HALF YEAR REPORT

1st Half year of 2018

Caixa Geral de Depósitos Reports

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TABLE OF CONTENTS

This document is an English translation of the original Portuguese language document "Relatório de Gestão e Contas - 1º semestre de 2018". The Portuguese original prevails in the event of any inconsistency.

1. Board of Directors' Report

1.1. Highlights of the 1st half year of 2018

CGD Group's activity, in first half year of 2018, was marked by the completion of its Recapitalisation Plan and the progress achieved in terms of profitability and improved asset quality deriving from the successful implementation of its Strategic Plan.

In June 2018, Caixa Geral de Depósitos completed the Recapitalisation Plan agreed in 2017 between the Portuguese State and the European Commission (DG Comp) with the issuance of €500 million of Tier 2 securities, raising the total amount of its recapitalisation to €4,944 million.

This issuance occurred following the agreement with DG Comp to the effect that this type of issuance – subordinated debt – would be in compliance with the objectives set out in 2017 to strengthen capital ratios by replacing a second issuance of Additional Tier 1 securities. This concordance not only recognised the significant progress achieved by CGD but also enabled significant cost reductions to be achieved as the yield was 5 percentage points (p.p.) down over the issuance of 2017.

CGD's capital ratios in the half year benefited from the contribution of the Tier 2 issuance which increased the total (phased-in) ratio by 1 pp to 16.6% in June. The phased-in and fully implemented CET 1 ratios stood at 14.0% and 14.1% respectively, were indicative of the robustness of CGD's capital position, even with the implementation of IFRS 9 in 2018, without any phasing-in process.

Greater solvency has allowed the Strategic Plan to be implemented and has had a positive impact on CGD's consolidated activity which generated net income of €194.1 million in the first half 2018. This amount was a significant increase over the negative €49.9 million achieved in June 2017 and represented a Return on Equity (ROE)(1) of 5.7% exceeding the objective of above 5%, defined for 2018 in the Strategic Plan.

Reference should also be made to CGD's Digital Transformation Programme, and the ongoing commitment to strengthen and improve services and communication channels with customers. This has made it possible to provide customers with an innovative offer and achieve commercial competitiveness as exemplified by its lead of the university segment with a market share of 56%.

CGD's lead of the unit trust funds segment with a market share of 33% was complemented by an increase in its capacity to penetrate the mortgage lending market based on new partnership agreements with an approximate increase of 300 in the size of its agents network to a total of more than 1,600 agents.

In the corporate segment, the first €150 million tranche of the Caixa EIB line of credit wal fully drawndown and an additional tranche of €150 million has already been arranged. CGD also prepared the launch of its new exclusive *Caixa Top* recognition programme with special terms for leading companies in the most dynamic sectors of the economy and for exporters.

Customers' demand of CGD's services has also continued to increase. It should be noted that the proportion of commissions to business revenue of 0.39% in June, practically achieved the goal of 0.40% for this year set out in the Strategic Plan. Reference should also be made to the success of *Contas Caixa* accounts in meeting customers' needs, and a greater than 11% increase in Multicare healthcare sales over 2017.

(1) Net ROE from current activity = (Net Income + non-recurring costs + Non-controlling interests) / Average Shareholders' equity (13 observations). Annualised values.

The quality of CGD's assets continued to show a marked improvement, with an NPL (Non-Performing Loans) ratio of 10.7% and a total coverage ratio exceeding 100%.

CGD Portugal, taking advantage of its comfortable liquidity situation, opted for the early redemption of €2 billion in European Central Bank (ECB) financed TLTRO 2 (Targeted Longer-Term Refinancing Operations 2) at the end of June, fully settling its respective liabilities to this entity. This is the first time that CGD Portugal has not had any borrowings from the ECB since the start of the decade.

RESULTS (2)

In the first half of 2018, core operating income reached €367.3 million, up 29.9% over the first half of 2017. This level of return, exceeding the target in CGD's Strategic Plan for 2018, beneficting from:

- CGD Portugal's 5.8% increase in net interest income over first half 2017 to €367.2 million. Consolidated net interest income was down 2.1% to €593.3 million, impacted by adverse foreign exchange effects in Angola and Macao that affected the consolidated values (in local currency, both registered improvements in net interest income);
- Net fees and commissions with a positive evolution of 9.6% in the half year in comparison to the first six months of 2017;
- A significant 14.0%(3) reduction of operating costs;
- The maintenance of a low cost of credit risk of 0.38%, confirming the CGD's assets quality as well as its respective coverage.

Total operating income of €889.3 million in the semester (-€153.1 million compared to June 2017) was strongly impacted by the reduction in net trading income, given the abnormally high results in 2017;

CGD's efficiency level continued to show improvement, with a cost-to-income ratio of 50.8%. Net income for the first half reached €194.1 million, an increase of €244 million compared to June 2017.

BALANCE SHEET

Consolidated total assets decreased in the semester by €1,740 million reaching €91,508 million. Special reference should be made to the €2 billion amortization of ECB funding as well as the reduction in credit, highly influenced by portofolio sales and write-offs.

The loans-to-deposits ratio of 83.5% in June 2018 (85.5% in June 2017) reflects the marked preference shown by CGD's customer for deposits, even in an environment of low interest rates.

Following the achievement of 2017 when CGD reduced its NPL's (Non-Performing Loans, according to the EBA's definition) by €2.7 billion, an additional reduction of €1.1 billion, was achieved in the first half of 2018 mainly from *cured* credit, write-offs and cash recoveries.

The quality of CGD's assets continues to show an improvement, with an NPL ratio of 10.7%, and a coverage by impairment of 61.4%, by collateral 40.9% and a total coverage of 102.3%.

Total customer resources continued to benefit from customers' preference for CGD, with total deposits in the domestic activity amounting to €71,067 million, notwithstanding the low level of interest rates.

CGD continued to lead the domestic market not only in total deposits with a market share of 25.9%, but also in individual customers' deposits with 29.2% in June 2018.

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(2) The 2017 June values have been restated, considering BCG Espanha, BCG Brasil and CGD Investimentos CVC as a non-current asset held for sale. Mercantile Bank Holdings was already reclassified as such since December 2016. The whole analysis in this document was done comparably to the June 2017 restated accounts.

(3) Excluding non-recurring costs of M€ 50.7 in 2018 and M€ 61.0 in 2017 for staff reduction programs as well as general administrative expenses;

LIQUIDITY

CGD successfully completed the last stage of the Recapitalisation Plan initiated in 2017, when in June issued €500 million of Tier 2 securities, placed exclusively with institutional investors, follwing agreement from DG Comp.

With the normalisation of its activity and balance sheet and given a confortable liquidity situation, CGD Portugal opted, at the end of June, to make the early repayment of €2 billion in TLTROs 2 (Targeted Longer-Term Refinancing Operations) financed by the ECB, liquidating its liabilities to the said entity.

Resources obtained from the ECB by CGD Group also trended downwards from €3.5 billion at the end of 2017 to €1.4 billion in June 2018, reflecting CGD's Portugal decrease of €2 billion.

CGD's liquidity position remained highly favourable with assets eligible as collateral for the Eurosystem pool amounting to €11.7 billion and with an LCR (Liquidity Coverage Ratio) of 216%. The Net Stable Funding Ratio (NSFR) was 140.8% in June 2018 (139.4% in December 2017).

SOLVENCY

CGD's capital ratios in the half year benefited from the Tier 2 issue which increased the total (phased-in) ratio by 1 p.p., to 16.6% in June. The phased-in and fully implemented CET 1 ratios stood at 14.0% and 14.1% respectively, showing the robustness of CGD's capital position, even with the first quarter 2018 implementation of IFRS 9 without a phasing-in period.

The Leverage Ratio (Fully Implemented) was 7.8% at the end of June 2018.

CAIXA GERAL DE DEPÓSITOS GROUP: HIGHLIGHTS

(EUR million)

	Restated		Change 2018-06 vs 2017-06	
RESULTS	2017-06	2018-06	Total	(%)
Net interest income	605.8	593.3	-12.4	-2.1%
Results from services and commissions	218.2	239.2	21.0	9.6%
Non-interest income	412.8	284.0	-128.8	-31.2%
Total operating Income	1,042.3	889.3	-153.1	-14.7%
Operating costs	602.1	515.8	-86.3	-14.3%
Net operating Income before Impairments	440.2	373.4	-66.7	-15.2%
Net core operating Income before impairments (1)	282.8	367.3	84.5	29.9%
Net operating income	49.8	328.6	278.8	559.4%
Net income	-49.9	194.1	244.0	-
BALANCE SHEET				
Net assets	96,602	91,508	-5,094	-5.3%
Cash and loans and advances to credit instit.	8,359	8,541	182	2.2%
Securities investments (2)	17,019	15,838	-1,181	-6.9%
Loans and advances to customers (net) (3)	57,110	53,763	-3,346	-5.9%
Loans and advances to customers (gross) (3)	61,938	57,945	-3,993	-6.4%
Central banks' and credit institutions' resources	4,167	2,323	-1,845	-44.3%
Customer resources	66,951	64,303	-2,648	-4.0%
Debt securities	4,078	3,241	-837	-20.5%
Shareholders' equity	7,895	8,154	259	3.3%
PROFIT AND EFFICIENCY RATIOS				
Gross return on equity - ROE (4) (5)	4.0%	9.5%	-	-
Net return on equity - ROE (5)	-1.0%	5.3%	-	-
Gross return on assets - ROA (4) (5)	0.3%	0.8%	-	-
Net return on assets - ROA (5)	-0.1%	0.5%	-	-
Cost-to-income BoP (4)	57.2%	56.3%	-	-
Cost-to-income (1) (4)	51.4%	50.8%	-	-
Cost-to-core income (1) (6)	65.7%	55.9%	-	-
Employee costs / Total operating income (4)	35.7%	35.6%	-	-
Employee costs recurrents (1) / Total core operating income (7)	38.2%	33.4%	-	-
Total operating income / Average net assets (4)	2.2%	2.0%	-	-
CREDIT QUALITY AND COVER LEVELS (8)				
Forborne ratio for loans and advances - EBA (9)	7.2%	5.6%	-	-
Coverage ratio on forborne loans and advances - EBA (9)	96.8%	96.9%	-	-
NPL ratio - EBA	13.5%	10.7%	-	-
NPE ratio - EBA	10.6%	8.3%	-	-
NPL coverage - EBA	52.0%	61.4%	-	-
NPE coverage - EBA	51.1%	60.3%	-	-
Crd. imp. (P&L) / Loans & adv. custom. (aver.) (*)	0.14%	0.38%	-	-
STRUCTURE RATIOS				
Loans & adv. customers (net) / Net assets	59.1%	58.6%	-	-
Loans & adv. custom. (net) / Custom. dep.	85.5%	83.5%	-	-
SOLVENCY RATIOS (CRD IV/CRR)				
CET 1 (phased-in)	12.8%	14.0%	-	-
Tier 1 (phased-in)	13.8%	15.1%	-	-
Total (phased-in)	14.6%	16.6%	-	-
CET 1 (fully implemented)	12.6%	14.1%	-	-
Leverage ratio (fully implemented)	7.4%	7.8%	-	-
LIQUIDITY RATIOS				
Liquidity coverage ratio	222.3%	216.0%	-	-
Net stable funding ratio	137.1%	140.8%	-	-
OTHER INDICATORS				
Number of branches - CGD Group	1,149	1,071	-	-
Number of branches - CGD Portugal	657	582	-	-
Number of employees - CGD Group	15,334	14,291	-	-
Number of employees - CGD Portugal (10)	8,051	7,419	-	-

Note: Calculation of indicators as in the glossary: https://w w w .cgd.pt/English/Investor-Relations/Investor-Information/Documents/Glossary_10MAI2018.pdf

Solvency ratios including net income for the periode (prudencial perimeter)

(1) Net core operating Income before impairments = Total operating income of core activity - Operating Costs; Total operating income of core activity = Net interest income + net fees and commissions; (2) Includes assets w ith repo agreements and trading derivatives; (3) Includes assets w ith repurchase agreement; (4) Ratios defined by the Bank of Portugal (instruction 6/2018); (5) Considering average shareholders' equity and net asset values (13 observations); (6) Operating costs /(Total operating income + Results from services and comissions); (7) Excluding non-recurring costs of M€ 50.7 in 2018 and M€ 61.0 in 2017 for staff reduction programs as w ell as general administrative expenses; (8) Prudencial perimeter, except w hen marked w ith (*); (9) CGD Portugal Ratios (10) Excluding employees in transitional situations, w orking full time in internal representative structures and employees not allocated to any structural body.

1.2. Caixa Geral de Depósitos Group

BRANCH NETWORK

CGD Group's branch network, at the end of June 2018, reflected the streamlining programme in Portugal with the closure of 68 branches (65 face-to-face services, 2 self-service branches and 1 corporate office) and internationally with the closure of New York and Zhuhai branches' banking activities (wind down in conclusion).

CGD Portugal had 522 branches with face-to-face service at the end of first half 2018, 35 self-service branches and 25 Caixa Empresas "Corporate Offices", totalling 582 units.

CGD Group's banking presence abroad had a total number of 488 branches at the end of June. Reference should be made to the opening of three BCI Mozambique branches in the first half year.

NUMBER OF GROUP BANK BRANCHES	2017-06	2017-12	2018-06
CGD (Portugal)	657	650	582
Physical branches	590	587	522
Self-service branches	41	37	35
Corporate offices	26	26	25
Caixa - Banco de Investimento (Lisbon+Madrid)	2	2	2
France Branch	48	48	48
Banco Caixa Geral (Spain)	110	110	110
Banco Nacional Ultramarino (Macau)	20	20	20
B. Comercial e de Investimentos (Mozambique)	193	195	198
Banco Interatlântico (Cape Verde)	9	9	9
Banco Comercial Atlântico (Cape Verde)	34	34	34
Mercantile Lisbon Bank Holdings (South Africa)	13	13	12
Banco Caixa Geral Brasil (Brazil)	1	1	1
Banco Caixa Geral Angola	40	38	38
Other CGD Branches	22	19	17
Total	**1,149**	**1,139**	**1,071**
Representative offices	**11**	**12**	**12**

HUMAN RESOURCES

CGD Group had 14,291 employees at 30 June 2018, down 1,043 and 508 employees over June and December 2017, respectively.

NUMBER OF CGD GROUP EMPLOYEES	2017-06	2017-12	2018-06
CGD Portugal*	8,051	7,665	7,419
Other	7,283	7,134	6,872
Total	**15,334**	**14,799**	**14,291**

* Excluding employees in transitional situations, w orking full time in internal representative structures and employees not allocated to any structural body.

The reduction over June 2017, originating both from CGD Portugal (down 632) and other entities (down 411) follows the Strategic Plan negoctiated with DG Comp.

CAIXA BRAND, PRIZES AND AWARDS

Caixa's communication, in the first half of 2018, aimed at strengthening confidence, governance, ethics and transparency, continuing to focus on initiatives that contribute to increasing proximity to individuals and companies.

According to BrandScore, Caixa continued to be the brand with the best recognition in the Portuguese banking sector and the most attractive banking brand for non-customers.

Across the first half of 2018, the following awards and distinctions were attributed distinguishing CGD Group's activity in retail banking, investment banking and fund management:

- CGD – *First in Portugal* in the *Top 1000 World Banks 2018 ranking*, rising from the 260th to the 154th position in just one year;
- CGD – *Best Retail Bank in Portugal 2017*, by English EMEA Finance magazine, in its *Europe Banking Awards 2017*;
- CGD – *Most Reputed Brand 2018 – Banking*, by Marktest Reputation Index (MRI);
- CaixaBI - *Best Investment Bank in Portugal 2018*, by American Gobal Finance magazine, in its annual *World´s Best Investment Banks*;
- CaixaBI – *Best Investment Bank in Portugal 2017*, by English EMEA Finance magazine, in its *Europe Banking Awards 2017*;
- Caixagest – *Best Global Domestic Manager*, by Morningstar, a distinction which it had already received in 2015 and which covers its global supply of funds;
- Caixagest – *Best Domestic Bond Manager*, by Morningstar, for the fourth consecutive year.

SOCIAL RESPONSIBILITY AND SUSTAINABILITY

CGD's promotion of its Corporate Sustainability Programme has helped it to obtain various benefits in the form of cost reductions and improved operational efficiency; oversight of regulatory trends; risk mitigation; innovation in terms of its offer and an improvement in its brand reputation.

CGD's operating pillars in the sustainable development domain are based on its recognition of the importance of balance, transparency and responsibility in its relations with stakeholders, in addition to banking activity's contribution to sustainable development in order to achieve a better future and guarantee the profitability of its business.

Special reference should be made, in the scope of social responsibility, to Caixa's "Social Elevator" programme which allows Caixa and CGD Group companies to promote socioeconomic projects and models in line with its strategic challenges with entities in the "Third Sector" i.e. "social solidarity institutions" (charities), not-for-profit associations and primary, secondary, university or technological and professional educational establishments.

Caixa's "Social Elevator" programme, in supporting and financing impactive and innovative social activities, geared to citizens' digital and socio-financial inclusion, empowering micro-entrepreneurial projects and the sustainability of companies in the third sector, will include initiatives in the areas of job and wealth creation, social inclusion and solidarity, digital and financial inclusion, education, culture and voluntary work.

Reference should also be made to the 2018 launch of the voluntary *Tempo Extra* skills platform. This programme allows companies to provide employees who are at a transitional stage of their professional lives (either retirements or voluntary redundancies) with an experience of voluntary work in social sector, cultural, animal protection or environmental organisations. This Caixa Geral de Depósitos initiative encourages the involvement of its employees (especially retirees and pre-retirees) in voluntary work and alies technology and voluntary work, making use of their skills and incentivising active ageing.

Based on its Goods Donation programme CGD continued to implement a policy of donating goods to social solidarity institutions in response to requests for furniture and computer equipment.

Reference should also be made, in terms of environmental responsibility, to the renewal of its *SGA* ("Environmental Management System") certification which is operational in CGD's headquarters building for an additional cycle (2017-2020) and its respective transition to the new international NP ISO 14001:2015 standard.

In terms of its Low Carbon Programme, CGD's remains committed to the development of new financial products and solutions to promote the adoption of a low carbon production approach and low carbon technologies, through the introduction of lines of credit for the acquisition of hybrid and electric vehicles.

Reference should also be made to Caixa's commitment to the development of innovative approaches designed to maximise waste reprocessing operations, in which waste is transformed into equipment which has a positive impact on the community and the environment. Special reference should be made, herein, to card recycling operations and the delivery of finished products.

In the sphere of Exclusion and Sectoral Limitation Principles, Caixa Geral de Depósitos Group recognises the existence of sectors of activity or projects which could make a negative contribution to sustainable development and has therefore produced a list of principles on activities and projects which are excluded or restricted from its credit policy under certain conditions. CGD accordingly restricts its financial support to projects in categories and/or activity sectors with high social-environmental risk potential.

In governance terms, special mention should be made of the fact that Caixa was the first Portuguese financial institution to appoint a chief sustainability officer. The creation of this function shows the company's clear commitment in terms of the importance of business-integrated sustainability.

CGD continues to enjoy the highest "GC Advanced" classification in the Communication on Progress of the United Nations Global Compact deriving from its adoption of best sustainability practices

These reports are published on the following site: https://www.unglobalcompact.org/what-is-gc/participants/28701?utm_medium=email&utm_campaign=August%202018%20Bulletin%20Participants&utm_content=August%202018%20Bulletin%20Participants+CID_e64c1f84454eb803b58b01288e87dfa5&utm_source=Monthly%20Bulletin&utm_term=organization_name#cop

1.3. Economic and Financial Situation

First half 2018 saw the appearance and heightening of diverse risks to the evolution of the world economy. The transition of factors of uncertainty from the previous year, namely as regards the consequences of the normalisation of monetary policy by the main central banks, on a level of impact on the value of several financial assets and the financial stability of several emerging economies, Brexit negotiations and political tensions in several countries such as Italy were compounded by a highly relevant risk associated with the growing escalation of commercial tension between the US and particularly China and the European Union.

In contrast to the preceding year, the first six months of 2018 witnessed a less synchronised economic expansion cycle given the slowdown in the euro area as opposed to the acceleration noted in the US. The prospects for world growth this year remain, however, good and various supranational organisations are projecting a GDP growth rate of around 3.9%, in 2018, higher than recorded in 2017.

The Portuguese economy grew, in real terms, by a consecutive, non-annualised 0.5%, in second quarter 2018, up 0.1 pp over the preceding three months, at a higher than expected rate. A contributory factor, according to the INE (National Statistics Institute), was a slightly less negative contribution from net exports, as the reflection of a higher rate of acceleration of exports over imports of goods and services, as the positive contribution made by domestic demand remained unchanged. Second quarter unemployment stood at 6.7%, its lowest level since second quarter 2004. Confidence and activity indicators across the half year remained at levels competitive with the maintenance of sustained growth, albeit at a lower level than the previous year.

Real second quarter GDP growth in the euro area, once again comprised a consecutive non-annualised 0.4%. The economic growth rate was down over the 0.7% noted across the last three quarters of 2017. The euro area's confidence indicators were down across the first half, albeit remaining at high levels. Year-on-year inflation that, at the start of the year was close to 1.0%, started to trend upwards, reaching 2.0%, in June, its highest level since the start of 2017.

With underlying inflation still far from 2% and the ECB extending its monetary stimuli and indicating its intention to leave interest rates unchanged until next summer at the earliest, Euribor rates remain practically unchanged across the first half, remaining in negative territory and close to all-time lows. Simultaneously, these factors led to a situation in which yields on sovereign debt remained relatively stable up to May. However, the period between the end of May and the end of June witnessed a high level of volatility in European sovereign rates as a consequence of the political uncertainty in Italy and, to a lesser extent, Spain. Taking into account the different political and monetary dynamics, in the half year, the yields on 10 year sovereign bonds were mixed and were down 13 bps in Germany, 12 bps in France, 25 bps in Spain and 16 bps in Portugal. In Italy, the yield ended the first half year with a hike of 66 bps.

The euro, following its strong appreciation at the end of 2017 and, in the first two months of the year, having reached its highest levels since December 2014, ended first half 2018 with depreciation of 2.7% against the dollar, as a reflection of the divergence between the Fed's and ECB's monetary policies. Uncertainty over the successful conclusion of the Brexit negotiations between the UK government and the European Union fuelled a 2.3% depreciation of sterling against the dollar and a marginal appreciation of 0.4% against the euro.

Developing political risks resulted in substantially higher volatility in the European capital markets from January onwards, with particularly negative performances from Germany's DAX (down 4.7%) and Spain's IBEX (down 4.2%). This was offset by Portugal's PSI20 index which was up 2.6%, ending the year in positive terrain. Europe's Eurostoxx 600 (down 2.4%) reflected more negative average performance levels across the half year.

In the US and in spite of the moderation of first quarter economic growth, the projections for GDP expansion in 2018 were revised successively upwards. This optimism was shared by the Fed, OECD and IMF alike which also upgraded their estimates. Underlying inflation in the first half year indicated convergence between growth of consumer prices and the Fed's objective.

The Fed hiked its reference rate by a total of 0.50 bps on two occasions. The robustness of the US economy, particularly its labour market and higher inflation, raised expectations over the rate of increase of the Fed's reference rates, leading to an upwards trend on the yield curve.

The maintenance of a solid economic framework gave equity markets a strong boost at the start of the year and various indices reached their highest levels for the year in January. In the US, the performances of the NASDAQ technology index (up 8.8%) and the Russell 2000 (up 7.0%), comprising companies geared towards domestic activity, were particularly positive with higher gains than the S&P500's 1.7%. The Dow Jones was down 1.8% at the end of the half.

