.2.2. As a general rule, Non-Core Assets shall be sold as quickly as possible. CGD commits to sell such assets whenever the sale does not lead to having to book a loss, except if the sale price is unreasonable in view of a non-controversial valuation.

4.3.2.4.3. Sale of non-strategic shareholdings:

4.3.2.4.3.1. CGD commits to divest the following non-strategic equity holdings by […]:

Company	Stake (%) (*)	Sale Value (EUR m) (**)	Date of Sale
[…]	[…]%	[200-250]	[…]
[…]	[…]%	[10-20]	[…]

(*) Valued at 31 December 2012
(**) BPN was nationalised in 2008 and sold in 2011. Some of its assets have been transferred to CGD.

4.3.2.4.3.2. The total value of the non-strategic shareholdings amounted to EUR 841 million at the start of the deleveraging effort. As of 31 December 2012, non-strategic holdings amount to EUR [200-250] million.

4.3.2.4.3.3. CGD will completely divest the equity holdings listed above by the […]. If CGD has not completely divested the holdings described by […], CGD shall on […] appoint a Divestiture Trustee and grant an exclusive mandate to sell the remaining non-strategic holdings […] until the […] at the latest.

4.3.2.4.3.4. Until each of the above-referred non-strategic shareholdings is sold, CGD shall not increase its financial exposure (e.g. loans and guarantees) to such company in any case, except when it is (a) in the normal course of business under prevailing market conditions; or (b) strictly necessary to preserve the value of the relevant equity interest; or (c) otherwise related to minimizing capital losses and/or enhancing the expected recovery value of such exposures or interest. CGD will make its best efforts to decrease its financial exposure to such companies.

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5. **Repayment Mechanism of the AID**

5.1. CGD undertakes to repay the EUR 900 million CoCos in the following tranches:

5.1.1. For the fiscal year 2014: [50-60] % of the excess capital above the applicable minimum capital requirement under European and Portuguese law (including pillar 1 and 2) plus a capital buffer of [100-150] bps.

5.1.2. For the fiscal years 2015 and following: [90-100] % of the excess capital above the applicable minimum capital requirement under European and Portuguese law (including pillar 1 and 2) plus a capital buffer of [100-150] bps.

5.2. Without prejudice to the competences of Bank of Portugal as banking supervisor of CGD, the CoCo repayment shall be, totally or partially, suspended if, on the basis of a reasoned request by CGD endorsed by the Monitoring Trustee, it is considered that it would endanger the solvency position of the Bank in the following years.

5.3. CGD undertakes to pay EUR 405,415 (equivalent amount to the coupon payment of 28 September 2012) to the Portuguese Republic by end of 2013.

6. **Behavioural measures and corporate governance**

6.1. Ban on acquisitions: CGD commits to refrain from making acquisitions. This applies to both the purchase of companies with their own legal structure, and shares in companies or asset bundles that represent a commercial transaction or a branch of activity. This does not apply to acquisitions that must be made in order to maintain financial and/or association related stability, or in the interests of effective competition, provided they have been approved beforehand by the Monitoring Trustee. This does not apply either to (1) acquisitions that belong, in terms of the management of existing obligations of customers in financial difficulty, to a bank's normal on-going business or (2) to Venture capital activity or (3) to acquisitions that fall under the exceptions foreseen in clause 4.2.6 and that comply with the procedure foreseen therein or (4) to acquisitions within the group or (5) to acquisitions of shares in Portuguese companies that are not credit institutions in which CGD already holds at least 50 % provided they have been approved beforehand by the Monitoring Trustee. The obligation is to apply until the Restructuring Period ends. CGD may acquire stakes in undertakings provided that the purchase price paid by CGD for any acquisition is less than [0-5] % of the balance sheet size of CGD on the last day of the month previous to the Decision and that the cumulative net purchase prices paid by CGD for all such acquisitions over the whole Restructuring Period is less than [0-5] % of the balance sheet size of CGD at that same date.

6.2. Ban on commercial aggressive practices: The beneficiary bank shall avoid engaging in aggressive commercial practices throughout the duration of the Restructuring Period.

6.3. Proprietary trading: Portugal will ensure that CGD will not engage in any proprietary trading beyond the minimum necessary for the normal functioning of the treasury. During the Restructuring Period, the total VAR limit of the financial assets held for trading will not exceed EUR [30-40] million.

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6.4. Advertising: CGD must not use the granting of the aid measures or any advantages arising therefrom for advertising purposes.

6.5. Assurances regarding corporate governance

6.5.1. All members of the management bodies of CGD shall have the competences established in Articles 30 and 31 of the General Framework for Credit Institutions and Financial Companies, approved by Decree-Law 298/92, of 31 December, as amended, as well as in the EBA Guidelines on the assessment of the suitability of members of the management body and key function holders, of 22 November 2012 (EBA/GL/2012/06). There should be no more than 20 board members. CGD's shareholder will aim to reduce that number to 16 at the end of the present board's term of office.

6.5.2. Besides the committees established in CGD's Articles of Incorporation (being the Executive Committee and Audit Committee) and the Strategy, Governance and Assessment Committee established by the Board of Directors and composed of non-executive directors, CGD is to appoint only the internal bodies which are necessary to assist in the management of the company, which shall be composed of members of the Executive Committee and, when appropriate, of CGD employees holding senior management positions in the relevant areas.

6.5.3. All of CGD's decisions shall be taken on purely commercial grounds and all of Portugal's interactions with CGD shall be on arm's length terms.

6.5.4. Portugal commits not to exert any influence on the day-to-day operational management of CGD nor on CGD's internal rules regarding credit risk policies, pricing and lending. However, Portugal may issue guidelines regarding CGD's strategic focus and other issues on the basis of the general terms of corporate law and the law of public enterprises (Decree-Law 558/99, of 17 December, as amended). Portugal will not compromise the full independence of the Bank management with reference to credit risk and lending policies if consulted in relation to CGD's business plans and plans for lending to specific sectors of the economy.

6.5.5. The Credit Council, the Extended Credit Council, and the Audit Committee of CGD shall be put into a position to act fully independently, and all appointments to the Credit Council, the Extended Credit Council, and the Audit Committee respect that members of those bodies must be in a position to act independently and free of any conflict of interest.

6.5.6. CGD ensures that until 31 December 2013 at the latest its credit and risk policies will incorporate the principle that all customers are to be treated fairly through non-discriminatory procedures other than those related to credit risk and ability to pay, which is to be consistently applied within the group. The credit and risk policies will define the principles and thresholds above which the granting of loans must be approved by higher levels of management, the terms and conditions for the restructuring of loans, and the handling of claims and litigations.

6.5.7. CGD ensures that until 31 December 2013 at the latest a specific section within the credit and risk policies will be devoted to the rules governing relations with connected borrowers (including

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employees, shareholders, directors, managers, as well as their spouses, children and siblings and any legal entity directly or indirectly controlled by any of those).

6.5.8. In order to ensure CGD's compliance with principles set out in point 6.5.1 to 6.5.7 the Trustee will be allowed to:

6.5.8.1. receive copies of all reports emanating from internal control bodies including the minutes of the meetings, and be entitled to interview, at its sole discretion, any controller or auditor, no matter his/her managerial responsibilities. The Trustee shall ensure (i) that recommendations from permanent supervisors or periodic controllers/auditors are dully enforced and (ii) that action plans are implemented in order to correct any failure identified within the internal control framework.

6.5.8.2. regularly monitor CGD's commercial practices, with a focus on credit policy and deposit policy. The Trustee shall review CGD's policy toward the restructuring and provisioning of non-performing loans. CGD shall communicate to the Trustee any risk report communicated to the Executive Board, or any analysis/review aimed at assessing the credit exposure of CGD. The Trustee shall perform its own analysis and investigations, on the basis of the above-mentioned reports, interviews, and, if need be, the review of individual credit files. In that regard, a full access to credit files is to be granted to the Trustee, who is entitled to interview credit analysts and risk officers when deemed appropriate.