There was a reversal of this positive sentiment from February onwards after (i) the Fed's announcement of the need to continue to normalise monetary policy, (ii) the start of the escalating uncertainty over a trade war between the US and particularly, China, Europe and Canada, and (iii) heightening tension between the US and North Korea. This environment fuelled a 46 bps hike in the yield on 10 year sovereign debt in the US during the half year.

The strengthening of the dollar was particularly marked in the second quarter and was also a consequence of political uncertainties. The dollar appreciated sharply against most of the currencies of the emerging and developing countries as well as the euro.

Most emerging economies indices closed the half year with marked depreciations, influenced by fears of protectionism and worsening financing conditions owing to the US currency. The global MSCI Emerging Markets and MSCI BRIC indices were down 7.7% and 5.6%.

1.4. Main risks and uncertainties for the 2nd half year of 2018

In spite of the fact that the outlook for world economic growth remained positive, there was a widening of the divergence between the different blocs in first half 2018, particularly between the US and Europe, in addition to most of the emerging economies. The start of the year witnessed a moderating rate of economic activity and although the main economies returned to higher growth rates in the second quarter, the materialisation of several − previous potential − risks helped to fuel a downwards revision of the annual rate of expansion by the main supranational institutions which continue to consider that most of the risks have been distorted downwards.

The main risk is associated with the growing fragility of international trade, deriving from the progressive escalation of the commercial tensions in force since the start of 2018 and evidenced in successive impositions of customs tariffs and threats of other types of barriers to trade, such as limitations on foreign investment, particularly by the US and China. Concerns over the possible impacts are on a level of the growth of activity, owing to the fact that trade has accounted for more than 50% of GDP growth since 2000, on a global basis.

The possibility of a higher than expected hike in inflation, is a no less relevant factor of uncertainty in the second half of the year. This risk is related with the potentially damaging consequences of increased volatility and sudden corrections to the prices of several assets, such as oil, with its marked price evolution in first half 2018. The hike of around 20% in the price of this commodity contributed to the acceleration of consumer price increases and continues to represent a relevant aspect to be monitored in second half 2018.

Unexpected changes in monetary policies could also have a negative effect on economic growth and business and household sentiment and may also contribute to a sudden deterioration of global financial conditions, prejudicing debt dynamics, especially in countries with high levels of debt and low levels of growth.

The referred to changes may contribute towards sharp changes in the prices of diverse assets, amplified by the prolonged period of low interest rates or excessive financial leverage in some sectors, and may also contribute towards lower levels of risk appetite, increased volatility and capital flow reversals.

The emerging economies are particularly exposed to these risks. This bloc continued to suffer from high levels of uncertainty across the first half of the year, partly deriving from the potentially damaging consequences of the appreciation of the dollar with its negative impact on dollar-denominated debt and the lower prices of several commodities. This was particularly the case of Brazil, Turkey, Argentina, Indonesia, South Africa and Mexico, in addition to Russia, owing to its greater reliance on the evolution of oil prices.

Expectations of tighter monetary policy restrictions in the second half could heighten these risks and lead to a fresh increase in financial costs and a higher rate of depreciation of the currencies of the more vulnerable countries, particularly those with more significant debt levels or whose current balances are in deficit.

With the continuous stabilisation of activity in China in the first half of the year, the rate of expansion ended up surprisingly high, adding a certain level of margin to the government's annual GDP growth objective. The Chinese authorities may take several steps to moderate the rate of expansion, contributing towards the creation of a negative sentiment regarding not only the evolution of its own but also the global economy.

Following a slight moderation of activity in first half 2018, the main risks for the euro area in the second half year are associated with uncertainty over the negative impacts that could be created by the possibility of the implementation of protectionist measures in several sectors, particularly the automobile sector and by the ECB's gradual reduction of its non-conventional monetary stimuli.

The European financial system remains fragile owing to an environment of low returns and interest rates, allied with competitive pressure from new, non-traditional competitors in addition to the risks in terms of digital security.

In political terms there will continue to be a high level of uncertainty over policies − not only of an economic type − to be adopted up to the end of the year by governments with an anti-European agenda and which could have a negative effect on confidence over the strengthening of the European Union's governance mechanisms.

Also in the European Union, the Brexit negotiations which will lead to the United Kingdom's formal exit, will continue to represent a major risk factor, both as regards the stability of the euro area, as well as its internal stability, given the uncertainty over the way forward, whether in the form of a more aggressive negotiating position, completely severing all economic relations based on agreements currently in force with European countries, or a softer approach with more concessions in the negotiations, as preferred by the British government and which recently resulted in the resignation of several ministers who did not agree with this option.

Several factors which could contribute towards a heightening of risk aversion can be identified in Portugal, which posted a moderate level of first quarter economic growth.

On an economic level, the main risk factors are, firstly, associated with the transmission of the negative effects of a deteriorating international environment to the Portuguese economy. This is exemplified by the increase in levels of commercial tension and protectionism, as well as a more pronounced cooling of the emerging economies and, secondly, a less favourable internal dynamic owing to high levels of debt and slowing tourism flows, at a time when a part of the demand is returning to its former destinations in North Africa.

The main risk on a financial level, is associated with the consequences of a reduction of the ECB's quantitative easing programme which could increase financial costs. This would be a highly negative aspect in a scenario in which general government debt levels (and borrowing requirements) remain high, accompanied by the strong growth of consumer credit and innumerable vulnerabilities of the financial system which is likely to continue to come under negative pressure from the continuation of very low interest rates.

Reference should also be made, in the financial sphere, to the persistence of the current dynamic of price hikes in the real estate market, with their potentially negative impacts on financial stability, if overly reliant on bank loans or in the event of sudden prices corrections owing to uncertainty over the evolution of external demand, which would contribute towards a decrease in the value of loan guarantees.

Reference should also be made to the existence of other political-type risks in the second half of the year. There will be presidential elections in Brazil in October and the political situation in Argentina is likely to remain convoluted, owing to the adverse economic and social consequences of the adjustments inherent to its application for a financial aid package from the IMF in the second quarter of the year. Elections for the US Congress (House of Representatives and Senate) will also be held on the American continent in November and could involve the possibility of blocking the furtherance of the policies of the current US Administration. There also continue to be high risks over the situation in the Middle East, migration trends to Europe and the situation in Turkey as a recent focus of instability. In Asia, however, the current risk of geopolitical tension is considered to have diminished on account of the latest diplomatic developments with the US.

1.5. Activity and Financial Information

1.5.1. CONSOLIDATED ACTIVITY

RESULTS

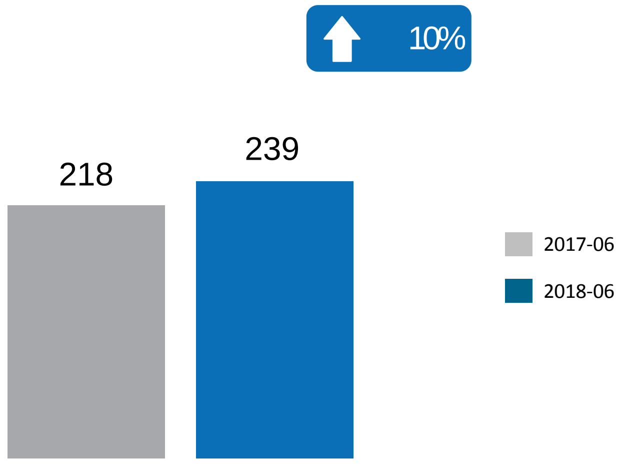
CGD's consolidated activity continued to be positively impacted by the implementation of its Strategic Plan which generated a positive net income of €194.1 million in first half 2018, equivalent to a ROE[1] (Return On Equity) of 5.7%, above the estabilished goal in CGD's Strategic Plan for 2018 (>5%).

CGD Portugal's net interest income which was up 5.8% over first half 2017 to €367.2 million. In turn, the performance of consolidated net interest income was negatively impacted by the depreciation of Angola's kwanza and Macau's pataca against the euro which counteracted developments in local currency. Excluding the referred to foreign exchange effect, the consolidated net interest margin would have reached €619.3 million, a growth of 2.2% compared to the first half of 2017.

Reference should be made to net fees and commissions which, in comparison to the end of the same period 2017, were up 9.6% by €21.0 million to €239.2 million in first half 2018, having benefited from the 13.3% increase of €21.3 million recorded in Portugal.

COMISSIONS

(EUR million)



(EUR million)

COMMISSIONS (NET) – CONTRIBUTION BY BUSINESS AREAS (CONSOLIDATED)			Change	
	2017-06	2018-06	Total	(%)
CGD Portugal	159.2	180.4	21.2	13.3%
International operations	44.2	45.0	0.8	1.9%
Investment banking	12.0	11.1	-0.8	-7.0%
Asset management	9.8	10.8	1.1	10.9%
Other	-6.9	-8.2	-1.3	-
Total	**218.2**	**239.2**	**21.0**	**9.6%**

Net trading income amounted to €50.9 million, at the end of first half 2018, against €217.9 million for the same period 2017, owing to the less favourable evolution of interest rates deriving from higher levels of volatility in the financial markets which conditioned the impact on the value of interest rate hedge instruments.

[1] Net ROE from current activity = (Net Income + non-recurring costs + Non-controlling interests) / Average Shareholders' equity (13 observations)

CGD's total operating income for the half year, in comparison to the same half year 2017, was down €153.1 million to €889.3 million, impacted by the significant reduction of income from financial operations, given the high proportion thereof in 2017.

Operating costs in first half 2018 were down by a year-on-year 14.3% to €515.8 million. This visible decrease of operating costs in terms of consolidated activity, across-the-board to all components, was 13.1% (€49.0 million) for employee costs, 12.1% (€21.7 million) for administrative expenses and 32.9% (€15.6 million) for depreciation and amortisation.

(EUR million)

OPERATING COSTS (CONSOLIDATED)			Change	
	2017-06	2018-06	Total	(%)
Employee costs	375.6	326.6	-49.0	-13.1%
Administrative expenses	179.3	157.6	-21.7	-12.1%
Depreciation and amortisation	47.3	31.7	-15.6	-32.9%
Total	**602.1**	**515.8**	**-86.3**	**-14.3%**

Excluding non-recurring costs of €50.7 million in 2018 and €61.0 million in 2017 for employee redundancy programmes as well as administrative expenses, cost-to-income continued to reduce to 50.8% in first half 2018, down 0.6 p.p. over the same period last year, translating the higher level of operating efficiency in first half 2018.

EFFICIENCY RATIOS (CONSOLIDATED)	2017-06	2018-06
Cost-to-income BdP (1)	57.2%	56.3%
Cost-to-income (1) (2)	51.4%	50.8%
Cost-to-core income (2) (3)	65.7%	55.9%
Employee costs / Total Operating Income (1)	35.7%	35.6%
Employee costs recurrents / Total operating income (1) (2)	38.2%	33.4%
Administrative expenses / Total Operating Income (1)	17.0%	17.2%

(1) Ratios defined by the Bank of Portugal (instruction 6/2018); (2) Excluding the non-recurrent costs of €50,7M in 2018 and €61M in 2017 for staff reduction; (3) Operating costs / (Net interest income + Results from services and commissions).

Notwithstanding the favourable evolution of operating costs, net operating income before impairments was down €66.7 million over the same period of the preceding year to €373.4 million.

Core operating income (net interest income and commissions net of operating costs), having benefited from the favourable evolution of operating costs and commissions, was up 29.9% over the same period of the preceding year to €367.3 million.

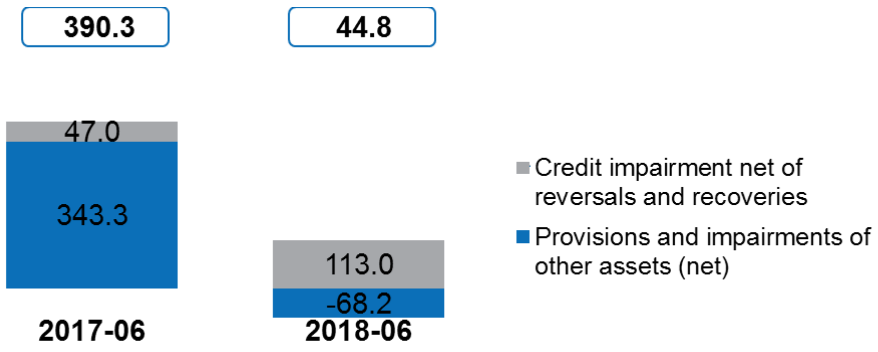
Provisions and impairment for the period were €44.8 million, reflecting a decrease of €390.3 million over the same period last year which significantly conditioned operating income of €328.6 million for the first half year in comparison to €49.8 million for the same half year 2017.

(EUR million)

PROVISIONS AND IMPAIRMENT (P&L) (CONSOLIDATED)			Change	
	2017-06	2018-06	Total	(%)
Provisions (net)	-5.7	-69.1	-63.4	-
Credit impairment	47.0	113.0	66.0	140.4%
Impairments of other financial assets	36.0	2.5	-33.6	-93.1%
Impairments of other assets	313.0	-1.6	-314.6	-100.5%
Provisions and impairments for period	**390.3**	**44.8**	**-345.5**	**-88.5%**

PROVISIONS AND IMPAIRMENT FOR PERIOD

(EUR million)



Cost of credit risk remained low at 0.38%, bearing witness to the quality of CGD's assets and their coverage level.

Tax for the period amounted to €168.1 million, €32.8 million of which was the banking sector contribution.

Income from subsidiaries held-for-sale amounted to €24.8 million. In turn, income from companies measured by the equity accounting method, reflecting primarily the favourable evolution of insurance activities in the half year, was up €16.1 million to €27.1 million.

(EUR thousand)

CONSOLIDATED INCOME STATEMENT	*Restated*		Change	
	2017-06	2018-06	Total	(%)
Interest and similar income	1,167,748	1,036,405	-131,343	-11.2%
Interest and similar costs	561,984	443,090	-118,894	-21.2%
Net interest income	605,764	593,315	-12,449	-2.1%
Income from equity instruments	23,771	11,961	-11,810	-49.7%
Net interest inc. incl. inc. from eq. investm.	**629,535**	**605,276**	**-24,258**	**-3.9%**
Income from services and commissions	276,273	296,859	20,586	7.5%
Costs of services and commissions	58,068	57,701	-366	-0.6%
Results from services and commissions	218,205	239,157	20,952	9.6%
Income from financial operations	217,904	50,878	-167,026	-76.7%
Other operating income	-23,320	-6,045	17,275	-
Non-interest income	**412,790**	**283,990**	**-128,800**	**-31.2%**
Total operating income	**1,042,324**	**889,267**	**-153,058**	**-14.7%**
Employee costs	375,588	326,566	-49,021	-13.1%
Administrative expenses	179,284	157,563	-21,721	-12.1%
Depreciation and amortisation	47,272	31,703	-15,568	-32.9%
Operating costs	602,143	515,833	-86,310	-14.3%
Net operating income before impairments	**440,181**	**373,434**	**-66,748**	**-15.2%**
Credit impairment (net)	47,001	112,988	65,987	140.4%
Provisions and impairments of other assets (net)	343,342	-68,168	-411,510	-
Provisions and impairments	**390,343**	**44,820**	**-345,523**	**-88.5%**
Net operating income	**49,839**	**328,614**	**278,775**	**559.4%**
Income Tax	**152,540**	**168,070**	**15,530**	**10.2%**
Current	98,751	40,677	-58,075	-58.8%
Deferred	16,922	94,579	77,657	458.9%
Contribution on the banking sector	36,866	32,814	-4,052	-11.0%
Net op. inc. after tax and before non-controlling interests	**-102,701**	**160,544**	**263,245**	**-**
Non-controlling interests	19,683	18,301	-1,382	-7.0%
Results of associated companies	11,006	27,057	16,051	145.8%
Results of subsidiaries held for sale	61,453	24,799	-36,654	-59.6%
Net income	**-49,925**	**194,099**	**244,024**	**-**

Net income for the half year was therefore up by a significant €244.0 million over the same period of the preceding half year to €194.1 million. Domestic activity and international activity contributed €118.7 million and €75.4 million respectively to CGD Group's net income in first half 2018.

BALANCE SHEET

CGD's consolidated net assets, in comparison to the same period 2017, were down 5.3% by €5,094 million to €91,508 million at the end of the first half year.

(EUR million)

CGD GROUP – CONSOLIDATED NET ASSETS	2017-06		2017-12		2018-06	
	Total	Structure	Total	Structure	Total	Structure
Caixa Geral de Depósitos (1)	67,998	70.4%	66,108	70.9%	66,233	72.4%
Banco Caixa Geral (Spain)	5,276	5.5%	5,194	5.6%	5,217	5.7%
Banco Nacional Ultramarino, SA (Macau)	5,682	5.9%	5,882	6.3%	5,181	5.7%
Caixa Banco de Investimento	1,274	1.3%	1,333	1.4%	1,296	1.4%
Caixa Leasing e Factoring	2,357	2.4%	2,388	2.6%	2,324	2.5%
Banco Comercial Investimento (Mozambique)	2,101	2.2%	2,142	2.3%	2,101	2.3%
Banco Comercial do Atlântico (Cape Verde)	752	0.8%	757	0.8%	770	0.8%
Mercantile Lisbon Bank Holdings (South Africa)	859	0.9%	896	1.0%	864	0.9%
BCG Angola	1,523	1.6%	1,514	1.6%	1,008	1.1%
Other companies (2)	8,780	9.1%	7,033	7.5%	6,515	7.1%
Consolidated net assets	**96,602**	**100.0%**	**93,248**	**100.0%**	**91,508**	**100.0%**

(1) Separate activity.
(2) Includes units consolidated by the equity accounting method.

Cash balances and loans and advances to credit institutions at 30 June 2018 were up €182 million over June 2017 to €8,541 million. This was offset by loans and advances to customers (net) which, heavily influenced by the NPL reduction policy, were down 6.1% over the same period 2017.

(EUR million)

CONSOLIDATED BALANCE SHEET	*Restated*			Change 2018-06 vs 2017-06		Change 2018-06 vs 2017-12	
ASSETS	2017-06	2017-12	2018-06	Total	(%)	Total	(%)
Cash and equiv. with central banks	4,389	4,621	5,249	859	19.6%	628	13.6%
Loans and advances to credit instit.	3,970	3,727	3,292	-678	-17.1%	-435	-11.7%
Loans and advances to customers	57,110	55,255	53,612	-3,497	-6.1%	-1,642	-3.0%
Securities investments	17,019	15,751	15,671	-1,348	-7.9%	-80	-0.5%
Assets with repurchase agreement	0	53	318	318	-	265	501.1%
Non-current assets held for sale	6,960	6,757	6,644	-316	-4.5%	-112	-1.7%
Inv. in subsid. and assoc. companies	362	415	399	37	10.3%	-15	-3.7%
Intangible and tangible assets	650	669	526	-125	-19.2%	-144	-21.5%
Current tax assets	44	35	35	-9	-19.9%	0	0.8%
Deferred tax assets	2,388	2,288	2,184	-204	-8.5%	-104	-4.5%
Other assets	3,710	3,678	3,577	-133	-3.6%	-100	-2.7%
Total assets	**96,602**	**93,248**	**91,508**	**-5,094**	**-5.3%**	**-1,740**	**-1.9%**
LIABILITIES							
Central banks' and cred. inst. resources	4,167	4,043	2,323	-1,845	-44.3%	-1,720	-42.5%
Customer resources	66,951	63,631	64,303	-2,648	-4.0%	672	1.1%
Debt securities	4,078	4,051	3,241	-837	-20.5%	-810	-20.0%
Financial liabilities	1,258	1,060	859	-399	-31.7%	-201	-19.0%
Non-current liabilities held for sale	5,934	5,784	5,720	-214	-3.6%	-64	-1.1%
Provisions	1,117	1,288	1,212	95	8.5%	-76	-5.9%
Subordinated liabilities	1,470	1,028	1,522	52	3.5%	494	48.1%
Other liabilities	3,732	4,088	4,173	441	11.8%	85	2.1%
Sub-total	**88,708**	**84,974**	**83,354**	**-5,354**	**-6.0%**	**-1,619**	**-1.9%**
Shareholders' equity	**7,895**	**8,274**	**8,154**	**259**	**3.3%**	**-121**	**-1.5%**
Total	**96,602**	**93,248**	**91,508**	**-5,094**	**-5.3%**	**-1,740**	**-1.9%**

Total liabilities were down 1.9% by €1,619 million over December 2017. Reference should be made to the 42.5% reduction of €1,720 million in central banks' and credit institutions' resources which is explained by the early repayment of €2 billion in TLTROs 2 financed with the ECB.

The total amount of investment in securities remained stable in comparison to the amounts posted in the preceding December (down 0.5%).

(EUR million)

SECURITIES INVESTMENTS (CONSOLIDATED)(1)	2017-06 (Restated)	2017-12	2018-06
Fin. assets at fair value through profit or loss	8,167	6,793	7,795
Financial assets at fair value through other comprehensive income	6,795	6,331	4,607
Other investments at amortized cost	2,057	2,627	3,269
Total	**17,019**	**15,751**	**15,671**

Gross loans and advances to customers were down 3.4% over the preceding December to €57,794 million at the end of June 2018. Loans to corporates and individual customers were down 3.6% and 2.0%, respectively. Special reference should be made to the continued reduction of non-productive exposures, as well as, the continued deleveraging by national economic agents, albeit at a slower pace.

(EUR million)

LOANS AND ADVANCES TO CUSTOMERS (CONSOLIDATED)(1)				Change 2018-06 vs 2017-06		Change 2018-06 vs 2017-12	
	2017-06	2017-12	2018-06	Total	(%)	Total	(%)
Companies	24,510	21,926	21,134	-3,375	-13.8%	-792	-3.6%
General government	7,364	7,094	6,474	-890	-12.1%	-621	-8.7%
Individual customers	33,493	30,790	30,186	-3,307	-9.9%	-604	-2.0%
Mortgage loans	30,398	27,993	27,412	-2,987	-9.8%	-581	-2.1%
Other	3,095	2,798	2,775	-320	-10.4%	-23	-0.8%
Total	**65,366**	**59,811**	**57,794**	**-7,572**	**-11.6%**	**-2,017**	**-3.4%**

(1) Before impairment

The 13.8% reduction of €3,375 million in lending to the corporate sector over June 2017 reflected the low level of demand for bank credit from this segment whose volume of new loans was insufficient to offset portfolio repayments and loan maturities. Write-offs and disposals of credit portfolios also contributed to this decrease.

The sectors most affected by this reduction were construction and commercial real estate which were down 16.4% by €1,217 million and wholesale and retail trade which was down 16.6% by €458 million.

(EUR million)

LOANS AND ADVANCES TO CORPORATES BY SECTORS OF ACTIVITY (CONSOLIDATED)(1)				Change 2018-06 vs 2017-06		Change 2018-06 vs 2017-12	
	2017-06	2017-12	2018-06	Total	(%)	Total	(%)
Agriculture, forestry and fishing	558	418	385	-172	-30.9%	-32	-7.7%
Mining and manufacturing	3,459	3,042	3,045	-414	-12.0%	3	0.1%
Construction and real estate activities	7,408	6,903	6,192	-1,217	-16.4%	-712	-10.3%
Electricity, gas and water	1,113	1,010	876	-237	-21.3%	-134	-13.3%
Wholesale and retail trade	2,761	2,410	2,303	-458	-16.6%	-107	-4.4%
Transports and warehousing	1,619	1,226	1,228	-392	-24.2%	1	0.1%
Accommodation and food service activities	1,419	1,333	1,200	-220	-15.5%	-133	-10.0%
Professional, scientific and technical activities	3,584	3,182	3,325	-259	-7.2%	143	4.5%
Financial activities and other	2,589	2,403	2,582	-7	-0.3%	179	7.5%
Total	**24,510**	**21,926**	**21,134**	**-3,375**	**-13.8%**	**-792**	**-3.6%**

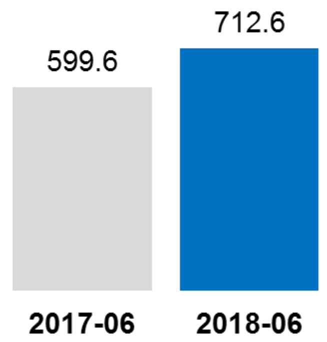
(1) Before impairment

The loans and advances to individual customers balance was down 9.9% by €3,307 million over June 2017 to €30,186 million at the end of first half 2018. This derived mainly from the 9.8% reduction of €2,987 million in mortgage loans on account of the fact that the volume of repayments and settlements was higher than that of new production.

CGD (Portugal) had 7,567 new mortgage operations an 18.9% increase of €113 million over the same period in 2017 to €712.6 million.

MORTGAGE CREDIT - BRANCH OFFICE NETWORK (PORTUGAL) NEW OPERATIONS

(EUR million)



There was a favourable evolution of the quality of CGD assets, with a reduction of €1.1 billion (-14.3% over December 2017), in NPLs (Non-Performing Loans, according to the EBA definition) given the positive evolution of *cured* credit, write-offs and cash recoveries. The NPL ratio at the end of the half year stood at 10.7%, with impairment and collateral coverage of 61.4% and 40.9% respectively (total coverage of 102.3%).

(EUR million)

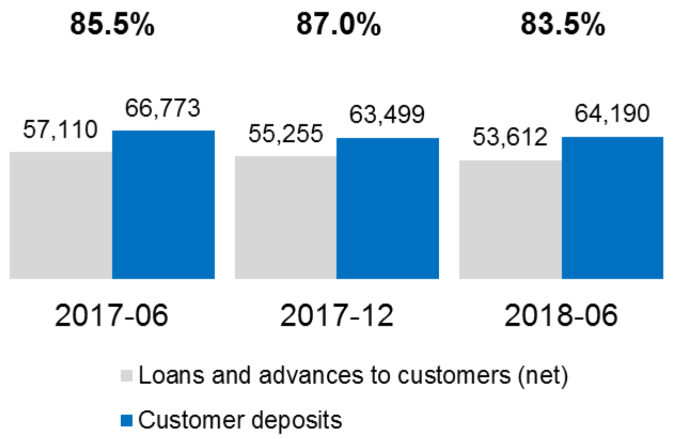
CREDIT QUALITY (CONSOLIDATED)	2017-06	2017-12	2018-06
NPE ratio (1)	10.6%	9.3%	8.3%
NPL ratio (2)	13.5%	12.0%	10.7%
Forborne ratio for loans and advances (3)	7.2%	6.6%	5.6%
NPE coverage by impairment	51.1%	56.4%	60.3%
NPL coverage by impairment	52.0%	56.7%	61.4%
Coverage ratio on forborne loans and advances	96.8%	97.1%	96.9%
Crd. imp. (P&L) / Loans & adv. custom. (aver.)	0.14%	0.13%	0.38%

(1) NPE - Non performing exposure - EBA; (2) NPL - Non performing loans - EBA; (3) EBA definition

The loans-to-deposits ratio of 83.5% in June 2018 (87.0% in December 2017) reflects the marked preference shown by CGD's customer for deposits, even in an environment of low interest rates.

LOANS-TO-DEPOSITS RATIO

(EUR million)



Total resources were down 1.1% or €973 million over December 2017 to €90,990 million at the end of June 2018.

The 1.1% increase of €691 million in customer deposits to €64,190 million at the end of June 2018 derived from the 3.5% increase of €1,832 million in domestic activity as opposed to the 10.2% drop of €1,140 million from international activity, reflecting a reduction of deposits of institutional customers in Macao, as well as the devaluation of the Macanese and Angolan currencies.

(EUR Million)

RESOURCES TAKEN	Restated			Change 2018-06 vs. 2017-06	Change 2018-06 vs. 2017-12
	2017-06	2017-12	2018-06	(%)	(%)
Balance sheet	**76,667**	**72,753**	**71,389**	**-6.9%**	**-1.9%**
Central banks' & cred instit. resources	4,167	4,043	2,323	-44.3%	-42.5%
Customer deposits (Consolidated)	66,773	63,499	64,190	-3.9%	1.1%
Domestic activity	54,581	52,319	54,151	-0.8%	3.5%
International activity	12,192	11,180	10,040	-17.7%	-10.2%
Covered bonds	3,805	3,851	3,040	-20.1%	-21.1%
EMTN and other securities	1,744	1,228	1,724	-1.2%	40.3%
Other	178	132	113	-36.5%	-14.5%
Off-balance sheet	**17,560**	**19,210**	**19,601**	**11.6%**	**2.0%**
Investment funds	3,519	3,928	3,993	13.4%	1.7%
Real estate investment funds	969	972	966	-0.3%	-0.6%
Pension funds	3,639	3,770	3,758	3.3%	-0.3%
Financial insurance	7,308	7,639	8,068	10.4%	5.6%
OTRV Portuguese Governm. Bonds	2,125	2,901	2,815	32.5%	-3.0%
Total	**94,227**	**91,963**	**90,990**	**-3.4%**	**-1.1%**
Total resources (domestic activity) (1)	**69,680**	**68,781**	**71,067**	**2.0%**	**3.3%**

(1) Includes customer deposits, investment funds, financial insurance, OTRV and other bonds, owned by customers.

Total resources from domestic activities were up 2% over the same period last year and 3.3% over December 2017 to €71,067 million at the end of June 2018. They were especially influenced by the performance of off-balance sheet products which were up 11.6% by €2,041 million, particularly financial insurance with a 10.4% increase of €760 million and OTRV government bonds with a 32.5% increase of €690 million over the same period of the preceding year.

(EUR million)

CUSTOMER RESOURCES (CONSOLIDATED)	Restated			Change 2018-06 vs 2017-06		Change 2018-06 vs 2017-12	
	2017-06	2017-12	2018-06	Total	(%)	Total	(%)
Customers deposits	**66,773**	**63,499**	**64,190**	**-2,583**	**-3.9%**	**692**	**1.1%**
Sight deposits	26,260	25,953	28,428	2,167	8.3%	2,475	9.5%
Term and savings deposits	40,259	37,283	35,502	-4,757	-11.8%	-1,781	-4.8%
Mandatory deposits	254	263	260	6	2.5%	-2	-0.9%
Other resources	**178**	**132**	**113**	**-65**	**-36.5%**	**-19**	**-14.5%**
Total	**66,951**	**63,631**	**64,303**	**-2,648**	**-4.0%**	**672**	**1.1%**

By type, term deposits and savings accounts totalling €35,502 million at the end of June, accounted for around 55% of total customer deposits.

The debt securities balance, influenced by the maturity in January of a mortgage bond issue placed in the institutional market, was down 20.5% by €837 million over the same period 2017. This downwards trajectory, in force over the last few years, derives from the fact that several issues reached their maturity without any need to refinance them in the capital market, given the Group's comfortable liquidity situation.

(EUR million)

DEBT SECURITIES (CONSOLIDATED)	Restated 2017-06	2017-12	2018-06	Change 2018-06 vs 2017-06 Total	(%)	Change 2018-06 vs 2017-12 Total	(%)
EMTN programme issues (1)	275	195	198	-77	-28.1%	2	1.3%
Covered bonds	3,803	3,850	3,038	-765	-20.1%	-811	-21.1%
Other	0	6	5	5	-	-1	-22.0%
Total	**4,078**	**4,051**	**3,241**	**-837**	**-20.5%**	**-810**	**-20.0%**

(1) Does not include issuances classified as subordinated liabilities.

The amount of subordinated liabilities was up 3.5% in comparison to the same period 2017, at €1,522 million, with the issuance of €500 million in Tier 2 own funds securities, held in June, contributed significantly to this development.

(EUR million)

SUBORDINATED LIABILITIES (CONSOLIDATED)	Restated 2017-06	2017-12	2018-06	Change 2018-06 vs 2017-06 Total	(%)	Change 2018-06 vs 2017-12 Total	(%)
EMTN programme issues (1)	1,005	648	1,139	134	13.3%	491	75.8%
Other	465	380	383	-82	-17.7%	3	0.7%
Total	**1,470**	**1,028**	**1,522**	**52**	**3.5%**	**494**	**48.1%**

(1) Does not include issuances classified as debt securities.

LIQUIDITY

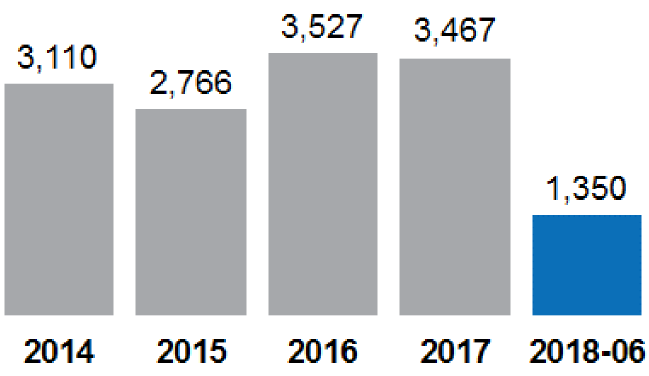
CGD successfully completed the last stage of its Recapitalisation Plan, starting 2017, in June with its issuance of €500 million in Tier 2 own funds securities, exclusively for institutional investors, following its agreement with DG Comp. Demand was markebly higher than supply. In the geographical distribution of the final allotment to investors, particular reference should be made to the United Kingdom and Ireland (38%), followed by Portugal (26%), Spain and Italy (13%) and France (8%). By type of investors reference should be made to asset managers which subscribed around 71% of the total.

The issue has a maturity of 10 years, with an early redemption option by CGD at the end of the 5th year and an interest rate of 5.75% in the first 5 years. This interest rate, 5 percentage points lower than the rate obtained on the AT 1 issuance of 2017, reflects the different nature of the securities in question and their level of subordination, in addition to the positive evolution achieved by CGD in the implementation of its Strategic Plan, namely in terms of profitability, efficiency and solvency.

With the normalisation of its activity and balance sheet and taking its comfortable liquidity situation into account, CGD Portugal opted, at the end of June, to make an early repayment of €2 billion in TLTROs 2 (Targeted Longer-Term Refinancing Operations) financed by the ECB, liquidating its liabilities to the said entity. In this context, the total amount of CGD's eligible assets portfolio for the ECB collateral pool was reduced from €12 billion in December 2017 to around €10.2 billion in June 2018. However, owing to the early redemption of €2 billion, the amount of eligible collateral available for new operations remained relatively unchanged.

ECB FUNDING

(EUR million)



Resources obtained from the ECB by CGD Group also trended downwards from €3.5 billion at the end of 2017 to €1.4 billion in June 2018, reflecting CGD's Portugal already referred to decrease of €2 billion. This trajectory is reflected in CGD Group's eligible assets portfolio for the Eurosystem pool which was down €1.9 billion over December of the preceding year to €11.7 billion in June 2018.

The funding balance under the covered bonds programme stood at €4.5 billion (of which €1.5 billion was retained) at the end of June following the maturity of a €750 million issue in the first quarter of 2018, without any need for its refinancing.

The liquidity position, at the end of June 2018, was highly favourable, with an LCR (Liquidity Coverage Ratio) of 216%. This was higher than regulatory requirements and the average of European Union banks.

Also confirming the Group's comfortable liquidity position, Net Stable Funding Ratio (NSFR) stood at 140.8% at the end of June 2018 (139.4% at the end of December 2017).

CAPITAL MANAGEMENT

Consolidated shareholders' equity was down €120 million over December 2017 to €8,154 million at 30 June 2018.

(EUR million)

SHAREHOLDERS' EQUITY (CONSOLIDATED)	2017-06	2017-12	2018-06
Share capital	3,844	3,844	3,844
Other equity instruments	500	500	500
Fair value reserves	238	395	268
Other reserves and retained earnings	2,999	3,098	3,011
Non-controlling interests	364	385	337
Net income	-50	52	194
Total	**7,895**	**8,274**	**8,154**

Other capital instruments heading totalling €500 million refers to securities representing the market issuance of additional tier 1 own funds at the end of March 2017.

The reduction of revaluation reserves and other reserves and retained earnings largely derived from the impact of the full implementation of IFRS 9, in which CGD opted not to take advantage of the possibility of a phasing-in process.

The common equity tier 1 (CET 1) and total phasing-in ratios, calculated under CRD IV/CRR rules, were 14.0% and 16.6%, respectively in June 2018 and include net income of around €195 million. Not including the referred to net income, the CET 1 and phased-in Tier 1 ratios would have been 13.6% and 14.7%, respectively, comprising a total ratio of 16.2%

(EUR million)

SOLVENCY RATIOS (Not including net income)			
Phased-in (CRD IV / CRR)	2017-06	2017-12	2018-06
Own funds			
Common equity tier 1 (CET 1)	6,873	7,289	6,787
Tier 1	7,409	7,831	7,337
Tier 2	450	318	735
Total	**7,859**	**8,148**	**8,072**
Weighted assets	**53,723**	**52,185**	**49,872**
Solvency ratios			
CET 1	12.8%	14.0%	13.6%
Tier 1	13.8%	15.0%	14.7%
Total	**14.6%**	**15.6%**	**16.2%**
Fully Implemented (CRD IV / CRR)			
Own funds			
Common equity tier I (CET 1)	6,753	7,272	6,800
Weighted assets	**53,659**	**52,163**	**49,877**
CET 1 ratio	12.6%	13.9%	13.6%

The evolution of the CET1 ratio between December 2017 and June 2018 is essentially explained by the following effects;

- Progression over time associated with the phasing-in process, leading to regulatory reductions to the CET 1 ratio, comprising a negative variation of 6 basis points;
- Deductions of the irrevocable commitments related with the Deposit Guarantee Fund and Resolution Fund, defined by the SREP (Supervisory Review and Evaluation Process) decision of 2017, leading to a global negative impact of around 35 basis points on the CET 1 ratio;
- Coming into force of IFRS 9 from 1 January 2018, leading to a negative impact of around 25 basis points on the CET 1 ratio;
- Evolution of activity which had a negative impact of around €149 million on level 1 principal own funds , in which reference should be made to the effects:
  - on other reserves and retained earnings which were down by around €125 million;
  - on revaluation reserves, down by around €73 million of which €62 million in respect of profit and loss on available-for-sale assets;
  - on non-controlling interests (down by around €27 million);
  - on the global deduction of the amount in excess of the prudential limits of own funds by around a negative €7 million;
  - of a smaller deduction of intangibles with a positive impact of around €33 million on own funds;
  - of a smaller deduction of the assets of defined benefit pension funds with a positive impact of around €9 million on own funds.
- A reduction of around €2,313 million in RWAs (risk-weighted assets), essentially on account of the decrease of around €987 million in net credit from, *inter alia*, asset disposals and write-offs. There was also a reduction of the exposure of debt securities by around €175 million

and securitisations by around €75 million. Reference should also be made to the decrease of off-balance sheet exposure in terms of irrevocable commitments (securities subscriptions) of €303 million. Special mention should also be made of the decrease of RWAs on DTAs (deferred tax assets) of around €200 million. RWAs for market risk were also down by around €250 million.

SREP capital requirements for consolidated activity in 2018

Based on SREP 2017 results, CGD was informed by the ECB (European Central Bank) of the minimum capital requirements applicable from 1 January 2018.

CGD's minimum phased-in CET 1 capital requirement, on a consolidated basis, is 8.875% and includes:

a) a minimum CET 1 ratio required by Pillar 1 of 4.5%;

b) a minimum CET 1 ratio required by Pillar 2 (P2R) of 2.25%;

c) a CCB (capital conservation buffer) of 1.875% and;

d) an O-SII (Other Systemically Important Institutions) buffer of 0.25%.

CGD must also achieve a minimum Tier 1 ratio of 10.375% and a total capital ratio of 12.375% in 2018.

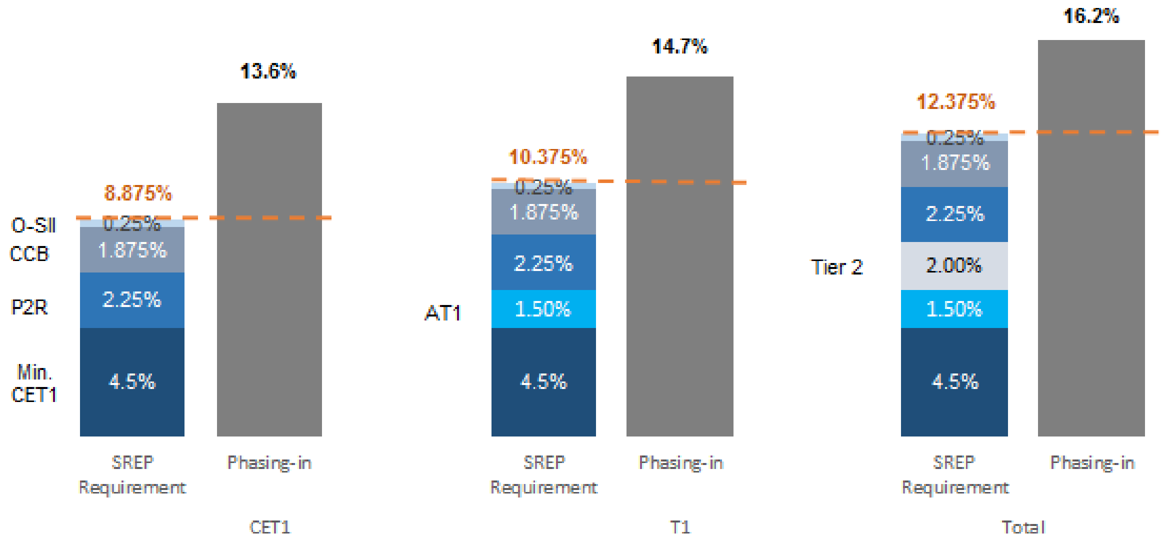
(%)

SREP - CAPITAL REQUIREMENTS (CONSOLIDATED)	2018
Common Equity Tier 1 (CET1)	**8.875%**
Pillar 1	4.50%
Pillar 2 Requirement	2.25%
Capital Conservation Buffer (CCB)	1.875%
O-SII Buffer (other systemic important institution)	0.250%
Tier 1	**10.375%**
Total	**12.375%**

Starting 2018 CGD must set up an O-SII buffer to be fully covered by CET 1.

PHASED-IN CAPITAL RATIOS AND 2018 SREP REQUIREMENTS

(Not Including Net Income)



In conformity with the Bank of Portugal's resolution of November 11, 2017, CGD's O-SII buffer was set at 0.25% for 2018, 0.50% for 2019, 0.75% for 2020 and 1% for 2021.

The CCB (Capital Conservation Buffer) will increase by 0.625% per annum on a phased basis up to 2.5% in 2019.

The ratios achieved in the first half by CGD's consolidated operations were higher than the SREPs' minimum capital requirements for 2018.

RATING

During the first half 2018, there were two changes in CGD ratings. Moody's upgraded CGD's long-term deposit and senior unsecured debt ratings to Ba3 from B1, reflecting the stronger than anticipated 2017 financial results performance and improvements in the bank's financial fundamentals, thereby making visible progress in its 2017-2020 restructuring plan. Moody's has also upgraded CGD's baseline credit assessment (BCA) and adjusted BCA to b1 from b2. The outlook on the long-term deposit and senior debt ratings remains stable. In June 2018 DBRS upgraded CGD's outlook from Negative to Positive.

Credit ratings assigned by the rating agencies to CGD are summarized in the following table:

RATING	Short Term	Long Term	Date of last assessment
FitchRatings	B	BB-	2017-12
Moody's	N/P	Ba3	2018-02
DBRS	R-2 (mid)	BBB (low)	2018-06

1.5.1.1. DOMESTIC ACTIVITY

Domestic activity contributed €118.7 million to CGD Group's net income in first half 2018 against a negative €169.5 million in the same period of the preceding year.

In the case of core activity, reference should be made to the increases in income from services and commissions which were up 12.0% over the first half of the preceding year to €195.0 million and to net interest income which was up 5.2% to €396.2 million.

Structural costs in first half 2018 were down 15.8% to €396.2 million.

Net credit impairment of €90.5 million was indicative of the structurally low level of CGD's current cost of credit risk which made a decisive contribution to the marked increase in net income from domestic activity.

(EUR Million)

DOMESTIC ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	Restated 2017-06	2018-06	Change (%)
Net interest income	376.6	396.2	5.2%
Income from equity instruments	22.8	11.5	-49.5%
Net fees and commissions	174.1	195.0	12.0%
Net trading income	192.2	29.0	-84.9%
Other operating income	14.0	22.2	57.9%
Total operating income	**779.7**	**653.9**	**-16.1%**
Employee costs	289.6	249.3	-13.9%
Administrative expenses	149.2	127.6	-14.5%
Depreciation and amortisation	31.7	19.3	-39.2%
Operating costs	**470.5**	**396.2**	**-15.8%**
Net operating income before impairments	**309.2**	**257.7**	**-16.7%**
Credit impairment (net)	25.1	90.5	260.8%
Provisions and impairments of other assets (net)	330.4	-67.8	-
Net operating income	**-46.3**	**235.0**	**-**
Income Tax	132.6	141.2	6.5%
Net operat. inc. after tax and before non-controlling interests	**-178.8**	**93.9**	**-**
Non-controlling interests	1.6	1.9	16.3%
Results of associated companies	11.0	26.7	142.7%
Net income	**-169.5**	**118.7**	**-**

(*) Pure intragroup transactions with no impact on consolidated net income are not eliminated.

CGD PORTUGAL

The geography of the domestic branch office network, at the end of 1st half 2018, comprised 547 business units: 522 "universal" or traditional branches (down 65 over the end of 2017) and 25 Caixa Empresas "Corporate Offices", to which are added 35 self-service branches.

To complement its branch office network, Caixa provides its customers with 3,854 items of self-service equipment, including 1,975 private in-house ATMs in the form of 1,242 ATS (in-house cash machines) and 733 bank passbook updaters, as well as 1,879 Multibanco network ATMs.

In the first half of 2018, CGD launched its second "Mobile Branch", expanding the cover of this innovative proximity service to 33 locations in the municipal districts of Castelo Branco and Guarda without any banking representation. The "Mobile Branch" is a regular, albeit non-permanent, service for inhabitants with limited access.

Digital banking

CGD embarked upon a digital transformation programme, in January 2018, with the ambition to quickly be above the best digital innovation practices in Portugal, keeping the focus on the customer and the adoption of agile project methodologies, facilitating iterative launch of new digital solutions, combined with the periodic review of priorities according to market demand.

Based on the implementation of this programme and with the objective of improving the level of customers' accessibility to digital solutions, first half 2018 witnessed the launch of:

- Remotely opening an account via video call;
- *Caderneta app* - a digital version of the *CGD Passbook*. It includes new functionalities such as execution of payments and transfers;

- A new *Caixadirecta app* that, in addition to its user-friendliness, increases the number of available functionalities to 120. It represents 51% of Caixadirecta's accesses, registering an increase higher than 20%, compared with accesses recorded in 2017.

CGD accordingly provided for the oversight of day-to-day management needs, savings, investment and financing of personal projects, providing its products and services in a friendlier, more convenient and safe manner.

Regarding corporate clients, in this 1st semester several evolutions were made to our digital offer, of which we highlight the optimization of the compatibility of the *App Caixadirecta Empresas* with the iPhone X devices, providing access through Face ID, as well as the evolution of Factoring and Confirming functionalities, namely the process of inclusion of new suppliers, allowing the import via file and extension of the supported formats.

These improvements have contributed to 50% of foreign trade operations and 45% of factoring and confirming operations being performed on the digital channel.

At the same time, Caixa started work on the expansion of its remote customer's management service covering 220 thousand customers, to meet the requirements of a customer base which prefers a user-friendly proximity relationship with the bank with extended opening times and a multiplicity of contact channels.