6.5.8.3. regularly monitor CGD's management of claims and litigations. The Trustee shall ensure that claims and litigations are managed according to the procedures defined in the internal control framework of CGD, and that CGD complies with the industry best practices. The Trustee will identify corrective actions to implement in case of deficiencies in the current process.

6.6. Remuneration of bodies and employees:

6.6.1. CGD shall verify the incentive effect and appropriateness of its remuneration systems and ensure that they do not result in exposure to undue risks, are oriented towards sustainable, long-term company objectives, and are transparent.

6.6.2. CGD as a financial institution shall establish and implement its policies on salary and compensation matters strictly in accordance with the rules set forth by the Portuguese Government in Decree-law 104/2007, of 3 April (which transposed the Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions) as amended by Decree-Law 88/2011, of 20 July, and with the rules established by the Portuguese Central Bank in *Aviso* 10/2011, of 29 December.

6.6.3. Furthermore, CGD's remuneration policy of the Board Members shall also be compliant with Decree-Law 71/2007 of 27 March, which establishes the regime of the statute of the Stated controlled companies' board members.

6.6.4. Likewise, CGD commits to ensure that the Bank complies with the rules and recommendations set out by the European Commission in this subject within the EU framework for State aid.

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6.6.5. In particular, CGD undertakes to restrict the total remuneration to any member of staff, including board members and senior management, to an appropriate level, including all possible fixed and variable components, comprising pensions and in line with Articles 92 and 93 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

6.7. Ban on dividend, coupon and interest payments: CGD will not (and shall procure that none of its subsidiary undertakings shall) make any payments of dividends, coupons or interest to holders of preference shares and subordinated debt, in so far as those payments are not owed on the basis of contractual or legal obligations. However, CGD shall be allowed to make payments (or allow its subsidiary undertakings to make payments) of dividend, coupons or interest to holders of preference shares or subordinated debt if it can prove that non-payment would hinder or prevent the repayment of the CoCos (or payment of coupons on the CoCos) that is described in section 5.

6.8. Support of Portuguese SMEs: In view of securing financing to and deleveraging of the real economy, CGD has committed to the Portuguese Government to allocate EUR 30 million per year to a fund that will invest in equity of Portuguese SMEs and mid-cap corporates. The fund shall be managed according to international best practice by the Bank or a third party with sufficient expertise and awareness of investment opportunities. The investment in the fund shall be subject to prior approval by the Portuguese Ministry of Finance according to the criteria defined in the Ministerial Order setting the terms for the recapitalization under national law and will be held by CGD. Any funds not transferred to such fund within 12 months of commitment shall be transferred to the Portuguese Treasury. The fund shall not be used as a refinancing mechanism for existing loans. Any investment exceeding the above referred amount shall be subject to prior approval by the European Commission.

6.9. Other rules of conduct: CGD shall continue expansion of its risk monitoring operations and conduct a commercial policy that is prudent, sound and oriented towards sustainability.

6.10. Monitoring Trustee

6.10.1. Portugal shall ensure that the full and correct implementation of the Restructuring Plan and the full and correct implementation of all Commitments are continuously monitored by an independent, sufficiently qualified Monitoring Trustee.

6.10.2. The appointment, duties, obligations and discharge of the Monitoring Trustee must follow the procedures set out in Appendix I hereof.

6.10.3. Portugal and CGD shall ensure that, during the implementation of the Decision, the Commission or the Monitoring Trustee have unrestricted access to all information needed to monitor the implementation of the Decision. The Commission or the Monitoring Trustee may ask CGD for explanations and clarifications. Portugal and CGD are to cooperate fully with the Commission and the Monitoring Trustee with regard to all enquiries associated with monitoring of the implementation of the Decision.

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6.10.4. CGD will report annually to the Commission on the evolution of the Non-Core Activities after the dismissal of the Monitoring Trustee at the end of the Restructuring Period.

6.11. Divestiture Trustee

6.11.1. Portugal shall ensure that CGD sells the insurance business unit's assets (estimated EUR […] billion) of Caixa Seguros in due time. To that end, CGD shall appoint a Divestiture Trustee on […] in the event that CGD has not entered into a final binding sale and purchase agreement at the latest by […].