CGD Group, at the end of the half year, had 2 million (individual and corporate) customers with active contracts in terms of total digital customers in domestic and foreign markets, an increase of 130 thousand new customers over the preceding year. CGD accounts for 46% of internet banking customers in Portugal (Basef Internet Banking survey, by Marktest, average 2017), more than double the number of users of the second bank.

At the end of 1st half 2018, CGD Portugal had 1,125 million digital customers - individuals and corporates - with an active contract, a 7.9% growth in the number of users over 2017.

In social networks CGD's presence remains strong and impressive, registering more than 184,000 followers only on Facebook, a growth of more than 5,000 followers compared to December 2017.

Means of payment

Caixa continues to have the largest share of the domestic market for bank cards, in the means of payment and services area. Portfolio management initiatives designed to keep pace with the new regulatory framework and continuing to cut costs were strengthened in the 1st half 2018.

Reference should be made to the following actions in the first six months of 2018:

- Continued migration of cards to the use of contactless technology which increases the speed, ease of use, comfort and security of the use of cards for small amounts;
- Change in the SMB (Minimum Banking Services Account) which was extended to cover the European Union space, including the residence criterion and payments made with SMB debit card, direct debits and interbank transfers (which will be free up to a maximum of 12 per annum provided that the home banking service is used);
- Provision of new functions on the MB WAY app, such as the payment of purchases by reading a QR Code and enabling Fingerprint for Android users;
- Continuation of monthly leisure-time activities on Caixa plim, as a pioneering service in the domestic market for mobile banking apps, available from the main App stores (iOS, Android, Windows) and helping to fuel the number of downloads.

Acquiring Service

The CGD acquiring service is distinguished by its commercial dynamism having as strategic guiding principles the optimization of processes, the reduction of operational costs, the consolidation of supply and the strengthening the positioning of the netcaixa brand.

Reference should be made to several numbers which give an idea of this service's evolution and its contribution to the bank:

- Around 40,000 terminals under management, in more than 20,000 customers;
- More than 336,000 daily and 122,600,000 annual transactions;
- Daily resources of approximately €11 million taken, in liquidity for Caixa accounts.

Innovation is another of the netcaixa's attributes providing tailor-made solutions, such as:

- China UnionPay – the only TOP 5 portuguese bank to provide its customers with an integrated, distinctive solution accepting China UnionPay cards, besides domestic and international brands like Multibanco, Visa and MasterCard;
- DPG (Digital Payment Gateway) – an e-commerce solution which accepts Multibanco, Visa and Mastercard cards as well as MBWAY payments and which issues Multibanco codes for the payment of services;
- Automatic split payments at point-of-sale: a unique solution for the domestic market as a card issuer and acquirer, enabling Caixa to differentiate its offer, allowing CGD cardholders, at the time of purchase, to defer payment over several months;
- DCC (Dynamic Currency Conversion) – allowing cardholders whose cards have been issued in a currency other than the euro, to opt for payment in their card's original currency.

Reference should also be made to the launch of a series of netcaixa campaigns, in the context of new agreements, mainly geared to increasing market share and activating POS terminals without any movements.

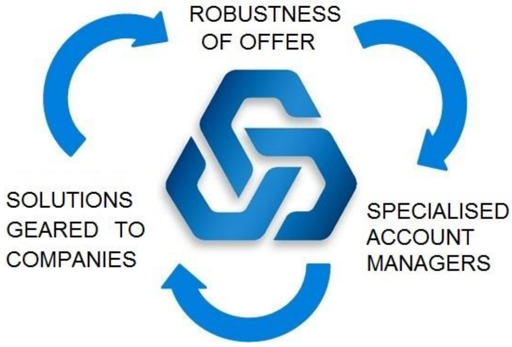
Corporates

Caixa continued to develop its activity as a bank which backs investment and corporate internationalisations in first half 2018, based on the following guidelines:

- Finding new customers (strengthening Caixa's position and increasing its market share);
- Building business (business finance operations, based on special lines of credit):
- Sales of core products (strengthening relationships and transactionality);
- To launch customised services for each sector of activity (primary, industry, tourism and restaurants).
- To benefit from an extended presence in Portugal and an additional 20 countries with specialised account managers;
- To provide an enhanced internet banking service in terms of functionalities;
- Greater proximity and knowledge of customer.

In terms of commercial dynamics, a new corporate and institutional segmentation model was introduced, identifying 3 major customer clusters by economic group, in accordance with their invoicing and liabilities: major enterprises, companies and businesses.

This new approach has as main objective the improving customer service, based on greater proximity, specialisation, customisation and consolidation of the nationwide network of offices and branches, enabling a more focused approach to achieve more competitive and efficient CGD corporate networks.



Within these segments reference should be made to the commercial commitment to the PME Líder "Leading SMEs" status, with day to day monitoring of results and insistence upon the importance of SMEs as a crucial business area in which CGD intends to assume its natural market share, contributing to the development of the Portuguese economy.

In the case of services to the corporate segment, Caixa continued cross-selling core products (equipment leasing, property leasing, factoring and confirming, foreign trade and bancassurance), affording priority to lending, both on a level of investment finance and to provide for treasury requirements to facilitate day-to-day corporate management. Special reference should be made to the following guidelines:

- Strengthening sales of the *Caixa Fast* product as an innovative factoring solution for self-employed businesspeople and micro and small enterprises, launched at the end of 2017;
- Prospecting for and entering into financing agreements under the *Capitalizar* line of credit to promote corporate growth and competitiveness. Its commitment to special/governmental lines of credit has strengthened Caixa's position in terms of its funding for corporates in which it was the market leader in *Capitalizar* agreements in 2017 and as the Portuguese bank with the biggest performing credit portfolio in the SNGM (National Mutual Guarantee System);
- Taking advantages of the changes to the *Capitalizar Mais* line of credit (e.g. IFD guaranteed line of credit 2016-2020), to provide for a broader range of corporate clients, with the aim of strengthening their business capacity for the development of goods and services;
- Resuming a leading position in the *Apoio à Qualificação da Oferta* line of credit for corporates in the tourism sectors, as part of an agreement with *Turismo de Portugal,* with the aim of strengthening its offer to corporate clients in one of the sectors making the largest contribution to GDP in Portugal;
- Sales of the second €150 million tranche of the Caixa EIB line of credit which was set up to finance Portuguese SMEs' and midcaps' investment projects;
- Providing customers with the *Caixa Invest Inovação*, line of credit as a specific solution for corporates aiming to modernise their business or innovate, deriving from the *InnovFin* European Investment Fund programme. This option is in alignment with Caixa's status as a bank which helps to SMEs to innovate;
- Reinforcing *AgroCaixa – Antecipar* lines of credit as a bridging loan for incentives and financing for the operating needs of production units in the agricultural, silvicultural and animal-breeding sectors in order to back a fundamental sector for the Portuguese economy. A collaborative agreement with *CAP* (Confederation of Portuguese Farmers) to permit the expansion of the number of potentially interested parties, was entered into for this purpose, in 2018;

- Several specific lines of credit were launched in the first six months of 2018:
  - A line of credit for forest clearing operations with the objective of assisting corporate and individual customers to achieve the proper disposal of combustible material in forest areas;
  - A guaranteed line of credit for the commercialisation of burnt resinous wood for micro, small and medium sized enterprises interested in its acquisition;
  - A guaranteed line of credit for the storage of burnt resinous wood for micro, small and medium sized enterprises interested in strengthening their treasury function in order to store and conserve the large amount of raw material resulting from the removal of the burnt wood from the affected zones;
  - *REVIVE* programme line of credit with a mutual guarantee with the objective of permitting the rehabilitation of various buildings classified as national heritage for tourism purposes;
  - Line of credit for Directorate General of the Arts beneficiaries, with the objective of providing early disbursements of incentives for Beneficiaries of Grants from the Directorate General of the Arts;
  - *Caixa Casa Eficiente Negócios* with the objective of backing operations to improve energy efficiency in buildings, based on the use of renewable energy and reducing the environmental impact.

Its status as an economic support bank always requires Caixa to play a leading role in promoting lines of credit with the Portuguese state, as instruments designed to boost economic activity in different sectors. With this in mind we have heightened our commitment to maintaining the leading position we first achieved in 2017. Reference should be made to the following results:

- Achieving market share in core products, particularly leasing and foreign trade operations;
- Credit growth in several of the most dynamic sectors of the economy (up 3% in manufacturing, 11% in commerce, 13% in transport/warehousing) and a reduction in construction and real estate;
- €800 million in medium and long term finance and leasing and €1,600 million in trade credit and support for short term treasury requirements;
- An additional 320 SME customers and a further 220 SME customers with at least 3 core products;
- CGD's leading position in the principal governmental lines of credit and *PME Líder* status.

Economic recovery, partly measured by the country's capacity to create new companies, increases Caixa's responsibility to work with start-ups. Caixa operates to meet the needs of the more ambitious entrepreneurs in this segment who aim to internationalise their activity because they view the world as their potential market, supported by the Caixa Capital team, which specialises in venture capital and is in a position to help the younger technology-based start-ups with greater potential to advertise their existence to the more impactive international accelerators and which also operates at the opposite end of the spectrum related with microfinancing projects which aim to provide for the creation of self employment or micro businesses with a local impact.

Caixa, as a universal (i.e. general) bank, strengthens its proximity with customers and its capacity to provide for different type of needs with innovative solutions and a constant concern to improve customer service levels, pursuant to which it has launched a communication campaign focusing on financing solutions and *Caixadirecta Empresas*.

An exclusive recognition programme in the form of *Caixa Top* was also developed. This status afforded by Caixa provides special price and product-related conditions.

CGD continued to organise its *Encontros Fora da Caixa* conferences in seven locations nationwide (Castelo Branco, Aveiro, Lisbon, Évora, Porto, Beja and Setúbal) in first half 2018. These events deal with regional issues and contribute towards the creation of a strategic vision for companies and the country, with the involvement of more than 4,000 CGD customers, including 2,284 CGD corporate customers.

Individual customers

In spite of the reduction of the number of branch offices, the individual customers retention rate was around 96%, as the result of the initiatives and the work performed in the sphere of individual customers management which continued to focus on the following three segments:

- *Caixa Platinum* - This service was launched in January and includes advisory and wealth planning services. It is based on dedicated, personalised oversight and an exclusive offer with the aim of increasing customer involvement and satisfaction;
- *Caixa Azul* - This service provides for around 331,000 customers (316,200 of whom on a branch office and 14,700 on a remote basis). Each manager, either in person or remotely, is responsible for oversight and presentation of proposals to improve the level of sophistication of the level of service and strengthen the relationship with each customer;
- *Mass Market* - This service is transversal to the branch office network and available at the 522 "universal" branches. 213,000 customers were users of distance banking services at the end of the first half.

Caixazul and *Caixa Platinum* customers are also able to rely upon the virtual presence of their account managers via Caixadirecta. Through their online manager, available 24 hours a day 7 days a week, they can ask for help, request call-backs and send secure messages to their account manager for performing transactions and scheduling meetings.

Mass Affluent customers can also rely upon the presence of their respective commercial assistant or contact centre via the Caixadirecta service. Customers can use their online assistant to request assistance, call-backs and send secure messages.

Commercial activity, in the first half of the year, continued to implement the strategy of retaining customer loyalty based on the promotion of diversified financial solutions, in line with the demands of each life stage and geared to investment profiles for day-to-day management purposes; providing for the future (non-financial insurance); projects (personal loans and mortgages) and savings (term deposits, savings accounts, funds and financial insurance).

Deriving from the transposition of the PAD (Payments Accounts Directive) CGD provided an Account Switching Service and made the changes required of the Minimum Banking Services Account which was extended in geographical terms to the European Union space and an increase in the associated services package.

In terms of day-to-day offer, customers continue to express their preference for Caixa Accounts, as a multiproduct solution comprising a current account, online transfers, credit and debit cards and insurance. Total subscriptions at the end of June were in excess of 1,350,000 accounts or up by more than 410,000 new accounts in the half year half, comprising an increase in excess of 40%.

Communication campaigns targeted at customers, with the aim of promoting several specific products, expanding business and generating emotional and relational involvement on special dates (such as Woman's Day, Father's Day, Family Day and Children's Day) were also organised.

The evolution of Caixa's mortgage lending continued to trend upwards in the first half year. This was based on the consolidation of the *Caixa Casa Fast* value proposal with its "Fast Decision" in the form of the three step model, with a market response of ten working days, to complete the agreements.

With an 18.9% increase in the half yearly total of new agreements over the same period of the preceding year, June was the best month for sales since December 2010, with a 65.5% year-on-year growth over 2017 comprising fresh loans of €174.4 million.

For its consumer credit, Caixa renewed and adjusted the competiveness of its offer of personal loans and motor vehicle solutions, to include motor vehicle credit and leasing and launched a new online simulator providing interested parties with a speedy response on the terms of the offer, passing the contact on for a speedy response based on a multichannel approach (Caixa branch offices and Caixadirecta).

Caixa launched its *Caixa Casa Eficiente* offer under the EIB's Efficient Home line of credit for its mortgage lending and personal loans, for home projects and works, for the purpose of improving energy efficiency, the use of renewable energies, improved use of water, improved environmental efficiency and urban waste management.

Caixa commercialised several investment and savings solutions in first half 2018, encompassing the various types of products available in its offer, namely:

- Three resource-taking/diversification initiatives (Integrated Deposits Offer, Funds and Financial Insurance) – Saving and Investing – in accordance with the target market for each of the products;
- Financial insurance included 3 promotions for the 2nd series of the *Leve* retirement savings Plan (with a simulator to estimate the pension supplement and the promotion of capitalisation insurance in the form of *PRIIPs* (Packaged Retail and Insurance-based Investment Products);
- Three promotions were organised on Caixa's permanent range of investment funds. The winding-up of *Caixagest PPA* simplified the range of unit trust investment funds.

In the sphere of its brokerage operations on Fidelidade-Companhia de Seguros, S.A.'s insurance solutions, Caixa developed a series of initiatives designed to improve customer loyalty levels, in first half 2018. They particularly included:

- Promotional campaigns for Multicare healthcare insurance targeted at individual customers who value the protection of their own and their family's health, comprising three alternative growing protection measures (Multicare 1, Multicare 2 and Multicare 3) as well as oncology insurance (Multicare Vital Protection) comprising;
- *Soluções Proteção Caixa* campaigns to promote vital insurance protection for people and Caixa Life Protection solutions.

The market share of customer deposits continued to dominate in Portugal, at 25.9% in June 2018, particularly the individual customers market share at 29.2%.

CUSTOMER DEPOSITS MARKET SHARES (PORTUGAL)	2017-06	2017-12	2018-06
Corporate	11.9%	12.1%	12.3%
General government	34.0%	32.4%	32.2%
Individual customers	31.0%	29.9%	29.2%
Emigrants	43.5%	49.2%	49.2%
Total	**27.5%**	**26.4%**	**25.9%**

CGD had a 20.0% market share of loans and advances to customers in June 2018, against the 20.8% registered at the end of 2017.

LOANS AND ADVANCES TO CUSTOMERS MARKET SHARES (PORTUGAL)	2017-06	2017-12	2018-06
Corporate	17.9%	17.1%	16.0%
Individual customers	22.7%	22.2%	21.6%
Mortgage loans	25.8%	25.4%	24.8%
Consumer	5.3%	4.9%	4.7%
General government	31.7%	30.9%	30.0%
Total	**21.2%**	**20.8%**	**20.0%**

INVESTMENT BANKING

Caixa - Banco de Investimento, S.A.'s (CaixaBI's) total operating income for first half 2018 amounted to €49.1 million. Contributory factors were net interest income of €8.4 million, net commissions of €11.8 million, €16.2 million in income from financial assets and €12.6 million in other operating costs and income.

The bank's net income of €33.3 million for the period enabled it to achieve an annualised ROE of around 17.5%. The significant reduction of operating costs allowed a cost-to-income ratio of 20.0%.

(EUR million)

CAIXA BANCO DE INVESTIMENTO - INDICATORS [1]			Change	
	2017-06	2018-06	Total	(%)
Net interest income	9.2	8.4	-0.7	-8.0%
Commissions (net)	10.9	11.8	0.9	8.1%
Income from financial operations	48.6	16.2	-32.4	-66.7%
Total operating income	68.2	49.1	-19.1	-28.0%
Operating costs	13.9	9.8	-4.1	-29.5%
Net op. income before impairments	54.3	39.3	-15.0	-27.6%
Provisions and impairments	41.7	-5.4	-47.1	-
Net income	28.6	33.3	4.7	16.6%
Net assets	1,445	1,356	-89	-6.2%
Securities investments	559	681	123	22.0%
Loans and adv. to customers (net)	277	8	-269	-97.2%
Customer deposits	286	148	-138	-48.4%

(1) Statutory consolidated accounts

CaixaBI's involvement in various primary debt market operations in Portugal, across the period, placed it third in Bloomberg's ranking of bonds issued by domestic entities. Reference should be made to the following advisory operations in which the bank was involved as joint lead manager and bookrunner (syndicated debt issuance of €3 billion by the Portuguese Republic; a €300 million eurobonds issuance by NOS; a €500 million Tier 2 securities issuance by CGD and a €455 million bond issuance by the Autonomous Region of Madeira). Reference should also be made to the bank's role as co-lead manager for the Portuguese Republic's new 10 year benchmark issuance (2.125% treasury bond maturing in 2028 for the amount of €4 billion); as a specialised securities trader in Portuguese public debt auctions across the period and in publicising and prospecting for bids from investors in the six IGCP treasury bill placements.

CaixaBI organised and led four new commercial paper programmes in the major enterprises segment and completed 44 extensions and/or revisions of past years' programmes. There were also sixty nine issuances for a total amount of €1,245 million in this segment, of which CaixaBI sold €1,022 million to its domestic institutional investors network. CaixaBI was responsible for structuring and agencying around 25 commercial paper programmes, for a maximum nominal amount of around €48 million in the small and medium size enterprises segment.

Reference should also be made to the successful completion of various corporate finance projects, economic-financial appraisals on various entities and assessments upon which the analysis of impairment of a series of Caixa Geral de Depósitos's associated companies is based.

There were no primary market share operations in Portugal across the half year. CaixaBI, accordingly, continued to focus on developing the mandates awarded to it.

CaixaBI continued to operate as a liquidity provider on a collection of Euronext Lisbon listed shares, to which Euronext awarded its maximum "A" rating on all securities and categories. CaixaBI also continued its market-making operations on a Fundiestamo real estate fund.

CaixaBI's contribution to CGD Group's consolidated net income in first half 2018 amounted to €39.3 million.

SPECIALISED CREDIT

Caixa Leasing e Factoring

Caixa Leasing e Factoring, Instituição Financeira de Crédito, S.A. (CLF), which operates in the financial leasing (real estate and equipment), factoring (including confirming) and consumer credit sectors represents CGD Group in the specialised credit sector.

The company was particularly active in commercial terms, especially in leasing which outperformed the targets set for the company in first half 2018 and particularly in the real estate area. Special reference should be made to the 29% growth of confirming operations over June last year in the case of the company's other products.

(EUR million)

CGD GROUP SALES – SPECIALISED CREDIT			Change	
Product	2017-06	2018-06	Total	(%)
Total leasing	**143**	**193**	**50**	**35.0%**
Property leasing	32	33	1	1.8%
Equipment leasing	111	161	50	44.6%
Factoring	**1,476**	**1,783**	**307**	**20.8%**
Domestic and International Factoring	967	1,125	158	16.4%
Confirming	509	658	149	29.3%
Consumer credit	**9**	**10**	**1**	**7.3%**
of which:				
Vehicle finance (1)	**71**	**92**	**20**	**28.8%**
Equipment leasing	62	81	20	32.0%
Consumer credit	9	10	1	7.3%

(1) Light vehicles.

The company's net assets were down €33 million by around 1.4%, as a result of the decrease in the size of its loans and advances to customers portfolio (net).

Total operating income, fuelled by the 1.3% increase of net interest income, was up by around 5.2% over June 2017. Structural costs were up 11.2%, on account of the 25.0% increase in employee costs, owing to the early retirement and voluntary redundancy programmes in force in CGD Group.

Caixa Leasing e Factoring's net income, at 30 June 2018, amounted to €4.5 million in comparison to €8.4 million at the end of the preceding year.

(EUR million)

CAIXA LEASING E FACTORING - INDICATORS (1)			Change	
	2017-06	2018-06	Total	(%)
Net interest income	19.3	19.5	0.3	1.3%
Total operating income	20.9	22.0	1.1	5.2%
Operating costs	6.7	7.5	0.8	11.2%
Net op. income before impairments	14.1	14.5	0.3	2.3%
Provisions and impairments	-0.4	5.3	5.7	-
Net income	8.4	4.5	-3.9	-46.0%
Net assets	2,357	2,324	-33	-1.4%
Loans and adv. to customers (net)	2,187	2,161	-27	-1.2%

CLF's contribution to CGD Group's consolidated net income for 1st half 2018 amounted to €4.7 million.

ASSET MANAGEMENT

The volume of assets under management in first half 2018 was up over the same half last year and accompanied by sustained growth in the level of Caixa Gestão de Activos's commissions earnings.

(EUR million)

ASSET MANAGEMENT - INDICATORS			Change	
	2017-06	2018-06	Total	(%)
Commissions (net)	9.8	10.8	1.1	10.9%
Total operating income	10.0	12.3	2.3	23.0%
Operating costs	6.3	6.4	0.1	2.0%
Net op. income before impairments	3.7	5.8	2.2	58.7%
Provisions and impairments	0.1	0.7	0.7	-
Net income	2.7	3.8	1.1	38.8%

Asset management income, which includes management, deposit and redemption fees evolved positively as a result of the commercial emphasis on funds with higher increased value. Gross commissions at the end of June 2018 were up 5.1% over the same half last year.

(EUR million)

GROSS COMMISSIONS				2018-06 vs. 2017-06
	2017-06	2017-12	2018-06	(%)
Unit trust funds	12.4	24.6	13.2	6.6%
Property funds	3.9	7.8	3.8	-1.6%
Pension funds	3.0	6.2	3.2	8.0%
Wealth management	5.9	12.5	6.2	5.0%
Total	**25.2**	**51.1**	**26.5**	**5.1%**

Amounts under management in first half 2018, fuelled by portfolio management operations and unit trust investment funds, were up 6.3% to €28,305 million.

(EUR million)

FUNDS UNDER MANAGEMENT				Change 2018-06 vs 2017-06	
	2017-06	2017-12	2018-06	Total	(%)
Unit trust funds	3,519	3,927	3,993	474	13.5%
Property funds	969	972	966	-3	-0.3%
Pension funds	3,639	3,770	3,758	119	3.3%
Wealth management (1)	18,503	18,837	19,588	1,085	5.9%
Total	**26,630**	**27,507**	**28,305**	**1,675**	**6.3%**

(1) The "Wealth management" amount excludes Pension Funds (already disclosed in the "CGD Pensões - Pension Funds"), currently under Caixagest management.

Unit trust investment funds - Caixagest

In spite of the fact that the Portuguese market for unit trust investment funds was down in the first half, the value of Caixagest-managed funds was up 1.7% to €3,993 million, strengthening Caixagest's lead of the unit trust funds segment.

The maintenance of the growth of the highest value added fund categories helped to fuel the increase of commissions over the last half year to €13.2 million.

(EUR million)

UNIT TRUST INVESTMENT FUNDS UNDER MANAGEMENT				Change 2018-06 vs 2017-06		Change 2018-06 vs 2017-12	
	2017-06	2017-12	2018-06	Total	(%)	Total	(%)
Treasury funds	1,317	1,683	1,605	288	21.9%	-78	-4.6%
Bond funds	478	573	588	110	23.0%	15	2.6%
Multi-asset funds	637	684	806	169	26.5%	122	17.8%
Share funds	499	551	596	97	19.4%	45	8.2%
Special investment funds	457	437	398	-59	-12.9%	-39	-8.9%
Protected capital funds	131	0	0	-131	-100.0%	0	-
Total	**3,519**	**3,928**	**3,993**	**474**	**13.5%**	**65**	**1.7%**

Property funds – Fundger

Fundger managed 20 real estate investment funds with a net worth of €966 million at the end of June, practically unchanged from the end of 2017. The Fundimo fund, in particular, continued to take in new subscriptions as a result of the recovery of profitability, with closed-end funds benefiting from the greater dynamism and development of real estate activity.

Commissions earnings from real estate management funds were €3.8 million, in line with the same half of the preceding year.

(EUR million)

PROPERTY FUNDS MANAGEMENT				Change 2018-06 vs 2017-06		Change 2018-06 vs 2017-12	
	2017-06	2017-12	2018-06	Total	(%)	Total	(%)
Fundimo open-ended fund	571	565	561	-10	-1.8%	-4	-0.7%
Closed end funds	398	407	405	7	1.8%	-2	-0.5%
Total	**969**	**972**	**966**	**-3**	**-0.3%**	**-6**	**-0.6%**

Pension funds - CGD Pensões

The equity value of the funds managed by CGD Pensões remained stable across the half year at €3,758 million at the end of June. Commissions earnings from pension funds, in turn, were up 8.0% year-on-year to €3.2 million.

(EUR million)

PENSION FUNDS UNDER MANAGEMENT				Change 2018-06 vs 2017-06		Change 2018-06 vs 2017-12	
	2017-06	2017-12	2018-06	Total	(%)	Total	(%)
Open-ended funds	431	412	388	-43	-10.0%	-24	-5.8%
Closed end funds	3,207	3,292	3,303	96	3.0%	12	0.3%
Retirement Savings Plan fund	0	67	67	67	-	1	0.8%
Total	**3,638**	**3,770**	**3,758**	**120**	**3.3%**	**-12**	**-0.3%**

Portfolio management - Caixagest

The value of the portfolios managed by Caixagest was up 4.0%, owing to the influx of new individual customer portfolios and an increase in insurance company portfolios to €19,588 million at the end of June.

The individual customers portfolio management service continued to be developed in articulation with CGD's branch office network and continues to grow significantly. Keeping pace with this growth, income from the portfolio management service was up 5.0% over the same half last year to €6.2 million.

(EUR million)

PORTFOLIOS UNDER MANAGEMENT				Change 2018-06 vs 2017-06		Change 2018-06 vs 2017-12	
	2017-06	2017-12	2018-06	Total	(%)	Total	(%)
Insurance portfolios	11,978	12,109	12,862	884	7.4%	753	6.2%
Institutional	6,219	6,382	6,326	107	1.7%	-56	-0.9%
Individuals and companies	306	346	399	93	30.5%	53	15.4%
Total	**18,503**	**18,837**	**19,588**	**1,085**	**5.9%**	**751**	**4.0%**

The asset management area's contribution to CGD Group's consolidated net income in first half 2018 totalled €3.7 million.

1.5.1.2. INTERNATIONAL ACTIVITY

Across first half 2018 and in accordance with Pillar 3 of its Strategic Plan 2017-2020, CGD restructured its international presence, pursuant to which it maintains the formal process for the sale of Banco Mercantile (South Africa) and BCG Spain and the conclusion of the New York and Zhuhai branches' wind down processes.

On a level of the relational management with banks and multilateral entities reference should be made to the growing use of foreign trade facilitation programmes (with an emphasis on the forfaiting of export and import letters of credit) and the improved perception of CGD Risk which, in negotiating terms, translates into longer maturities and more favourable risk-sharing terms for approved trade operations and, accordingly, increasingly meeting our customers' needs.

As regards CGD Group's international entities reference should be made to the improvements in response times and information control mechanisms which make it possible to maximise synergies in relationships with correspondent banks and consolidate harmonised practice on a Caixa Group level.

In the sphere of the relationship with multilateral entities, reference should also be made to the formalising of the following facilities:

Efficient Home (EIB) – a joint initiative between the Portuguese government, EIB and the domestic banks designed to back operations which promote improvements to the environmental performance of residential buildings, especially in terms of energy efficiency and water usage, in addition to waste management. The public signing and launch of the Portuguese state's Efficient Home Portal took place on 13 April 2018, with CGD taking out an amount of €30 million from the EIB.

InnovFin (EIF) – under the terms of the new InnovFin agreement, CGD took out an amount of €100 million from the EIF in order to make special loans to innovative SMEs (official signing ceremony on 24 May 2018). This agreement has a loan portfolio of €200 million and is guaranteed by the EIF under the "EU InnovFin finance for Innovators" initiative financed by Horizonte 2020 (EU research and innovation programme) with the backing of EFSI (European Fund for Strategic Investment) under the Investment Plan for Europe (the "Juncker Plan").

Caixa has continued to focus on promoting and consolidating its relationships with the individual customers resident abroad segment through its branch office network in Portugal, based on the more comprehensive scope of its Caixazul Internacional and Caixadirecta Internacional distance banking service models and permanent articulation with Group business units in its different geographical operations.

CGD continued to increase its market share of emigrants' deposits to 49% (against 43% in June 2017) and now has around 33% of the credit market. Reference should also be made to foreign investments in Portugal's real estate market, through Caixa.

The international business area's contribution to the first half year's consolidated net income was down 36.9% over the same half 2017 to €75.4 million.

(EUR million)

INTERNATIONAL ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (1)	2017-06	2018-06	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	238.1	199.8	-16.1%
Results from services and commissions	44.2	45.0	1.9%
Income from financial operations	17.0	19.4	14.1%
Other operating income	-12.7	-8.7	-
Total operating income	**286.5**	**255.5**	**-10.8%**
Employee costs	86.0	77.2	-10.2%
Administrative expenses	54.0	50.1	-7.1%
Depreciation and amortisation	15.6	12.4	-20.2%
Operating costs	**155.5**	**139.8**	**-10.1%**
Net operating income before impairments	**131.0**	**115.7**	**-11.7%**
Credit impairment (net)	21.9	22.5	2.6%
Provisions and impairments of other assets (net)	13.0	-0.3	-
Net operating income	**96.1**	**93.6**	**-2.6%**
Income Tax	20.0	26.9	34.8%
Net operating income after tax and before non-controlling interests	**76.1**	**66.7**	**-12.4%**
Non-controlling interests	18.0	16.4	-9.2%
Results from subsidiaries held for sale	61.5	24.8	-59.6%
Results of associated companies	0.0	0.3	-
Net income	**119.5**	**75.4**	**-36.9%**

(1) Pure intragroup transactions with no impact on consolidated net income are not eliminated.

Notwithstanding the favourable €4.0 million evolution of other operating income, the decrease of net interest income strongly conditioned total operating income which, in June 2018, amounted to €255.5 million. The evolution of the currencies of Angola and Macau against the euro made a decisive contribution to the reduction of this income in the half year (in comparison to first half 2017), in contrast to the evolution registered in local currency. Excluding the referred to currency effect, net interest income from international activity in first half 2018 would have been up by an additional €26.0 million.

The negative evolution of total operating income which in comparison to the same period of the preceding year was down 10.8% by €31.0 million was partly offset by the decrease of all component parts of the operating costs of international activity. In comparison to the first half of the preceding year, employee costs were down 10.2% and administrative costs down 7.1% with depreciation being contained at 20.2%.

The main contributors to net income from international operations were BNU Macao (€30.5 million), BCI Mozambique (€10.1 million) and France branch (€9.8 million).

Consolidated net assets in the international area were down 8.0% in comparison to December 2017, to €19,331 million. This evolution was strongly influenced by the decrease in loans and advances to credit institutions (down €883 million) and financial assets at fair value through other comprehensive income (down €615 million). Loans and advances to customers were also 3.9% down by €330 million to €8,078 million. BNU Macau and BCG Angola, with negative variations, conditioned by the devaluation of their currencies, of €211 million (down 7.1%) and €142 million (down 29.9%), respectively, were particularly responsible for the latter reduction.

The international area's contribution to total deposits was down 10.2% over December 2017 to €10,040 million. This evolution derived from the performance of the Group's units in Asia, which still account for 43% of customer deposits in the international area.

MAIN ENTITIES

BNU Macau

The year-on-year contraction of BNU's total business revenue in first half 2018, mainly derived from its decision to reduce the proportion of deposits with the highest cost.

Customer deposits were down 9.6% over June 2017 to 44,260 million patacas (MOP). The loans and advances to customers portfolio, in turn, was up 10.4% over June 2017 to MOP 26,763 million.

The loans-to-deposits ratio at 30 June 2018 was 66.9% against the preceding year's 54.8%.

In light of the above evolution, total assets were down 5.4% in comparison to the same month of the preceding year to MOP 58,148 million.

Net interest income, benefiting from an increase of net credit and sharp reduction of the funding cost, was up 0.9% by an additional MOP 379 million over first half 2017.

Net commissions were down 19.8%, by MOP 18 million patacas in the period under analysis owing to the sharp decrease of transactions on the CUP (China Union Pay) network since July 2017, following the authorities' imposition of withdrawal limits in addition to the introduction of the KYC (Know Your Customer) video display on all ATMs in the Territory of Macau.

Notwithstanding this evolution of commissions, total operating income was up 10.5% over the same period of the preceding year, to which an essential contribution was made by the increase in income from financial operations, largely deriving from the revaluation of currency swaps (NPVs), and, to a lesser degree, the referred to increase of net interest income.

Operating costs in the period under analysis were up 6.4%. This was largely on account of the increases in rent levels on the bank's premises, communications and postal charges, travel and expense account items, data processing, security, consultancy and the transportation of valuables as well as the impact of the damages wrought by the August 2017 typhoon.

Notwithstanding the growth of operating costs, the efficiency ratio in the period under analysis, deriving from the increase of total operating income was 35.6% against 37.3% in June 2017.

The provisions and impairment aggregate was down across the period in question. This derived from the lower year-on-year growth of the domestic credit portfolio over 2017 and the adoption of the new IFRS 9 impairment model.

The positive impacts of the evolution of income from financial operations and provisions recoveries more than offset the added costs of marketing, rents on buildings and communications areas resulting from the new KYC policy on ATMs.

Net income was therefore up 19.6% by MOP 49 million over the same period of the preceding year to MOP 298 million.

			(EUR Million)			(MOP Million)
BNU - MACAU			Change			Change
MAIN INDICATORS	2017-06	2018-06	(%)	2017-06	2018-06	(%)
Net interest income	43.4	38.8	-10.4%	376	379	0.9%
Total operating income	53.9	52.9	-1.9%	467	517	10.5%
Operating costs	20.1	19.0	-5.6%	174	186	6.4%
Net op. income before impairments	33.8	33.9	0.3%	293	331	13.0%
Provisions and impairments	0.8	-0.9	-	7	-9	-
Net income	28.8	30.5	6.1%	249	298	19.6%
Net assets	7.088.5	5.951.4	-16.0%	61.446	58.148	-5.4%
Loans and adv. to customers (net)	2.797.6	2.739.2	-2.1%	24.250	26.763	10.4%
Customer deposits	5.106.0	4.095.6	-19.8%	44.260	40.016	-9.6%

Exchange rate EUR/MOP - Balance sheet: 9.17398 in jun/17 and 9.4212 in jun/18; P&L: 8.66837 in jun/17 and 9.77047 in jun/18.

BNU Macau's contribution to CGD Group's consolidated net income in first half 2018 totalled €30.5 million against €28.8 million for the same half 2017.

France Branch

The balance sheet of the France branch (CGD France) was €2,883 million in June 2018 − down €1,503 million over the same period 2017. This evolution resulted from the transfer/early redemption of loans and advances to customers in respect of booking activities and loans and advances to credit institutions, accompanied, on the liabilities side, by credit institutions' resources and issuances of debt securities.

The loans and advances to customers (net) portfolio was down 36.9% by €1,294 million to €2,216 million for the above referred to reasons.

Customer deposits were up 5.1% over the preceding year to €2,321 million.

Net interest income in first half 2018, was down 37.3% over the same period last year. When considering solely retail activity, the year-on-year decrease of net interest income was 1.6% or €553 thousand. In spite of the increase in the size of the credit portfolio the price effect had a higher impact on account of the evolution of the real estate market.

Non interest income was slightly down over the same period last year, following the decrease in net commissions which is mainly explained by the cancellation of transfers from the France branch to CGD headquarters.

Operating costs were down 14.1% by €4.3 million over first half 2017 to €26.4 million. Contributory factors were the 22.5% decrease of €2.4 million in general administrative costs and the 10.8% decrease of €2.1 million in employee costs.

In light of the above referred to evolution, CGD France's net income for the half year was €7.6 million.

(EUR Million)

FRANCE BRANCH			Change	
MAIN INDICATORS	2017-06	2018-06	Total	(%)
Net interest income	53.2	33.4	-19.9	-37.3%
Total operating income	65.2	45.2	-19.9	-30.6%
Operating costs	30.7	26.4	-4.3	-14.1%
Net op. income before impairments	34.4	18.8	-15.6	-45.3%
Provisions and impairments	5.9	5.3	-0.6	-10.5%
Net income	18.4	7.6	-10.7	-58.4%
Net assets	4,385.8	2,883.3	-1,502.5	-34.3%
Loans and adv. to customers (net)	3,509.5	2,215.6	-1,293.9	-36.9%
Customer deposits	2,208.5	2,321.5	113.0	5.1%

France branch contributed €9.8 million to CGD's consolidated net income in first half 2018.

BCG Angola

BCG Angola's net assets were up 12.1% over June 2017 to AOA 340,067 million. Its loans and advances to customers portfolio (net), however, was down 9.0% to AOA 84,456 million.

Customer deposits were down 2.1% to AOA 232,235 million, partly owing to the current environment of a reduction of the money supply in circulation and increased competition for resources.

The 54.5% increase of total operating income to AOA 17,700 million was positively impacted by the performance of income from foreign exchange operations generated by currency depreciation, particularly in the case of securities indexed in foreign currencies.

Operating costs were up 11.7% year-on-year, largely owing to the 24.1% increase in administrative costs.

BCG Angola's net income was up 7.7% over the same period 2017 to AOA 4,591 million in first half 2018.

	(EUR Million)			(AOA Million)		
BCG - ANGOLA			Change			Change
MAIN INDICATORS	2017-06	2018-06	(%)	2017-06	2018-06	(%)
Net interest income	63.4	45.0	-29.1%	11,336	11,807	4.1%
Total operating income	64.1	67.4	5.2%	11,460	17,700	54.5%
Operating costs	28.0	21.3	-23.9%	4,999	5,584	11.7%
Net op. income before impairments	36.1	46.1	27.7%	6,461	12,116	87.5%
Provisions and impairments	8.3	15.4	86.3%	1,482	4,055	173.6%
Net income	23.8	17.5	-26.7%	4,263	4,591	7.7%
Net assets	1,610.3	1,169.9	-27.3%	303,318	340,067	12.1%
Loans and adv. to customers (gross)	492.9	290.5	-41.1%	92,849	84,456	-9.0%
Customer deposits	1,259.5	799.2	-36.5%	237,236	232,325	-2.1%

Exchange rate EUR/AOA - Balance sheet: 188.35939 in jun/17 and 290.67999 in jun/18; P&L: 178.77894 in jun/17 and 262.54603 in jun/18.

BCG Angola's contribution to CGD Group's consolidated net income in first half 2018 totalled €8.9 million.

Banco Comercial e de Investimentos

Notwithstanding the challenges of the domestic economic environment, with a deceleration in lending activity, BCI ended first half 2018 with a solid financial and equity situation, comfortable liquidity levels and adequate control over its operating costs.

Net assets remained stable at MZN 148,642 million (up 0.5%). Loans and advances to customers (net) were down 10.5% by MZN 8,139 million over the same period last year to MZN 69,447 million owing to high funding costs and a fall in demand.

Total customer deposits, in June 2018, amounted to MZN 108,811 million, against MZN 108,400 million in June 2017. The bank's loans-to-deposits ratio, in June 2018, measured by the gross lending to total customer deposits quotient, was 67.2% – down 6.2 pp over the 73.4% recorded in the same period 2017.

Shareholders' equity was up by MZN 3,413 million over June last year to MZN 15,027 million. This evolution mirrors a stronger basis own funds adequacy ratio which contributed towards the growth of the solvency ratio to 14.7% in June 2018, as opposed to 12.9% in June 2017. This is much higher than the 9.0% minimum legally established by the Bank of Mozambique.

BCI's net profit, in June 2018, was up 28.8% over June 2017 to MZN 1,158 million. This evolution largely derived from the 6.8% increase in total operating income which offset the 4.2% growth of structural costs as well as the 39.2% growth of impairment and provisions costs. The growth of total operating income was largely fuelled by the 16.2% increase of MZN 634 million in net interest income.

Operating costs were up 4.2% by MZN 142 million, largely on account of the growth of employee costs, impacted by the revision of wage scales, effective from January 2018 and the process of promotions and merit-based advancements in May 2018.

Cost-to-income improved to 64.2% – down 1.6 pp over the 65.8% of the preceding year. ROA (return on assets) was up 0.38 pp year-on-year (1.88% in June 2017 against 1.50% in June 2018).

Impairment and provisions were up 39.2% by MZN 151 million year-on-year to MZN 536 million in June 2018.

			(EUR Million)			(MZN Million)
BCI - MOZAMBIQUE			Change			Change
MAIN INDICATORS	2017-06	2018-06	(%)	2017-06	2018-06	(%)
Net interest income	54.7	62.5	14.3%	3,897	4,531	16.2%
Total operating income	72.7	76.3	5.0%	5,179	5,530	6.8%
Operating costs	47.8	49.0	2.4%	3,407	3,549	4.2%
Net op. income before impairments	24.9	27.4	9.9%	1,773	1,981	11.8%
Provisions and impairments	5.4	7.4	36.8%	385	536	39.2%
Net income	12.6	16.0	26.6%	899	1,158	28.8%
Net assets	2,198.0	2,167.4	-1.4%	147,975	148,642	0.5%
Loans and adv. to customers (net)	1,152.5	1,012.6	-12.1%	77,586	69,447	-10.5%
Customer deposits	1,610.2	1,586.6	-1.5%	108,400	108,811	0.4%

EUR/MZN exchange rate: Balance sheet: 67.32193 in June 2017 and 68.58 in June 2018; P&L: 71.20986 in June 2017 and 72.43659 in June 2018.

BCI Moçambique's contribution to CGD Group's consolidated income in first half 2018 amounted to MZN 10.1 million.

East Timor Branch

Reference should be made to BNU Timor's role in Timor's financial sector in which it has affirmed its status as a pioneering bank in bringing new products onto the market. These particularly included the launch of the first Visa cards at the end of 2017 to which a large number of customers subscribed in first half 2018. Visa-BNU cards are currently the only credit cards to have been issued by East Timor's financial system. The bank's greater focus on its offer of banking services (means of payment, ATMs, POS terminals, internet banking etc.) was reflected in a slight increase in its non-interest income.

A cooling economy caused by political instability over the last 12 months (3 elections) is the principal factor behind the 22.7% reduction of net lending to USD 24.7 million against a balance of USD 32 million in June of the preceding year.

Notwithstanding the economically adverse situation, there has been a higher volume of new loan agreements for individual customers since the start of the year, owing to greater commercial dynamism in this segment.

BNU Timor's liabilities were down by a year-on-year 20.6% to USD 328.3 million at the end of the first half. This reduction largely derives from the economic impact of the political situation whose consequences led to a reduction of corporate and public institutions' resources. This was offset by the 44.5% increase of USD 11.5 million in credit institutions' resources.

Net income was 16.9% down over June 2017 to USD 2.7 million in June 2018. Net interest income as the principal component of total operating income was down 7.2% by USD 0.3 million to USD 4.2 million, over the preceding year. Consideration, herein, should be given to the lower levels of loans and advances to customers and management of the bank's own (smaller) portfolio than in June 2017. Interest and similar costs were also down 12.7%, owing to the withdrawal of the investments of a credit institution.

Income from financial operations in June 2018 was down 39.4% by USD 141 thousand, resulting from foreign exchange differences in the period.

General administrative costs were down 4.8% by USD 89 thousand year-on-year. The variation was due to the decrease of communications costs, with the decrease of the costs of specialised IT services as well as advertising costs.

Income before tax was down 18.1% over the same period of the preceding year to USD 2.7 million at the end of first half 2018.

			(EUR Million)			(USD million)
TIMOR BRANCH			Change			Change
MAIN INDICATORS	2017-06	2018-06	(%)	2017-06	2018-06	(%)
Net interest income	4.2	3.5	-17.0%	4.5	4.2	-7.2%
Total operating income	5.5	4.8	-13.4%	6.0	5.8	-3.2%
Operating costs	3.3	3.0	-9.9%	3.6	3.6	0.7%
Net op. income before impairments	2.2	1.8	-18.7%	2.4	2.1	-9.1%
Provisions and impairments	-0.8	-0.4	-	-0.9	-0.5	-
Net income	3.0	2.2	-25.7%	3.2	2.7	-16.9%
Net assets	369.9	294.8	-20.3%	422.1	343.6	-18.6%
Loans and adv. to customers (net)	28.0	21.2	-24.3%	32.0	24.7	-22.7%
Customer deposits	337.0	247.8	-26.5%	384.6	288.8	-24.9%

EUR/USD exchange rate: Balance sheet: 1.1412 in June 2017 and 1.1658 in June 2018; P&L: 1.08252 in June 2017 and 1.21035 in June 2018.

Timor branch's contribution to CGD Group's consolidated net income in first half 2018 amounted to €1.6 million.

Banco Comercial do Atlântico

The balance sheet of Banco Comercial do Atlântico (BCA) at the end of June 2018 was up 4.8% by 4,114 million Cape Verde (CVE) escudos over the same date 2017. This essentially derived from the growth of loans and advances to credit institutions.

The credit portfolio (net) remained stable (up 0.7% over June 2017), at CVE 44,983 million. Lending in first half 2018 was insufficient to offset the total amount of normal portfolio repayments. This was offset by the excellent performance of the Linha PME (SME line of credit) which was confirmed by the re-launch of the "Mais 2.5 milhões" (additional 2.5 million) line, to strengthen the corporate credit portfolio. Reference should be made to the evolution of overdue credit to CVE 5 billion in June 2018, down 15.5% over June 2017.

On the liabilities side, customer deposits were up 4.7% to CVE 77,643 million. The loans-to-deposits ratio was down to 57.9%.

Net interest income for the first half year was up by a year-on-year 20.5% to CVE 1,138 million. This positive evolution particularly derived from the lower level of interest and similar costs.

Structural costs remained under control, owing to the implementation of the costs rationalisation process over the last few years. Employee costs were down 0.2% and general administrative costs up 5.5%, highly influenced by non-recurring consultancy-related costs in the bank protection area.

Net income for the half year was up 254% over first half 2017 to CVE 383 million.

The cost-to-income efficiency ratio improved to 63% in first half 2018.

			(EUR Million)			(CVE Million)
BCA - CAPE VERDE			Change			Change
MAIN INDICATORS	2017-06	2018-06	(%)	2017-06	2018-06	(%)
Net interest income	8.6	10.3	20.5%	945	1,138	20.5%
Total operating income	11.6	13.2	14.2%	1,278	1,458	14.2%
Operating costs	8.2	8.3	1.4%	906	919	1.4%
Net op. income before impairments	3.4	4.9	45.3%	372	540	45.3%
Provisions and impairments	2.2	0.4	-80.1%	245	49	-80.1%
Net income	1.0	3.5	254.0%	108	383	254.0%
Net assets	781.7	819.0	4.8%	86,190	90,304	4.8%
Loans and adv. to customers (net)	405.2	408.0	0.7%	44,684	44,983	0.7%
Customer deposits	672.6	704.1	4.7%	74,168	77,643	4.7%

Exchange rate EUR/CVE – 110.265 in jun/17 and in jun/18.