6.11.2. Portugal shall ensure that CGD sells its non-strategic holdings (stake in […] corresponding to EUR [200-250] million). To that end, CGD shall appoint a Divestiture Trustee on […] in the event that CGD has not completely divested at the latest by […].

6.11.3. The Divestiture Trustee shall be independent of CGD and work on behalf and under instruction of DG COMP, possess the necessary qualifications to carry out its mandate (for example as an investment bank or consultant) and shall neither have nor become exposed to a conflict of interest. The Divestiture Trustee shall be remunerated by CGD in a way that does not impede the independent and effective fulfilment of its mandate.

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Appendix 1

THE MONITORING TRUSTEE

(A) **Appointment of the Monitoring Trustee**

(i) Portugal undertakes to ensure that CGD appoints a Monitoring Trustee who is to be subject to the duties and obligations set out in paragraph C of this Appendix. The mandate applies to the entire duration of the Restructuring Plan; i.e. until 31 December 2017. At the end of the mandate, the Trustee must submit a final report.

(ii) The Trustee must be independent of CGD. The Trustee must possess, for example as an investment bank, consultant or auditor, the specialised knowledge that is required in order to carry out its mandate, and must at no time be exposed to any conflict of interest. The Trustee is to be remunerated by CGD in a way that must not impede the independent and effective fulfilment of its mandate.

(iii) Portugal shall submit the names of two or more persons to the Commission for approval as monitoring Trustee no later than six weeks after notification of the Decision.

(iv) These proposals must contain sufficient information about those persons to enable the Commission to verify whether the proposed Trustee fulfils the requirements set out in paragraph A(ii), and must in particular include the following:

(a) the full terms of the proposed mandate with all the provisions which are necessary to enable the Trustee to fulfil its duties; and

(b) the draft of a work plan describing how the Trustee intends to carry out its assigned duties.

(v) The Commission has the discretion to approve or reject the proposed Trustees and to approve the proposed mandate subject to any modifications that it deems necessary in order to enable the Trustee to fulfil its obligations. If only one name is approved, CGD will appoint the person or institution concerned as Trustee or cause that person or institution to be appointed, in accordance with the mandate approved by the Commission. If more than one name is approved, CGD is free to decide which of the approved persons should be appointed as Trustee. The Trustee will be appointed within one week of the Commission's approval, in accordance with the mandate approved by the Commission.

(vi) If all the proposed Trustees are rejected, Portugal shall submit the names of at least two further persons or institutions within two weeks of being informed of the rejection, in accordance with the requirements and procedure set out in paragraphs A(i) and A(iv).

(vii) If all further proposed Trustees are also rejected by the Commission, the Commission will nominate a Trustee which CGD will appoint or cause to be appointed, in accordance with a Trustee mandate approved by the Commission.

(B) **Appointment of the Divestiture Trustee**

(i) Portugal undertakes to ensure that CGD appoints a Divestiture Trustee following the appointment procedure as set out above for the Monitoring Trustee.

(ii) Portugal shall submit the names of two or more persons to the Commission for approval as Divestiture Trustee no later than […], in the event that CGD has until then not yet entered into a final binding sale and purchase agreement for Caixa Seguros.

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(iii) Portugal shall submit the names of two or more persons to the Commission for approval as Divestiture Trustee no later than […], in the event that CGD has until then has not yet entered into a final binding sale of the remaining non-strategic holdings ([…])

(C) **General duties and obligations**

The Trustee is to assist the Commission to ensure CGD's compliance with the Commitments and to assume the duties of a monitoring Trustee specified in the Commitments document. The Trustee is to carry out the duties under this mandate in accordance with the work plan, as well as revisions of the work plan that have been approved by the Commission. The Commission may, on its own initiative or at the request of the Trustee or CGD, issue orders or instructions to the Trustee in order to ensure compliance with the Commitments. CGD is not entitled to issue instructions to the Trustee. The Trustee shall be bound by legal confidentiality duties.