BCA's contribution to CGD Group's consolidated net income in first half 2018 totalled €2.0 million.

Banco Interatlântico

The key indicators of Banco Interatlântico (BI) for its first half year of activity reflect its further consolidation of the strategic initiatives deriving from the three performance areas defined by the bank: profitability improvements, risk mitigation and requalification of (human and technological) resources.

Loans and advances to customers (net) were up 2.7% over June 2017 to 17,677 million Cape Verde escudos (CVE) with growth of 13% having been posted by the individual customers segment.

In turn, customer deposits were slightly down by 4.9% over June 2017 to CVE 21,749 million.

The loans-to-deposits ratio was up by around 6 pp to 81%, as a consequence of the increase in credit and decrease of deposits.

Lower borrowing rates permitted a 54% decrease in financial costs over the same period 2017.

The cost-to-income ratio was down 18.1 pp owing to the 24.5% growth of total operating income which was essentially influenced by the higher increase of net interest income than that of structural costs.

Net income for the period under analysis amounted to CVE 128 million against CVE 67 million for the same period 2017.

BANCO INTERATLÂNTICO			(EUR Million) Change			(CVE Million) Change
MAIN INDICATORS	2017-06	2018-06	(%)	2017-06	2018-06	(%)
Net interest income	2.6	3.7	40.1%	291	408	40.1%
Total operating income	3.7	4.6	24.5%	404	504	24.5%
Operating costs	2.8	2.7	-4.8%	311	296	-4.8%
Net op. income before impairments	0.9	1.9	122.0%	94	208	121.9%
Provisions and impairments	0.2	0.6	151.8%	27	68	151.7%
Net income	0.6	1.2	92.0%	67	128	92.0%
Net assets	234.7	224.4	-4.4%	25,877	24,738	-4.4%
Loans and adv. to customers (net)	156.1	160.3	2.7%	17,213	17,677	2.7%
Customer deposits	207.4	197.2	-4.9%	22,873	21,749	-4.9%

Exchange rate EUR/CVE – 110.265 in jun/17 and in jun/18.

Banco Interatlântico's contribution to CGD Group's consolidated net income in first half 2018 totalled €793 thousand.

1.5.2. SEPARATE ACTIVITY

RESULTS

Caixa Geral de Depósitos's separate activities in first half 2018 generated core operating income (the sum of net interest income and commissions, net of recurring operating costs) of €79.8 million, up 43.8% year-on-year, as a result of the positive performance of operating costs and commissions.

Net interest income, including income from equity instruments, was up 3.6% over first half 2017 to €472.1 million, notwithstanding the very slight 0.4% reduction of €1.6 million in interest margin.

The performance of non-interest income was unfavourable and down €109.6 million over the amount posted in first half 2017. A contributory factor was the 84.9% decrease of €135.9 million in income from financial operations over June 2017.

Reference should be made to the 15.7% reduction of €72.7 million in operating costs. By components, reference should be made to the 14.6% reduction of €42.4 million in employee costs, 11.5% reduction of €16.1 million in administrative costs and 42.6% reduction of €14.3 million in depreciation.

(EUR thousand)

SEPARATE INCOME STATEMENT (1)			Change	
	2017-06	2018-06	Value	(%)
Interest and similar income	868,926	761,994	-106,933	-12.3%
Interest and similar costs	460,350	354,975	-105,375	-22.9%
Net interest income	408,576	407,018	-1,558	-0.4%
Income from equity instruments	47,005	65,070	18,065	38.4%
Net interest income incl. income from eq. investm.	**455,581**	**472,089**	**16,507**	**3.6%**
Income from services and commissions	217,610	237,230	19,620	9.0%
Costs of services and commissions	41,386	39,966	-1,420	-3.4%
Results from services and commissions	176,224	197,263	21,040	11.9%
Income from financial operations	160,140	24,233	-135,908	-84.9%
Other Operating Income	-32,981	-27,689	5,292	-
Non-interest income	**303,383**	**193,807**	**-109,576**	**-36.1%**
Total operating income	**758,964**	**665,896**	**-93,069**	**-12.3%**
Employee costs	290,922	248,512	-42,410	-14.6%
Administrative expenses	139,240	123,162	-16,078	-11.5%
Depreciation and amortisation	33,469	19,212	-14,257	-42.6%
Operating costs	463,631	390,885	-72,746	-15.7%
Net operating income before impairments	**295,334**	**275,011**	**-20,323**	**-6.9%**
Credit impairment (net)	43,866	89,596	45,730	104.2%
Provisions and impairments of other assets (net)	60,199	-72,010	-132,209	-
Provisions and impairments	**104,064**	**17,585**	**-86,479**	**-83.1%**
Net operating income	**191,269**	**257,426**	**66,156**	**34.6%**
Tax	**111,446**	**127,793**	**16,347**	**14.7%**
Current	78,615	6,932	-71,684	-91.2%
Deferred	-679	91,019	91,698	-
Special contrib. on the banking sector	33,509	29,842	-3,668	**-10.9%**
Net income	**79,823**	**129,633**	**49,810**	**62.4%**

(1) Includes CGD Portugal and CGD's Branches abroad.

Provisions and impairment for the half were down 83.1% over the same period of the preceding year to €17.6 million.

Operating income for the half year accordingly totalled €257.4 million. Net of tax of €127.8 million of which €29.8 million for the special banking sector contribution, net income was up 62.4% by €49.8 million to €129.6 million.

BALANCE SHEET

Caixa Geral de Depósitos's separate net assets were down 5.4% over the same half of the preceding year to €81,657 million at the end of June 2018. Reference should be made to the evolution of the loans and advances to customers portfolio which was down 6.0% by €3 billion and securities investments which were down 10.3% by €1,941 billion.

(EUR million)

SEPARATE BALANCE SHEET (1)				Change 2018-06 vs 2017-06		Change 2018-06 vs 2017-12	
ASSETS	2017-06	2017-12	2018-06	Value	(%)	Value	(%)
Cash and equival. with central banks	3,561	3,750	4,453	892	25.0%	703	18.8%
Loans and advances to cred. inst.	4,637	4,211	4,260	-377	-8.1%	48	1.2%
Securities investments	18,932	17,337	16,990	-1,941	-10.3%	-347	-2.0%
Loans and advances to customers	50,107	48,072	47,094	-3,012	-6.0%	-978	-2.0%
Assets with repurchase agreement	0	0	255	255	-	255	-
Non-current assets held for sale	335	713	720	385	114.9%	7	0.9%
Intangible and tangible assets	377	336	289	-88	-23.4%	-47	-14.0%
Inv. in subsid. and assoc. companies	4,048	3,492	3,547	-501	-12.4%	54	1.6%
Current and deferred tax assets	2,298	2,235	2,136	-162	-7.1%	-99	-4.5%
Other assets	2,026	2,027	1,913	-113	-5.6%	-114	-5.6%
Total assets	**86,320**	**82,174**	**81,657**	**-4,663**	**-5.4%**	**-517**	**-0.6%**
LIABILITIES							
Central banks' and cred. inst. resources	5,520	4,847	3,050	-2,470	-44.7%	-1,797	-37.1%
Customer resources	59,759	56,838	58,727	-1,031	-1.7%	1,889	3.3%
Debt securities	4,081	4,053	3,242	-839	-20.6%	-811	-20.0%
Financial liabilities	1,254	1,056	851	-403	-32.1%	-205	-19.4%
Provisions	1,174	1,247	1,167	-7	-0.6%	-80	-6.4%
Subordinated liabilities	1,669	1,128	1,621	-48	-2.9%	493	43.7%
Other liabilities	5,820	5,833	5,814	-7	-0.1%	-19	-0.3%
Sub-total	**79,277**	**75,001**	**74,472**	**-4,805**	**-6.1%**	**-529**	**-0.7%**
Shareholders' equity	**7,043**	**7,173**	**7,185**	**142**	**2.0%**	**12**	**0.2%**
Total	**86,320**	**82,174**	**81,657**	**-4,663**	**-5.4%**	**-517**	**-0.6%**

(1) Includes CGD Portugal and CGD's Branches abroad.

The 2.0% reduction of €978 million in loans and advances to customers in the half year reflects the volume of sales and write-offs, as well as a higher rate of repayments than that on new lending operations.

Total liabilities of €74,472 million, were down by a year-on-year €4,805 million and particularly derived from the 44.7% reduction of €2,470 million in the central banks' and credit institutions' resources account. This situation derived from the end of June repayment of €2 billion of ECB (European Central Bank) funding, leaving CGD Portugal without any ECB finance. This operation shows Caixa's robustness and comfortable liquidity situation and represented the culmination of a policy of gradually decreasing its reliance on such resources, in force over the last few years.

Customer resources, essentially comprising deposits were up 3.3% by €1,889 million over December 2017.

(EUR million)

SEPARATE SHAREHOLDERS' EQUITY	2017-06	2017-12	2018-06
Share capital	3,844	3,844	3,844
Other equity instruments	500	500	500
Revaluation reserves	218	338	229
Other reserves and retained earnings	2,401	2,467	2,482
Net income	80	25	130
Total	**7,043**	**7,173**	**7,185**

Shareholders' equity in respect of Caixa's separate operations was up €12 million over December 2017, to €7,185 million at the end of June 2017. The year-on-year increase was €142 million.

Securities representing the market issuance of additional tier 1 own funds at the end of March 2017, for the amount of €500 million are recognised in other equity instruments.

The phased-in common equity tier 1 (CET 1) and Total capital ratios calculated under CRD IV/CRR rules were 16.0% and 19.3%, respectively, in June 2018. These ratios include net income of around €130 million. Not including the referred to net income, the CET 1 and phased-in Tier 1 ratios would have been 17.0% and 18.9%, respectively.

The variation in the CET 1 ratio between December 2017 and June 2018 essentially reflects the combined effects of the progression over time associated with the phasing-in process, application of IFRS 9, deductions of irrevocable commitments (related with the Deposit Guarantee Fund and Resolution Fund) and the evolution of CGD's consolidated activity.

The improvement of CGD's total ratio reflects the impact of the €500 million market issuance of instruments eligible as level 2 own funds in June 2018.

(EUR million)

SOLVENCY RATIOS (SEPARATE) (Not including net income)			
Phased-in (CRD IV / CRR)	2017-06	2017-12	2018-06
Own funds			
Common equity tier 1 (CET 1)	6,173	6,407	6,129
Tier 1	6,659	6,897	6,629
Tier 2	515	359	763
Total	**7,174**	**7,256**	**7,392**
Weighted assets	**42,590**	**40,468**	**39,064**
Solvency ratios			
CET 1	14.5%	15.8%	15.7%
Tier 1	15.6%	17.0%	17.0%
Total	**16.8%**	**17.9%**	**18.9%**
Fully Implemented (CRD IV / CRR)			
Own funds			
Common equity tier 1 (CET 1)	6,089	6,373	6,129
Weighted assets	**42,590**	**40,473**	**39,064**
CET 1 ratio	14.3%	15.7%	15.7%

The variation of the CET 1 ratio between December 2017 and June 2018 is essentially explained by the following impacts:

- Progression over time associated with the phasing-in process, leading to regulatory reductions to the CET 1 ratio, comprising a negative variation of 8 basis points;
- Deductions of the irrevocable commitments related with the Deposit Guarantee Fund and Resolution Fund, defined by the SREP – Supervisory Review and Evaluation Process decision of 2017, leading to a global negative impact of around 43 basis points on the CET 1 ratio;
- Coming into force of IFRS 9 from 1 January 2018, leading to a negative impact of around 29 basis points on the CET 1 ratio;
- Evolution of activity which improved level 1 principal own funds, by around €36 million, in which reference should be made to the effects;
    - on other reserves and retained earnings which were up by around €18 million;
    - on revaluation reserves, down by around €49 million of which €46 million in respect of profit and loss on available-for-sale assets;
    - of a smaller deduction of intangibles with a positive impact of around €15 million on own funds;

  - of a smaller deduction owing to exceeding the prudential limits related with deferred tax assets for temporary differences which had a positive impact of around €47 million on own funds;
  - on the reduction of other deductions applied to CET 1 with a positive impact of around €5 million on own funds.
- A reduction of around €1,404 million in RWAs (risk-weighted assets), essentially on account of the decrease of around €600 million in net credit, whose contributory factors included, inter alia, asset disposals and write-offs. There was also a reduction of the exposure of securitisations by around €68 million. Reference should also be made to the decrease of off-balance sheet exposure in terms of irrevocable commitments (securities subscriptions) of €303 million. Special mention should also be made of the decrease of RWAs on DTAs (deferred tax assets) of around €102 million. RWAs for market risk were also down by around €242 million.

SREP requirements for separate activity in 2018

The ECB, as authorised by Regulation (EU) no. 1024/2013 of 15 October, carries out reviews and evaluations on institutions, including stress tests, and, based on this review process may require credit institutions to comply with specific additional own funds requirements as well as specific information disclosure requirements.

The 2017 SREP process required Caixa Geral de Depósitos, S.A. (parent company) to maintain a level of permanent own funds and liquidity on the basis of Regulation (EU) no. 575/2013, the national legislation transposing Directive 2013/36/EU and any national liquidity requirements applicable in the sense of article 412, no. 5 of Regulation (EU) no. 575/2013.

1.6. Statement of conformity of the presentation of separate and consolidated condensed financial information

Under the terms of sub-paragraph c) of no. 1 of article 246 of the Securities Market Code, each of the undersigned, as indicated, declares that the separate and consolidated condensed financial statements for 1st half 2018, have, to the best of our knowledge, been produced in conformity with the applicable accounting standards and provide a true and appropriate image of the assets and liabilities, financial situation and results of Caixa Geral de Depósitos, SA and the companies included in its consolidation perimeter and that the board of directors' interim report gives an accurate account of the important events occurring in the respective period and the impact of the respective financial statements and contains a description of the main risks and uncertainties for the next six months.

Lisbon, 28 September 2018

Chairman of the Board of Directors

Emílio Rui da Veiga Peixoto Vilar

Vice-Chairman of the Board of Directors

Paulo José Ribeiro Moita de Macedo

Members of the Board of Directors

Francisco Ravara Cary

João Paulo Tudela Martins

José António da Silva de Brito

José João Guilherme

Maria João Borges Carioca Rodrigues

Nuno Alexandre de Carvalho Martins

Carlos António Torroaes Albuquerque

Ana Maria Machado Fernandes

José Maria Monteiro de Azevedo Rodrigues

Alberto Afonso Souto Miranda

Hans-Helmut Kotz

Mary Jane Antenen

Altina de Fátima Sebastian Gonzalez Villamarin

1.7. Bonds held by members of the Board of Directors and Supervisory Board

(ARTICLE 447 OF THE COMMERCIAL COMPANIES CODE)

Bondholders	Security	Number of bonds at 30/06/2018
Emílio Rui Vilar	Subordinated bonds CGD – 2009/2019 – Anniversary	100
José António da Silva de Brito	Subordinated bonds CGD – 2009/2019 – Anniversary	45

The remaining members of the Board of Directors and related entities referred to in article 447 of the *Commercial Companies Code* do not hold any CGD bonds or bonds in the other companies also listed in the referred to legal disposition.

Members of the Board of Directors and Supervisory Board do not have any investment in companies in which CGD has a direct or indirect majority shareholding.

1.8. Information on CGD's Shareholders

(ARTICLE 448 OF THE COMMERCIAL COMPANIES CODE)

Shareholders	Share Capital at 30/06/2018	% Equity Stake at 30/06/2018
Portuguese State	€ 3,844,143,735	100%

1.9. Condensed Separate and Consolidated Financial Statements

CAIXA GERAL DE DEPÓSITOS, S.A.

SEPARATE BALANCE SHEET

(EUR)

ASSETS	30/06/2018			31/12/2017
	Amounts before impairment, amortisation and depreciation	Impairment and amortisation and depreciation	Net assets	Net assets
Cash and cash equivalents at central banks	4,453,408,631	-	4,453,408,631	3,750,223,524
Cash balances at other credit institutions	744,098,745	-	744,098,745	402,737,261
Loans and advances to credit institutions	3,524,397,593	(8,675,540)	3,515,722,053	3,808,636,615
Financial assets at fair value through profit or loss	9,066,782,565	-	9,066,782,565	6,675,287,320
Financial assets at fair value through other comprehensive income	3,291,377,070	(538,722)	3,290,838,348	8,550,550,340
Financial assets with repurchase agreement	254,741,357	-	254,741,357	-
Hedging derivatives	5,723,628	-	5,723,628	7,412,943
Investments at amortized cost	4,632,683,254	-	4,632,683,254	2,111,276,033
Loans and advances to customers	50,971,462,031	(3,877,019,777)	47,094,442,254	48,072,190,440
Non-current assets held for sale	1,363,075,082	(642,855,573)	720,219,509	713,453,914
Investment properties	3,286,623	-	3,286,623	3,286,623
Other tangible assets	1,177,328,325	(921,796,432)	255,531,893	287,107,592
Intangible assets	655,584,975	(622,456,929)	33,128,046	48,465,068
Investments in associates, subsidiaries and joint ventures	4,105,153,528	(558,383,401)	3,546,770,127	3,492,318,630
Current tax assets	22,184,155	-	22,184,155	20,470,236
Deferred tax assets	2,113,442,100	-	2,113,442,100	2,214,634,010
Other assets	2,272,096,884	(367,931,981)	1,904,164,903	2,016,373,063
Total Assets	88,656,826,546	(6,999,658,355)	81,657,168,191	82,174,423,612

LIABILITIES AND EQUITY	30/06/2018	31/12/2017
Resources of central banks and other credit institutions	3,050,063,433	4,847,200,640
Customer resources and other loans	58,727,323,769	56,837,841,565
Debt securities	3,241,681,592	4,052,826,581
Financial liabilities at fair value through profit or loss	850,959,238	1,055,530,514
Financial liabilities associated with transferred assets	3,636,721,600	3,790,917,908
Hedging derivatives	4,477,927	5,458,606
Provisions	1,167,186,470	1,247,076,100
Current tax liabilities	905,963	617,235
Deferred tax liabilities	161,676,247	203,438,648
Other subordinated liabilities	1,621,201,939	1,127,807,445
Other liabilities	2,009,876,766	1,832,661,604
Total Liabilities	74,472,074,944	75,001,376,846
Share capital	3,844,143,735	3,844,143,735
Other equity instruments	500,000,000	500,000,000
Revaluation reserves	228,863,613	337,693,358
Other reserves and retained earnings	2,482,452,855	2,466,567,867
Net income for the period	129,633,044	24,641,806
Total Equity	7,185,093,247	7,173,046,766
Total Liabilities and Equity	81,657,168,191	82,174,423,612

Certified Public Accountant

Andreia Júlia Meneses Alves

Chairman

Emílio Rui da Veiga Peixoto Vilar

Deputy Chairman

Paulo José Ribeiro Moita de Macedo

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CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED SEPARATE INCOME STATEMENT

(EUR)

	30/06/2018	30/06/2017
Interest and similar income	761,993,716	868,926,439
Interest and similar expenses	(354,975,274)	(460,349,941)
Income from equity instruments	65,070,087	47,004,725
NET INTEREST INCOME	472,088,529	455,581,223
Income from services and commissions	237,229,606	217,609,608
Costs of services and commissions	(39,966,307)	(41,385,811)
Results from financial operations	24,232,696	160,140,360
Other operating income	(27,688,893)	(32,981,132)
TOTAL OPERATING INCOME	665,895,631	758,964,248
Employee costs	(248,511,514)	(290,921,739)
Other administrative costs	(123,161,800)	(139,240,168)
Depreciation and amortisation	(19,211,559)	(33,468,667)
Provisions net of reversals	75,156,131	(65,417,592)
Loan impairment, net of reversals and recoveries	(89,595,560)	(43,865,821)
Other assets impairment, net of reversals and recoveries	(3,145,738)	5,218,985
INCOME BEFORE TAX	257,425,591	191,269,246
Income tax	(127,792,547)	(111,445,760)
NET INCOME FOR THE PERIOD	129,633,044	79,823,486
Average number of ordinary shares outstanding	768,828,747	538,074,679
Earnings per share (in Euros)	0.17	0.15

Certified Public Accountant

Andreia Júlia Meneses Alves

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Deputy Chairman

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CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME

(EUR Thousand)

	30/06/2018	30/06/2017
Balances subject to reclassification to profit or loss		
Adjustments to fair value of financial assets		
Gains / (losses) arising during the year	27,753	155,658
Adjustments of fair value reserves reclassified to net income		
Impairment recognized in the year	365	2,877
Disposal of financial assets	(24,557)	(15,073)
Tax effect	(869)	(41,025)
Foreign exchange differences in branches		
Gains / (losses) arising during the year	(286)	12,676
Other	(129)	93
Subtotal	2,277	115,206
Balances not subject to reclassification to profit or loss		
Benefits to employees - actuarial gains and losses		
Gains / (losses) arising during the year	(12,159)	-
Tax effect	350	-
Changes in the fair value of equity instruments	341	-
Subtotal	(11,468)	-
Total comprehensive net income for the period recognised in reserves	(9,191)	115,206
Net income for the year	129,633	79,823
Total comprehensive net income for the year recognised in reserves	120,442	195,030

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED SEPARATE CASH FLOW STATEMENTS

(EUR thousand)

	30/06/2018	30/06/2017
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	969,754	1,099,534
Interest, commissions and similar expenses paid	(345,922)	(450,828)
Recovery of principal and interest	37,054	35,765
Payments to employees and suppliers	(313,551)	(331,338)
Payments and contributions to pension funds and other benefits	(59,011)	(57,316)
Other results	(507)	(1,191)
	287,817	294,627
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	956,670	2,024,352
Assets held-for-trading and other assets at fair value through profit or loss	(2,607,993)	(1,359,315)
Other assets	(2,408,891)	(1,332,031)
	(4,060,214)	(666,994)
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	(1,795,002)	(432,166)
Customer resources and other loans	1,887,834	1,132,140
Other liabilities	201,591	(351,446)
	294,423	348,529
Net cash from operating activities before taxation	(3,477,974)	(23,839)
Income tax	(38,241)	(57,504)
Net cash from operating activities	(3,516,215)	(81,343)
INVESTING ACTIVITIES		
Dividends received from subsidiaries and associated companies	73,498	40,052
Dividends received from financial assets at fair value through other comprehensive income	68	6,953
Acquisition of investments in subsidiaries, associates and jointly controlled entities, net of disposals	16,007	55,000
Acquisition of financial assets at fair value through other comprehensive income, net of disposals	4,874,018	(53,429)
Acquisition of tangible and intangible assets, net of disposals	(7,581)	(13,839)
Net cash from investing activities	4,956,011	34,737
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(17,858)	(21,677)
Interest on debt securities	(103,250)	(105,593)
Interest in other equity instruments	(26,875)	-
Issue of subordinated liabilities, net of repayments	500,000	-
Issue of debt securities, net of repayments	(747,835)	(83,274)
Issue of other equity instruments	-	500,000
Capital increase	-	2,500,000
Net cash from financing activities	(395,819)	2,789,456
Increase (decrease) in cash and cash equivalents	1,043,977	2,742,850
Cash and cash equivalents at the beginning of the year	4,152,961	1,239,790
Foreign exchange differences in cash and cash equivalents	570	(1,232)
Net change of cash and cash equivalents	1,043,977	2,742,850
Cash and cash equivalents at end of the year	**5,197,507**	**3,981,409**

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY

(EUR thousand)

	Share capital	Other equity instruments	Revaluation reserves				Other reserves and retained earnings			Net income for the year	Total
			Revaluation reserves	Reserves for deferred tax	Fixed assets	Total	Legal reserve	Other reserves and retained earnings	Total		
Balances at December 31, 2016	5,900,000	-	7,698	(2,240)	110,425	115,883	865,348	(2,413,829)	(1,548,481)	(2,050,413)	2,416,989
Appropriation of net income for 2016:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	-	(2,050,413)	(2,050,413)	2,050,413	-
Other entries directly recorded in equity:											
Measurement gain / (losses) on financial assets	-	-	143,463	(41,025)	-	102,438	-		-	-	102,438
Foreign exchange differences in branches	-	-	-	-	-	-	-	12,676	12,676	-	12,676
Net income for the year	-	-	-	-	-	-	-	-	-	79,823	79,823
Other	-	-	-	-	-	-	-	93	93	-	93
Total gains and losses for the year recognised in equity	-	-	143,463	(41,025)	-	102,438	-	(2,037,645)	(2,037,645)	2,130,237	195,030
Capital increase	3,944,144	-	-	-	-	-	-	-	-	-	3,944,144
Capital decrease	(6,000,000)	-	-	-	-	-	(865,348)	6,865,348	6,000,000	-	-
Issue of other equity instruments (AT1)	-	500,000	-	-	-	-	-	-	-	-	500,000
Dividends and other charges associated with the issue of other equity instruments	-	-	-	-	-	-	-	(12,774)	(12,774)	-	(12,774)
Balances at June 30, 2017	3,844,144	500,000	151,161	(43,265)	110,425	218,321	-	2,401,101	2,401,101	79,823	7,043,388
Balances at December 31, 2017	3,844,144	500,000	312,826	(85,558)	110,425	337,693	-	2,466,568	2,466,568	24,642	7,173,047
Adoption of IFRS 9	-	-	(153,505)	41,984	-	(111,521)	-	22,650	22,650	-	(88,872)
Balances at January 1, 2018	3,844,144	500,000	159,321	(43,574)	110,425	226,172	-	2,489,217	2,489,217	24,642	7,084,175
Appropriation of net income for 2017:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	-	24,642	24,642	(24,642)	-
Other entries directly recorded in equity:											
Measurement gain / (losses) on financial assets	-	-	3,560	(869)	-	2,691	-	-	-	-	2,691
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	-	(11,809)	(11,809)	-	(11,809)
Foreign exchange differences in branches	-	-	-	-	-	-	-	(286)	(286)	-	(286)
Changes in the fair value of equity instruments	-	-	-	-	-	-	-	341	341	-	341
Net income for the period	-	-	-	-	-	-	-	-	-	129,633	129,633
Other	-	-	-	-	-	-	-	(129)	(129)	-	(129)
Total gains and losses for the year recognised in equity	-		3,560	(869)	-	2,691	-	(11,883)	(11,883)	129,633	120,442
Dividends and other charges associated with the issue of other equity instruments	-	-	-	-	-	-	-	(19,523)	(19,523)	-	(19,523)
Balances at June 30, 2018	3,844,144	500,000	162,882	(44,443)	110,425	228,864	-	2,482,453	2,482,453	129,633	7,185,093

CAIXA GERAL DE DEPÓSITOS, S.A.

CONSOLIDATED BALANCE SHEET

(EUR)

ASSETS	Notes	30/06/2018 Amounts before impairment, amortisation and depreciation	30/06/2018 Impairment, amortisation and depreciation	30/06/2018 Net assets	31/12/2017 Net assets	LIABILITIES AND EQUITY	Notes	30/06/2018	31/12/2017
Cash and cash equivalents at central banks	4	5,248,798,881	-	5,248,798,881	4,620,892,713	Resources of central banks and other credit institutions	18	2,322,689,501	4,042,850,063
Cash balances at other credit institutions	5	982,806,047	-	982,806,047	698,700,307	Customer resources and other loans	19	64,303,380,325	63,630,895,823
Loans and advances to credit institutions	6	2,318,463,447	(9,165,486)	2,309,297,961	3,028,693,730	Debt securities	20	3,241,281,764	4,051,421,034
Financial assets at fair value through profit or loss	7	7,795,340,596	-	7,795,340,596	6,792,824,259	Financial liabilities at fair value through profit or loss	10	859,187,333	1,060,339,220
Financial assets at fair value through other comprehensive income	8	4,611,958,476	(5,109,517)	4,606,848,959	6,331,363,017	Hedging derivatives	10	4,477,927	5,458,606
Financial assets with repurchase agreement	9	317,656,282	-	317,656,282	52,848,642	Non-current liabilities held-for-sale	13	5,720,140,101	5,783,828,926
Hedging derivatives	10	5,723,628	-	5,723,628	7,412,943	Provisions for employee benefits	21	800,473,531	814,063,799
Investments at amortised cost	11	3,269,291,394	(209,890)	3,269,081,504	2,626,819,147	Provisions for guarantees and other commitments	21	250,303,891	328,436,963
Loans and advances to customers	12	57,794,100,959	(4,181,617,782)	53,612,483,177	55,254,981,002	Provisions for other risks	21	161,548,097	145,789,979
Non-current assets held-for-sale	13	7,496,067,558	(851,801,258)	6,644,266,300	6,756,508,181	Current tax liabilities	16	53,593,082	30,518,698
Investment properties	14	876,882,564	-	876,882,564	897,817,848	Deferred tax liabilities	16	195,366,307	277,789,563
Other tangible assets		1,550,049,798	(1,074,093,644)	475,956,154	588,611,943	Other subordinated liabilities	22	1,521,834,080	1,027,741,379
Intangible assets		765,835,649	(716,279,124)	49,556,525	80,676,876	Other liabilities	23	3,919,837,597	3,774,464,211
Investments in associates and jointly controlled entities	15	399,915,090	(468,714)	399,446,376	414,716,961	Total liabilities		83,354,113,536	84,973,598,264
Current tax assets	16	35,162,154	-	35,162,154	34,883,388	Share capital	24	3,844,143,735	3,844,143,735
Deferred tax assets	16	2,183,911,282	-	2,183,911,282	2,287,808,330	Other equity instruments	24	500,000,000	500,000,000
Other assets	17	2,927,504,190	(232,811,220)	2,694,692,970	2,772,354,609	Revaluation reserves	25	267,698,898	394,960,625
						Other reserves and retained earnings	25	3,011,017,448	3,098,219,699
						Net income attributable to the shareholder of CGD	25	194,099,037	51,945,740
						Shareholders' equity attributable to CGD		7,816,959,119	7,889,269,799
						Non-controlling interests	26	336,838,705	385,045,833
						Total equity		8,153,797,824	8,274,315,632
Total assets		98,579,467,995	(7,071,556,635)	91,507,911,360	93,247,913,896	**Total liabilities and equity**		91,507,911,360	93,247,913,896

Certified Public Accountant

Andreia Júlia Meneses Alves

Chairman

Emílio Rui da Veiga Peixoto Vilar

Deputy Chairman

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CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED INCOME STATEMENT

(EUR)

	Notes	30-06-2018	30-06-2017
Interest and similar income	27	1,036,404,993	1,167,747,612
Interest and similar expenses	27	(443,089,936)	(561,983,803)
Income from equity instruments	28	11,961,233	23,770,830
NET INTEREST INCOME		605,276,290	629,534,639
Income from services rendered and commissions	29	296,858,548	276,272,719
Cost of services and commissions	29	(57,701,401)	(58,067,604)
Results from financial operations	30	50,877,983	217,904,273
Other operating income	31	(6,044,800)	(23,319,554)
TOTAL OPERATING INCOME		889,266,620	1,042,324,473
Employee costs	32	(326,566,314)	(375,587,503)
Other administrative costs	33	(157,563,107)	(179,283,927)
Depreciation and amortisation		(31,703,325)	(47,271,604)
Provisions, net of reversals	21	69,067,127	5,716,475
Loan impairment, net of reversals and recoveries	34	(112,987,703)	(47,000,506)
Other assets impairment, net of reversals and recoveries	34	(899,118)	(349,058,593)
INCOME BEFORE TAX AND NON CONTROLLING INTERESTS		328,614,180	49,838,815
Income tax	16	(168,069,863)	(152,539,687)
Results of associates and jointly controlled entities		27,056,864	11,006,168
RESULTS OF CONTINUING ACTIVITIES		187,601,181	(91,694,704)
Results of subsidiaries held-for-sale		24,799,243	61,453,121
CONSOLIDATED NET INCOME FOR THE PERIOD of which:		212,400,424	(30,241,583)
Non-controlling interests	26	(18,301,387)	(19,683,470)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD		194,099,037	(49,925,053)
Average number of ordinary shares outstanding	24	768,828,747	538,074,679
Earnings per share (in Euros)		0.25	(0.09)

Certified Public Accountant

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CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR thousand)

	30/06/2018			30/06/2017		
	Current operations	Non-current operations	Total	Current operations	Non-current operations	Total
Amounts that may be reclassified to net income						
Adjustments to the fair value of financial assets						
Gains / (losses) arising during the period	18,574	(113)	18,460	156,517	32,941	189,458
Reclassification adjustments in revaluation reserves						
Financial assets impairment recognized in the period	4,017	-	4,017	3,631	-	3,631
Disposal of financial assets in the period	(24,177)	(12,861)	(37,038)	(15,944)	(194)	(16,138)
Tax effect	(319)	4,099	3,780	(36,881)	(7,592)	(44,472)
Adjustments in revaluation reserves of associated companies	(61,599)	-	(61,599)	44,526	-	44,526
Foreign exchange difference resulting from consolidation						
Gains / (losses) arising during the period	(94,647)	(25,815)	(120,462)	(41,727)	(16,691)	(58,418)
Other	489	-	489	3,153	-	3,153
	(157,663)	(34,690)	(192,353)	113,275	8,465	121,740
Amounts that will not be reclassified to net income						
Employee benefits - actuarial gains and losses						
Gains / (losses) arising during the period	(12,121)	-	(12,121)	-	-	-
Tax effect	350	-	350	-	-	-
Changes in the fair value of equity instruments	341	-	341	-	-	-
	(11,430)	-	(11,430)	-	-	-
Total comprehensive income for the period recognised in reserves	(169,093)	(34,690)	(203,783)	113,275	8,465	121,740
Net income for the period	187,601	24,799	212,400	(91,695)	61,453	(30,242)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD of which:	18,508	(9,891)	8,618	21,580	69,918	91,498
Non-controlling interests	26,492	(14)	26,479	(17,689)	(287)	(17,976)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	45,001	(9,904)	35,096	3,891	69,631	73,522

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

(EUR thousand)

	30/06/2018	30/06/2017
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	1,323,310	1,535,603
Interest, commissions and similar expenses paid	(445,501)	(597,977)
Recovery of principal and interest	40,302	41,804
Payments to employees and suppliers	(422,857)	(493,540)
Payments and contributions to pension funds and other benefits	(61,586)	(57,316)
Other results	95,992	19,740
	529,661	448,314
(Increases) decreases in operating assets		
Loans and advances to credit institutions and customers	1,997,237	2,626,948
Assets held-for-trading and other assets at fair value through profit or loss	(1,212,184)	(1,250,369)
Other assets	(541,950)	(1,408,934)
	243,103	(32,355)
Increases (decreases) in operating liabilities		
Resources of central banks and other credit institutions	(1,720,574)	(463,072)
Customer resources and other loans	664,605	262,585
Other liabilities	96,910	(288,800)
	(959,059)	(489,287)
Net cash from operating activities before taxation	(186,296)	(73,328)
Income tax	(50,740)	(75,376)
Net cash from operating activities	(237,036)	(148,704)
INVESTING ACTIVITIES		
Dividends received from equity instruments	11,961	23,786
Acquisition of investments in subsidiaries and associated companies, net of disposals	16,007	(55,000)
Acquisition of financial assets at fair value through other comprehensive income	1,508,492	(47,214)
Acquisition of tangible and intangible assets and investment properties, net of disposals	63,739	(9,200)
Net cash from investing activities	1,600,199	(87,628)
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(17,648)	(22,051)
Interest on debt securities	(103,262)	(104,966)
Interest on other equity instruments	(26,875)	-
Dividends on issued preference shares	(10,374)	-
Issue of subordinated liabilities, net of repayments	500,406	(358)
Issue of debt securities, net of repayments	(746,835)	(52,964)
Issue of other equity instruments	-	500,000
Capital increase	-	2,500,000
Net cash from financing activities	(404,588)	2,819,661
Increase (decrease) in cash and cash equivalents	958,575	2,583,329
Cash and cash equivalents at the beginning of the period	5,319,593	2,598,285
Foreign exchange differences in cash and cash equivalents	(46,563)	(16,182)
Net change of cash and cash equivalents	958,575	2,583,329
Cash and cash equivalents at the end of the period	6,231,605	5,165,432

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR thousand)

	Share capital	Other equity instruments	Revaluation reserves	Other reserves and retained earnings	Net income for the period	Subtotal	Non-controlling interests	Total
Balances at December 31, 2016	5,900,000	-	87,268	(1,109,321)	(1,859,523)	3,018,424	864,417	3,882,841
Other entries directly recorded in equity:								
Diferences in revaluation reserves	-	-	133,192	44,526	-	177,718	(714)	177,005
Foreign currency differences	-	-	-	(55,287)	-	(55,287)	(3,131)	(58,418)
Net income for the period	-	-	-	-	(49,925)	(49,925)	19,683	(30,242)
Other	-	-	(463)	1,478	-	1,015	2,138	3,153
Total gains and losses for the period recognised in equity	-	-	132,729	(9,282)	(49,925)	73,522	17,976	91,498
Appropriation of net income for 2016:								
Transfer to reserves and retained earnings	-	-	-	(1,859,523)	1,859,523	-	-	-
Capital increase	3,944,144	-	-	-	-	3,944,144	(505,160)	3,438,984
Capital decrease	(6,000,000)	-	-	6,000,000	-	-	-	-
Issue of other equity instruments	-	500,000	-	-	-	500,000	-	500,000
Dividends and other expenses related with the issue of other equity instruments	-	-	-	(12,774)	-	(12,774)	-	(12,774)
Equity transactions with non-controlling interests	-	-	-	7,652	-	7,652	-	7,652
Dividends paid to non-controlling interests	-	-	-	-	-	-	(13,608)	(13,608)
Reclassifications between revaluation reserves and other reserves and retained earnings	-	-	18,245	(18,245)	-	-	-	-
Balances at June 30, 2017	3,844,144	500,000	238,243	2,998,506	(49,925)	7,530,968	363,626	7,894,593
Balances at December 31, 2017	3,844,144	500,000	394,961	3,098,220	51,946	7,889,270	385,046	8,274,316
Adoption of IFRS 9	-	-	(111,634)	26,506	-	(85,127)	(7,666)	(92,794)
Balances at January 1, 2018	3,844,144	500,000	283,327	3,124,726	51,946	7,804,142	377,379	8,181,522
Other entries directly recorded in equity:								
Diferences in revaluation reserves	-	-	(11,300)	(61,599)	-	(72,899)	519	(72,380)
Employee benefits - actuarial gains and losses	-	-	-	(11,771)	-	(11,771)	-	(11,771)
Foreign currency differences	-	-	-	(75,410)	-	(75,410)	(45,052)	(120,462)
Changes in the fair value of equity instruments	-	-	-	341	-	341	-	341
Net income for the period	-	-	-	-	194,099	194,099	18,301	212,400
Other	-	-	-	736	-	736	(247)	489
Total gains and losses for the period recognised in equity	-	-	(11,300)	(147,702)	194,099	35,096	(26,479)	8,618
Appropriation of net income for 2017:								
Transfer to reserves and retained earnings	-	-	-	51,946	(51,946)	-	-	-
Dividends and other expenses related with the issue of other equity instruments	-	-	-	(19,523)	-	(19,523)	-	(19,523)
Equity transactions with non-controlling interests	-	-	-	1,082	-	1,082	-	1,082
Dividends paid to non-controlling interests	-	-	-	-	-	-	(10,374)	(10,374)
Classification of Angola as an hyperinflationary economy	-	-	-	(3,839)	-	(3,839)	(3,688)	(7,527)
Reclassifications between revaluation reserves and other reserves and retained earnings	-	-	(4,328)	4,328	-	-	-	-
Balances at june 30, 2018	3,844,144	500,000	267,699	3,011,017	194,099	7,816,959	336,839	8,153,798

2. NOTES AND REPORTS ON THE ACCOUNTS

2.1. Notes to the Condensed Consolidated Financial Statements

(Amounts expressed in thousand euros – unless otherwise indicated)

1. INTRODUCTORY NOTE

Caixa Geral de Depósitos, S.A. (Caixa or CGD), formed in 1876, is an exclusively state-owned public liability limited company. Caixa became a public liability company on September 1, 1993 under decree law no. 287/93 of August 20, which also approved its respective articles of association. Banco Nacional Ultramarino, S.A. (BNU) was merged with Caixa on July 23, 2001.

To perform its operations at June 30, 2018, CGD operated a nationwide network of 582 branch offices, a branch in France with 48 offices, a branch in Timor with 14 offices, a branch in Luxembourg with 2 offices and a branch in Spain. The banking activities of the New York and Zhuhai branches on the said date had been closed down and are currently being formally liquidated.

All amounts have been rounded up to the nearest thousand euros.

Caixa also has direct and indirect equity stakes in a significant number of domestic and foreign companies, in Spain, Cape Verde, Angola, Mozambique, South Africa, Brazil and Macau in which it has controlling interests. These companies comprise Caixa Geral de Depósitos Group (Group) and operate in various sectors such as banking, investment banking, brokerage, venture capital, property, asset management, specialised credit, e-commerce and cultural activities. Caixa also has non-controlling equity stakes in companies operating in non-financial sectors of the Portuguese economy.

The condensed consolidated financial statements, at June 30, 2018, were approved by the board of directors on September 28, 2018.

Owing to the difficulties felt in the Portuguese financial system deriving from the financial crisis, the Portuguese state, as CGD’s sole shareholder, agreed a restructuring plan with European instances for the period 2013 to 2017, underpinned by a capital increase considered as state aid. This capital increase comprising a €750,000 thousand issuance in the form of new shares and a €900,000 thousand issuance of CoCo bonds, took place in June 2012.

The agreed plan was, *inter alia*, based on commitments to deleverage the balance sheet to ensure compliance with capital targets, improve operational efficiency, strengthen risk procedures and optimise the operation in Spain, in order to ensure its respective sustainability, funding autonomy and a positive contribution to Group profit.

In spite of having fulfilled almost all of its undertakings, CGD continued to make losses across the period 2013 to 2016. This partly derived from the effects of the monetary policy being followed by the ECB which originated a sharp fall in market interest rates and much lower than expected economic growth. Also of relevance to the losses, across the referred to years, was the deterioration of the quality of CGD’s assets which resulted in high annual levels of impairment. This was accompanied by an increase in regulatory requirements to strengthen capital ratios across the period.

As a consequence, efficiency levels were lower than initially agreed and CGD found itself unable to meet its CoCo commitments.

To ensure the adequacy of CGD’s recapitalisation in light of its required solvency levels, the Portuguese state as its sole shareholder and DG Comp (Directorate General for Competition of the European Commission) approved a recapitalisation plan in March 2017, to include the production of a strategic 4 year plan (2017-2020) that, based on a prudent macroeconomic scenario evidencing the capacity to generate a similar level of return on equity to that required of a private investor, ceased to be considered as state aid.

CGD’s new recapitalisation plan was implemented at different times.

The first phase, in which the following changes were made, was completed on January 4, 2017:

- Use of €1,412,460 thousand from free reserves and the legal reserve to cover negative retained earnings for past years;
- An increase in CGD's share capital to €7,344,144 thousand, comprising the issuance of 288,828,747 shares through the transfer of 490,000,000 Parcaixa, SGPS, S.A. equity shares for the amount of €498,996 thousand and the transfer of €900,000 thousand in CoCo bonds (note 22), plus an amount of €45,148 thousand in respective accrued interest; and
- A €6,000,000 thousand reduction in share capital based on the extinguishing of 1,200,000,000 shares to cover €1,404,506 thousand in negative retained earnings and to set up free reserves for the amount of €4,595,494 thousand.

The second phase, completed at March 30, 2017 involved a €2,500,000 thousand increase in Caixa's share capital through the issuance of 500,000,000 new ordinary shares with a nominal value of €5 each, subscribed for and paid up by the Portuguese state as its sole shareholder and a €500,000 thousand issuance of securities representing additional tier 1 own funds, fully subscribed for by institutional investors.

The last phase of the recapitalisation plan was completed on June 21, 2018 in the form of a tier 2 issuance of €500,000 thousand, exclusively for institutional investors.

The completion of the recapitalisation plan and consequent strengthening of its solvency will enable Caixa to concentrate on implementing its strategic plan 2017-2020 which was designed to strengthen CGD's own funds solvency ratios, based on four pillars:

Pillar 1

Restructuring of the risk management and governance model by reducing balance sheet risk, implementing new credit management policies and introducing new specialised recovery platforms. The following measures will be implemented to achieve this aim;

a) Integration of financial and business priorities with risk management, namely in the context of risk strategy/appetite, budgeting and performance management;

b) Implementation of a complete risk management model, referred to as the three lines of defence;

c) Improvement of the internal control system;

d) Review of all risk management processes;

e) Adjustment of risk management models to the highest sector SREP ("Supervisory Review and Evaluation Process");

f) Implementation of a new risk-led credit analysis and decision-making model; and,

g) Better credit monitoring and recovery operations by strengthening the specialised oversight units.

Pillar 2

Harmonisation of CGD's operational infrastructure in order to improve efficiency. The key initiatives to be implemented to align the operational infrastructure focus on the following:

a) Adjustment of the branch office network and central support areas;

b) Organisational restructuring operations;

c) Improvement of human resources management, including training; and

d) Improved levels of service and customer care, based on the digitalisation of processes.

Pillar 3

Restructuring of international operations, based on a complementary approach to domestic operations. CGD's international presence, at the end of 2016, mainly comprised nine subsidiaries and nine branches. Pursuant to the comprehensive principle of reducing international risk and focusing on core geographies, the international portfolio was restructured as follows:

a) Adoption of a focused approach in order to maintain a position only in specific, pre-determined geographies, ensuring a review of their business models and strengthening the governance model, ensuring a material contribution to the Group's profitability; and

b) Sale or rationalisation of operations in other geographies, providing domestic customers with a support structure.

Pillar 4

Upgrading of the domestic branch office network to ensure its sustainability. The aim, in this case, is to:

a) Review segmentation and upgrade retail offer;

b) Develop digital channels with the introduction of new online offer processes;

c) Review cross-selling models to back retail value proposals, including insurance and asset management;

d) Define a plan to improve the level of service and corporate oversight, particularly for SMEs, earning commissions on treasury and/or cash management operations;

e) Introduce a risk and capital-adjusted performance management system; and,

f) Optimise credit processes.

One of the conditions of CGD's recapitalisation process, as defined in the framework agreement between the Portuguese state and the European Commission, in order for CGD's recapitalisation process not to be qualified as state aid was the need for an independent valuation of the asset portfolio.

The former executive committee, accordingly, decided to review CGD's assets, with reference to June 30, 2016, based on the criteria and assumptions that a private investor would employ if intending to make a major investment in CGD. The executive committee, appointed in the meantime, with reference to December 31, 2016 also decided to undertake a new exhaustive review of the criteria and methodologies which had been used in the valuation exercise on the referred to assets, with a revaluation of the principal customers subject to individual impairment analyses, on the basis of the proposals of the commercial and recovery divisions and revised by the risk management division, in addition to a re-analysis of impairment on property by the property business division. The results, considering the occurrence of events following the date of the completion of the former review and up to the date of the closure of the accounts for 2016 were provided to CGD's executive committee and although resulting in the recognition of impairment and provisions of more than €3 billion were still around €200 million less than initially estimated. As a consequence, the capital increase was also reduced by €200 million over the initial projection and also therefore reduced the state's funding of CGD's recapitalisation as its sole shareholder.