(D) **Duties and obligations of the Monitoring Trustee and the Divestiture Trustee**

(1) The duty of the Trustee is to guarantee full and correct compliance with the obligations set out in the Commitments, and full and correct implementation of CGD's Restructuring Plan. The Commission may, on its own initiative or at the request of the Trustee, issue any orders or instructions to the Trustee or CGD in order to ensure compliance with the Commitments attached to the Decision.

(2) The Trustee:

i. is to propose to the Commission in its first report a detailed work plan describing how it intends to monitor compliance with the Commitments attached to the Decision;

ii. is to monitor the full and correct implementation of CGD's Restructuring Plan, in particular:

(a) the reduction of the balance sheet total and the RWA;

(b) the restriction of business activities;

(c) the discontinuation of predefined business areas;

(d) the sales process for shares in the predefined business areas;

(e) the restructuring of the operations in Spain;

iii. is to monitor that CGD follows the principles in the corporate governance section, actually has an efficient and adequate internal organisation in place, and actually applies proper commercial practices. The Trustee will hence:

(a) receive copies of all reports emanating from internal control bodies, and be entitled to interview, at its sole discretion, any controller or auditor, no matter his/her managerial responsibilities. The Trustee shall ensure (i) that recommendations from permanent supervisors or periodic controllers/auditors are duly enforced and (ii) that action plans are implemented in order to correct any failure identified within the internal control framework.

(b) regularly monitor CGD's commercial practices, with a focus on credit policy and deposit policy. The Trustee shall review CGD's policy toward the restructuring and provisioning of non-performing loans. CGD shall communicate to the Trustee any risk report communicated to the Executive Board, or any analysis/review

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aimed at assessing the credit exposure of CGD. The Trustee shall perform its own analysis and investigations, on the basis of the above-mentioned reports, interviews, and, if need be, the review of individual credit files. In that regard, a full access to credit files is to be granted to the Trustee, who is entitled to interview credit analysts and risk officers when deemed appropriate.

(c) regularly monitor CGD's management of claims and litigations. The Trustee shall ensure that claims and litigations are managed according to the procedures defined in the internal control framework of CGD, and that CGD complies with the industry best practices. The Trustee will identify corrective actions to implement in case of deficiencies in the current process.

iv. is to monitor compliance with all other Commitments;

v. is to assume the other functions assigned to the Trustee in the Commitments attached to the Decision;

vi. is to propose measures to CGD that it considers necessary to ensure that CGD fulfils the Commitments attached to the Decision;

vii. is to take into account any regulatory changes on solvency and liquidity when verifying the evolution of the actual financials with respect to the projections made in the Restructuring Plan; and

viii. is to submit a draft written report to the Commission, Portugal and CGD within thirty days after the end of each six-month period. The Commission, Portugal and CGD can submit comments on the draft within five working days. Within five working days of receipt of the comments, the Trustee is to prepare a final report, incorporating the comments as far as possible and at its discretion, and submit it to the Commission and to Portugal. Only afterwards the Trustee is also to send a copy of the final report to CGD. If the draft report or the final report contains any information that may not be disclosed to CGD, only a non-confidential version of the draft report or the final report is to be sent to CGD. Under no circumstances is the Trustee to submit any version of the report to Portugal and/or CGD before submitting it to the Commission.

The report is to focus on the duties set out in the mandate by the Trustee and compliance with the obligations by CGD, thus enabling the Commission to assess whether CGD is being managed in accordance with the obligations. If necessary, the Commission may specify the scope of the report in more detail. In addition to these reports, the Trustee is to report promptly in writing to the Commission if it has reasons to suppose that CGD is failing to comply with these obligations, sending a non-confidential version to CGD at the same time.

(3) The Divestiture Trustee shall sell the insurance business unit's assets (estimated EUR [0-5] billion) of Caixa Seguros […] to a purchaser. The Divestiture Trustee shall include in the sale and purchase agreement such terms and conditions as it considers appropriate for an expedient sale before […]. In particular, the Divestiture Trustee may include in the sale and purchase agreement such customary representations and warranties and indemnities as are reasonably required to effect the sale. The Divestiture Trustee shall protect the legitimate financial interests of CGD, subject to CGD's unconditional obligation to divest […].

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(4) The Divestiture Trustee shall sell remaining non-strategic holdings (estimated sale price EUR [200-250] million) […] to a purchaser. The Divestiture Trustee shall include in the sale and purchase agreement such terms and conditions as it considers appropriate for an expedient sale before […]. The Divestiture Trustee shall protect the legitimate financial interests of CGD, subject to CGD's unconditional obligation to divest […].

(E) **Duties and obligations of CGD**

(1) CGD is to provide and to require its advisors to provide the Trustee with all such cooperation, assistance and information as the Trustee may reasonably require to perform its tasks under this mandate. The Trustee is to have unrestricted access to any books, records, documents, management or other personnel, facilities, sites and technical information of CGD or of the business to be sold that are necessary to fulfil its duties under the mandate. CGD is to make available to the Trustee one or more offices at its business premises and all employees of CGD are to be available for meetings with the Trustee in order to provide it with all the information it needs to perform its duties.

(2) Subject to CGD's approval (this approval may not be unreasonably withheld or delayed) and at its expense, the Trustee may appoint advisors (in particular for corporate finance or legal advice), if the Trustee considers the appointment of such advisors necessary or appropriate for the performance of its duties and obligations under the mandate, provided that any costs and other expenses incurred by the Trustee are reasonable. Should CGD refuse to approve the advisors proposed by the Trustee, the Commission may approve their appointment instead, after hearing CGD's reasons. Only the Trustee is entitled to issue instructions to the advisors.

(F) **Replacement, discharge and reappointment of the Trustee**

(1) If the Trustee terminates its functions under the Commitments or if there are any other significant grounds, such as a conflict of interest on the part of the Trustee:

(i) the Commission can, after hearing the Trustee, require CGD to replace it,

or

(ii) CGD, with the approval of the Commission, can replace the Trustee.

(2) If the Trustee is removed in accordance with paragraph F (1), it may be required to continue in its function until a new Trustee is in place to whom the Trustee has effected a full handover of all relevant information. The new Trustee is to be appointed in accordance with the procedure referred to in paragraphs A(iii) to A(vii).

(3) Besides removal in accordance with paragraph F(1), the Trustee is to cease its activities only after the Commission has discharged it from its duties. This discharge is to take place when all the obligations with which the Trustee has been entrusted have been implemented. However, the Commission may at any time require the reappointment of the Trustee if it is subsequently found that the relevant remedies have not been fully and properly implemented.

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Appendix II

NET ASSETS CONTRIBUTION ARISING FROM PARTICIPATIONS ON OTHER DOMESTIC BUSINESS UNITS (EQUITY METHOD)

Values as of December 2012

Business Unit	Country	Stake (%)	Net asset Equity method (EUR million)	Activity
SIBS SGPS	Portugal	21,6	14,7	Holding company specialized in electronic payments and in the management of the Portuguese ATM system used by all banks present in Portugal. The company is participated by 26 banks that act in the Portuguese market.
Prado – Cartolinas da Lousã	Portugal	37,4	4,4	Industrial unit producer of cardboard and paper. […].
Torre Ocidente	Portugal	25,0	4,1	Real estate company, owner of a single asset for commercial leasing. […].
Locarent	Portugal	50,0	3,9	Provider of car renting services.
C[a] Papel do Prado	Portugal	37,4	1,3	Company that owns the real estate assets of the inactive factory […].
TF Fundo Turismo	Portugal	33,5	1,3	Manager of real estate investment funds in the tourism sector, whose majority shareholder is the Portuguese State.
Yunit Serviços	Portugal	33,33	0,3	Company that develops e-commerce solutions for products and services of SMEs.
Bem Comum SCR	Portugal	32,0	0,1	Investment fund manager specialized in the promotion and support to the creation of new business by individual entrepreneurs and the unemployed.

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Appendix III

DETAILED ASSETS OF BCG SPAIN (INCLUDING ASSETS THAT WILL BE TRANSFERRED TO THE SPANISH BRANCH)

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Appendix IV

DETAILED ASSETS OF THE SPANISH BRANCH

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Appendix V

LIST OF THE […] SPANISH BRANCHES ([…])

[…]