A specific external audit was also performed on this exhaustive asset measurement review under a resolution of the executive committee, with the aim of carrying out a global review of the period, adequacy of assessment processes and methodologies adopted.

CGD is now totally focused on the effective implementation of its strategic plan 2017-2020, to permit the structural transformation of its efficiency and profitability levels.

2. ACCOUNTING POLICIES

2.1. Presentation bases

The condensed consolidated financial statements, at June 30, 2018, have been prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted in the European Union, following regulation 8 (EC) no. 1606/2002 of the European Parliament and of the Council of July 19 and the dispositions of decree law 35/2005 of February 17.

As referred to in note 13, the Group, in December 2017, reclassified the assets and liabilities of Banco Caixa Geral, S.A. (Spain), Banco Caixa Geral – Brasil, S.A, and CGD Corretora, CVC, S.A. to "Non-current assets and liabilities held-for-sale – subsidiaries" accounts under IFRS 5 – "Non-current assets held-for-sale and discontinued operations". The results generated by these equity stakes under this standard are also set out in a single line of the profit and loss statement ("Income from subsidiaries held-for-sale"), whose periods for comparison purposes have been accordingly re-expressed.

These condensed financial statements, which are set out in conformity with the requirements of IAS 34 – "Interim financial reporting" do not include all of the information required for the preparation of the annual financial statements.

The accounting policies described in this note have been consistently applied across all of the periods set out in the condensed financial statements, with any exceptions having been duly identified.

2.2. Changes to accounting policies

2.2.1 Voluntary changes to accounting policies

There were no voluntary changes to accounting policies in first half 2018, in comparison to those considered in the preparation of the financial information for the preceding year, which has been set out for comparison purposes.

2.2.2 New standards and interpretations for the period

Starting January 1, 2018 the Group adopted the following standards, interpretations, amendments or changes of relevance to its activity, as issued by the IASB and endorsed by the European Union:

IFRS 9 – "Financial instruments" (and subsequent amendments). The objective of this standard, which was initially published by the IASB in November 2009 and latterly republished in July 2014, comprises a staged replacement of the current wording of IAS 39 – "Financial instruments: recognition and measurement". Changes have been made to the current criteria on the classification and measurement of financial assets, recognition of impairment, application of hedge accounting (excluding macro hedging) and derecognition of financial instruments. Considering the transversality and relevance of this standard to Caixa's activity and the preparation and presentation of its condensed financial statements, information on the principal equity effects and impacts estimated on its adoption is set out in greater detail in note 2.3. below.

IFRS 15 – "Revenues from contracts with customers" (and latter amendments). This standard, published by the IASB in May 2014, specifies the form and timing of revenue recognition and also provides information on the prescribed disclosure requirements for entities subject to its application.

IFRS 15 – “Revenues from contracts with customers” provides for a recognition model based on five principles whose application covers all contractual relationships entered into with customers.

“Annual Improvements to IFRS 2014-2016 Cycle”. These changes, which involve the clarification of several aspects related with IFRS 1 - "First-time adoption of international financial reporting standards" eliminates several previously existing exemptions.

IAS 40 – “Investment properties” (amendments). These amendments clarify that a change of classification from or to investment property should only be made if there is evidence of a change in the asset’s use.

IFRIC 22 – “Foreign currency transactions and advance consideration” (interpretation). This interpretation defines the transaction date for the purposes of assessing the foreign exchange rate on revenue recognition.

With the exception of IFRS 9 – “Financial instruments”, the adoption of these standards did not have any impacts on the Group’s equity situation.

2.2.3 New standards and interpretations already issued but still not mandatory

2.2.3.1 The following standards and interpretations, issued by the IASB and endorsed by the European Union, were available for early adoption at June 30, 2018:

IFRS 9 – “Financial instruments” (amendments) – “Prepayment features with negative compensation”. The changes are essentially targeted at situations in which the prepayment corresponds approximately to the amount of outstanding principal and interest. This implies that a payment at its present fair value, or an amount that includes the fair value of the penalty for the early termination of a derivative, meets SPPI (“solely payments of principal and interest”) criterion only if other elements of the change in fair value, such as credit or liquidity risk, are immaterial. The amendments to this standard must be implemented in the economic years beginning on or after January 1, 2019.

IFRS 16 – Leases”. This standard, published by the IASB in January 2016, changes and redefines the recognition, measurement and presentation principles on leasing operations, from a lessor’s and lessee’s viewpoint. This standard must be implemented in the economic years beginning on or after January 1, 2019.

2.2.3.2 The following standards and interpretations, not yet endorsed by the European Union, had been issued by the IASB at June 30, 2018.

“Annual Improvements to IFRS 2015-2017 Cycle”. These changes involve the clarification of several aspects related to: IAS 23 – “Borrowing costs”, clarifying that the measurement of the average weighted interest rate on borrowing costs should include the costs of the loans obtained to finance qualifying assets; IAS 12 – “Income taxes”: stating that the fiscal impact of the distribution of dividends should be recognised on the date on which the payment liability is registered; IFRS 3 - “Business combinations” and IFRS 11 – “Joint arrangements”: defining the form of re-measurement of an investor’s interests, depending on whether or not it controls a business which is a joint operation. The changes to these standards must be implemented in the economic years starting on or after January 1, 2019.

IFRIC 23 – “Uncertainty over income tax treatments” (interpretation). This interpretation clarifies the requirements for the application and measurement of IAS 12 – “Income taxes” if there is any uncertainty over the treatments to be given to income taxes. This interpretation must be implemented in the economic years starting on or after January 1, 2019.

IFRS 10 – “Consolidated financial statements” and IAS 28 – “Investments in associates” (amendments). The changes to the wording of these standards aim to resolve divergences in the treatment of sales or allocation of the contribution of assets that could occur between an investor and an associate or a jointly controlled entity. The amendments to this standard must be implemented in the economic years beginning on or after January 1, 2019.

The board of directors does not consider that the adoption of the above referred to standards and interpretations will have significant equity impacts on the preparation of the Group’s financial statements.

2.3. IFRS 9 – “Financial instruments”

As already stated, the IASB (International Accounting Standards Board) issued IFRS 9 – “Financial instruments”, on July 24, 2014 to replace IAS 39 “Financial instruments – recognition and measurement”, for the economic years beginning on or after January 1, 2018.

The standard’s requirements, based on adjustments to balance sheet amounts at January 1, 2018, were applied retrospectively.

The Group applied the exception allowing it not to re-express comparative financial information for previous periods. The framework of the business model, as well as the designation and/or previous cancellation of certain financial assets in fair value through profit or loss, fair value through other comprehensive income (equity instruments other than trading instruments) measurement categories also referred to the existence of facts and circumstances at the date of its initial application.

IFRS 9 – “Financial instruments” is divided up into three principal pillars: classification and measurement, impairment and hedge accounting.

Given the complexity involved in the implementation of this standard, a taskforce, comprising members of risk, accounting, IT, internal audit, models and business validation areas, as well as the collaboration of external consultants, was set up. A steering committee under the guidance of members of the executive committee responsible for the risk (chief risk officer) and financial (chief financial officer) areas, with the objective of overseeing the project’s corporate evolution, was also set up. The committee is responsible for approving the accounting policies to be adopted as well as the necessary adjustments to the governance model in force. The assistance of external consultants to provide local support for adjustments to the circuits and processes for centrally defined accounting policies, was procured, for Group entities of greater relevance to the consolidated financial statements, adapted to meet the necessary specifics of local geographies, when required.

The implementation project was divided up into two phases:

- Phase 1 (gap assessment), starting last quarter 2016, with the principal objective of identifying the principal gaps between IAS 39 – “Financial instruments: recognition and measurement” and IFRS 9 – “Financial instruments” and their implications on a level of processes, data, methodologies, technological solutions and disclosures. This phase included a first quantitative impact study for anticipating the impacts of the adoption of the standard. A detailed implementation timeline was also defined;
- Phase 2 (implementation), starting first quarter 2017, materialised the implementation plans drawn up in phase 1, with particular reference to the definition, approval and implementation of new (or changed) accounting policies and governance models. Work also continued to be performed on the technological transformations required to meet the demands of IFRS 9 – “Financial instruments”.

Recognition and measurement

According to IFRS 9 – “Financial instruments”, financial assets may be classified in three categories with different measurement criteria (amortised cost, fair value through profit or loss and fair value through other comprehensive income).

The classification of the assets depends upon the characteristics of the contractual cash flows and their associated business model.

The criterion on the characteristics of contractual cash flows, comprises an appraisal of whether they solely reflect the payment of principal and interest (SPPI).

The standard identifies two associated business models of relevance to Caixa’s activity:

i. business models whose objectives are achieved by obtaining contractual cash flows on the asset (“hold-to-collect”); and

ii. business models whose objectives are achieved either by obtaining contractual cash flows on the asset or the disposal thereof (“hold-to-collect and sell”).

   a. Amortised cost: SPPI assets with a “hold-to-collect” business model are recognised in this category.

      CGD Group classified all of its assets measured at amortised cost under IAS 39 – “Financial instruments: recognition and measurement”, in this category, except for those which do not meet SPPI criteria and which represent no more than 0.07% of the total volume with reference to December 31, 2017. Several debt instruments, previously classified as "Available-for-sale financial assets" with a hold-to-collect business model (16.52% of the portfolio’s debt securities at December 31, 2017, resulting in a 1.41% increase in the value of assets at amortised cost, were also classified as assets at amortised cost).

      In the transition to IFRS 9 – “Financial instruments”, adjustments were also made to the book value of the bonds issued by the companies Parvalorem, S.A., Parparticipadas, S.A. and Parups, S.A. (created with the objective of managing asset portfolios acquired by the Portuguese state as part of the former BPN´s reprivatisation process), reclassified from available-for-sale financial assets to loans and advances to customers accounts during the course of last quarter 2016. The referred to adjustment (restoring of the issuance’s original nominal value as a charge to the existing fair value reserve at the reclassification date which had still not been amortised), resulted in a 4.50% reduction of its book value.

b. Fair value as a charge to other comprehensive income. SPPI assets with a hold-to-collect and sell business model were recognised in this category.

   CGD Group recognised 72.32% of its “Available-for-sale financial assets” portfolio with reference to December 31, 2017 in this category. Also classified were 0.002% of the equity instruments designated at fair value through profit or loss, under the option provided for in the standard.

c. Fair value through profit or loss. Assets which do not meet SPPI criteria or which do not have a hold-to-collect or hold-to-collect and sell business model will be recognised in this category. Financial assets that, in accordance with the criteria of IFRS 9 – “Financial instruments”, would be classified at amortised cost or fair value through other comprehensive income may be recognised in this category provided they enable a reduction of accounting mismatches.

   The full amount of the assets recognised as "Financial assets held-for-trading" was recognised at fair value through profit or loss. This category also included several assets measured at amortised cost under IAS 39 – “Financial instruments: recognition and measurement” (0.07%), as already stated, or at fair value through other comprehensive income (10.37%), as they do not meet SPPI criteria.

   99.99% of assets designated at fair value through profit or loss (“fair value option”), in not meeting SPPI criteria and whose classification at fair value through other comprehensive income option cannot be exercised, as they do not comply with the requirements of IAS 32 – “Financial instruments: disclosure and presentation” for consideration as equity instruments, were also recognised in this category.

   Unlisted equity instruments, recognised at their acquisition cost, net of accumulated impairment, in "Available-for-sale financial assets", were re-measured at their respective fair value. The respective impact is estimated to amount to a positive change of 7.45% in comparison to their book value.

The transition adjustments to IFRS 9 – “Financial instruments” regarding recognition and measurement, net of tax, resulted in a 0.72% decrease in shareholders’ equity.

No significant changes have been made to IFRS 9 – “Financial instruments” rules on the classification and measurement of financial liabilities in comparison to IAS 39 – “Financial instruments: recognition and measurement”. The fair value changes related with credit risk on liabilities designated at fair value through profit or loss are now recognised through other comprehensive income. CGD Group did not exercise the fair value option on financial liabilities during the period of application of IAS 39 – “Financial instruments: recognition and measurement” and did not use it in the transition to IFRS 9 – “Financial instruments”.

Interest on financial instruments at amortised cost is recognised by the effective interest rate method in conformity with the requirements of paragraph 5.4 of IFRS 9 - “Financial instruments”.

Internal standards on recognition and measurement policies, defining thresholds for frequent sales, significant sales, sales close to maturity and sales based on a deterioration of credit risk on assets which may be classified at amortised cost were approved by the executive committee. Thresholds for the assessment of the differences between contractual and benchmark cash flows on operations whose time component has been modified, as well as for the *de minimis* (non-genuine) effect in the context of SPPI criteria were also defined.

<u>Impairment:</u>

IFRS 9 – “Financial instruments” has introduced a new loss model for the reduction of the recoverable value of financial assets in the form of the ECL (“expected credit losses”) model, that replaces the use of the incurred loss model of IAS 39 – “Financial instruments: recognition and measurement” in which it is no longer necessary for the event loss to occur for impairment losses to be recognised.

The impairment model of IFRS 9 – “Financial instruments”, is applicable to the following financial assets:

- All financial assets measured at amortised cost (including “Lease contracts” - IAS 17 – “Leases”);
- Debt instruments measured at fair value through other comprehensive income (FVTOCI);
- The rights and obligations referred to in IFRS 15 – “Revenue from contracts with customers”, in cases in which this standard refers to IFRS 9 – “Financial instruments”;
- Assets that translate the right of reimbursement for payments made by the entity on the liquidation of liabilities recognised in the sphere of IAS 37 – “Provisions, contingent liabilities and contingent assets”; and
- Loan commitments (except when measured at fair value through profit and loss).

These financial assets are divided up into 3 risk groups, depending upon the significance of the deterioration of the credit risk:

- <u>Stage 1</u> - Assets without a significant deterioration of credit risk since the time of their initial recognition;
- <u>Stage 2</u> - Assets with a significant deterioration of credit risk since the time of their initial recognition; and
- <u>Stage 3</u> – Impaired assets (assets in default).

Depending upon the classification of the stage of the operation, credit losses are estimated in accordance with the following criteria:

- Losses expected over 12 months: the expected loss deriving from a loss event occurring in the 12 months following the calculation date, applied for stage 1 operations.

- Expected lifetime losses: the expected loss based on the difference between contractual cash flows and cash flows expected to be received by the entity up to the contract's maturity, i.e. the expected loss resulting from all of the potential loss events up to maturity, applied for stage 2 and 3 operations.

Although IFRS 9 – "Financial instruments" does not define the concept of default, CGD Group applies the same default definition as used for internal credit risk management purposes, incorporating the EBA's recommendations in its "Final Report on Guidelines on Default Definition (EBA-GL-2016-07)" published on September 28, 2016.

The stage 2 classification introduces more significant differences in comparison to IAS 39 – "Financial instruments: recognition and measurement", in requiring this classification to be based on the observation of an SICR (significant increase in credit risk) since the time of initial recognition.

The quantitative metrics used to assess when an asset is transferred to stage 2 are based on a comparison between the deterioration of the forward-looking lifetime default probability between the date of initial recognition and reporting date.

Qualitative criteria for the transfer of a financial asset to stage 2 were also considered: credit in arrears for more than 30 days (backstop indicator), restructured credit based on financial difficulties and objective credit risk criteria noted when monitoring customers.

With the objective of standardising the risk factors used to calculate impairment (e.g. PDs, LGDs), CGD has reprocessed its historical information considering the criteria applied to portfolio segmentation in stages, having either developed or upgraded the following models:

i. 12 months default probability;
ii. Lifetime default probability;
iii. LGD – loss given default;
iv. Prepayments (full and part);
v. Behavioural maturity for revolving products; and
vi. CCFs (credit conversion factors), on off-balance sheet exposures.

These models were internally validated by the models validation office in the case of CGD headquarters.

Assessments of the expected loss should be based on historical and current information but should also incorporate reliable, reasonable, supportable and available forward-looking projections, without cost or undue excessive endeavours.

The amount of the expected credit loss therefore considers a forward-looking component based on the weighting of 3 different macroeconomic loss estimation scenarios (central, pessimistic and optimistic). The definition of the scenarios to be considered is based on a methodological approach comprising the projection of macroeconomic variables in which the probabilities of the occurrence of each of the scenarios is defined internally.

Evidence of impairment is assessed in the case of individually significant exposures, with a derogation of the identification criterion in respect of individually significant assets in the present IAS 39 "Financial instruments; recognition and measurement" format, and individually or collectively for exposures which are not individually significant. If there appears to be no objective evidence of impairment for a certain exposure, whether or not significant, it is measured collectively.

Transition adjustments to IFRS 9 – "Financial instruments" regarding impairment, net of tax, reduced shareholders' equity by 0.40%.

<u>Hedge accounting:</u>

IFRS 9 – "Financial instruments", aims to improve the alignment between hedge accounting requirements and the reality of institutions' current risk management. Therefore:

- The criteria relating to the classification of a certain instrument as a hedge (e.g. accepting non-financial assets provided that they have been measured at fair value through profit or loss) have been changed;
- The criteria relating to the classification of a certain operation as a hedged operation (now including derivatives as part of aggregated structures) has been changed; and
- The criteria for quantifying the hedge's effectiveness has been changed.

As regards the scope of hedges:

- Acceptance of hedges with derivatives for part of the period of the lifetime of the hedged instrument;
- Acceptance of the possibility of authorising multiple risk hedges by a single hedging instrument;
- Allowing the designation of hedges on the risk components of non-financial assets whenever identifiable and measurable; and
- Allowing greater flexibility in the designation of hedges on groups of elements and net exposures.

IFRS 9 – "Financial instruments", provides for the rebalancing of the ratio between hedged and hedging items across the hedge ratio's period of application, provided it can be shown that such a change ensures the maintenance of its effectiveness ratio (e.g. part early repayments of the hedged item).

The hedge ratio and its respective effectiveness comprises one of the principal changes in comparison to the requirements of IAS 39 – "Financial instruments; recognition and measurement", namely:

- Simplification of demonstrating hedges' effectiveness;
- Elimination of requirement for measuring retrospective effectiveness;
- Elimination of the marker of between 80% and 125% when measuring a hedge's effectiveness; and
- Prospective tests to incorporate and promote not only quantitative but also qualitative internal risk management criteria.

New determinant eligibility factors for hedge operations were defined:

- The existence of an economic relationship between the hedged item and its coverage;
- The effects of the evolution of the credit risk may not dominate the changes in value resulting from the relationship; and
- The definition of a hedge ratio between hedged and hedging items which is equivalent to the one effectively applied by an institution in its management of economic hedges with the aim of replicating them.

The application of hedge accounting continues to be optional but cannot be discontinued for as long as the requirements for its application remain in force.

As the fact that the IASB has not, as yet, completed the development of requirements for macro hedges could prove to be a source of constraints on the part adoption of rules for interconnected realities, it is permissible to maintain the currently existing regime of IAS 39 – "Financial instruments; recognition and measurement" (in full) following the adoption of IFRS 9 – "Financial instruments", or the adoption of a mix between IAS 39 – "Financial instruments; recognition and measurement" and IFRS 9 – "Financial instruments".

CGD Group did not discontinue nor apply hedge accounting to new hedge relationships in the sphere of the transition to IFRS 9 – "Financial instruments".

<u>Effects of the transition to IFRS 9 – "Financial instruments" on equity</u>

As shown in the following table, the transition adjustments to IFRS 9 – "Financial instruments", net of tax, reduced shareholders' equity by 1.12%.

	01-01-2018								
	Current operations			Non-current operations			Total		
	Group	Non-Controlling Interests	Total	Group	Non-Controlling Interests	Total	Group	Non-Controlling Interests	Total
Equity before the adoption of IFRS 9	7.051.488	383.885	7.435.373	837.782	1.161	838.943	7.889.270	385.046	8.274.316
Impact on equity									
Impairment model									
. Impairment of financial assets measured at amortised cost	(64.969)	(3.576)	(68.544)	(218)	5	(213)	(65.187)	(3.571)	(68.758)
. Provisions for guarantees and commitments	25.464	(407)	25.057	(1.700)	(4)	(1.704)	23.764	(410)	23.354
	(39.505)	(3.982)	(43.487)	(1.918)	1	(1.917)	(41.423)	(3.981)	(45.404)
Classification and measurement									
. Changes in measurement due to the appraisal of the business model	(26.610)	(6.518)	(33.128)	-	-	-	(26.610)	(6.518)	(33.128)
. Measurement at fair value of equity instruments previously valued at cost	12.623	-	12.623	-	-	-	12.623	-	12.623
. Adjustment in the carrying amount of bonds issued by SPV's related to the former BPN	(66.903)	-	(66.903)	-	-	-	(66.903)	-	(66.903)
	(80.891)	(6.518)	(87.409)	-	-	-	(80.891)	(6.518)	(87.409)
Gross impact	(120.395)	(10.500)	(130.896)	(1.918)	1	(1.917)	(122.313)	(10.499)	(132.813)
Tax effect	36.661	2.833	39.494	525	(0)	524	37.186	2.833	40.018
Total impact, net of tax effect	(83.734)	(7.667)	(91.401)	(1.393)	1	(1.393)	(85.128)	(7.667)	(92.794)
Equity after the adoption of IFRS 9	6.967.754	376.218	7.343.972	836.388	1.162	837.550	7.804.142	377.379	8.181.522

Information on the changes occurring in the principal financial assets categories deriving from the adoption of IFRS 9 – “Financial instruments”, is set out below:

Prior to the adoption of IFRS 9 - "Financial instruments"

Classes of financial assets	IAS 39				
IFRS9	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Non-current assets held-for-sale
Fair value through profit or loss	5,829,104	897,922	-	45,034	-
Fair value through other comprehensive income	11	4,617,303	-	-	-
Amortised cost	-	868,987	2,626,819	59,062,350	-
Non-current assets held-for-sale	-	-	-	-	6,756,508

After the adoption of IFRS 9 - "Financial instruments"

Classes of financial assets	IAS 39				
IFRS9	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Non-current assets held-for-sale
Fair value through profit or loss	5,829,104	906,000	-	45,034	-
Fair value through other comprehensive income	11	4,621,848	-	-	-
Amortised cost	-	835,859	2,626,612	58,927,110	-
Non-current assets held-for-sale	-	-	-	-	6,756,295

Impacts of the adoption of IFRS 9 - "Financial instruments" (*)

Classes of financial assets	IAS 39				
IFRS9	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Non-current assets held-for-sale
Fair value through profit or loss	-	8,078	-	-	-
Fair value through other comprehensive income	-	4,545	-	-	-
Amortised cost	-	(33,128)	(208)	(135,240)	-
Non-current assets held-for-sale	-	-	-	-	(213)

(*) Excluding tax effects

The CET 1 (common equity tier 1) ratio was down 0.21%.

2.4. Consolidation principles

The condensed consolidated financial statements include the accounts of CGD and those of the entities directly and indirectly controlled by the Group (note 3), including special purpose entities.

Pursuant to IFRS 10 – “Consolidated financial statements” requirements, the Group considers that it wields control when it is exposed or has rights to the variable returns generated by a specific entity (referred to as a "subsidiary") and when it may, based on the application of the power retained by it and its capacity to superintend their relative activities, take control of them (*de facto* power).

CGD Group subsidiaries were consolidated by the global integration method in which significant transactions and balances between the consolidated companies have been eliminated. Consolidation adjustments are also made, when applicable, to ensure consistency in the application of the Group's accounting principles.

The amount of third party investment in subsidiaries is recognised in "Non-controlling interests" in equity. In the specific case of investment funds included in the consolidation perimeter, whenever holders of non-controlling interests have redemption options on an investment at its equity value, this is recognised in "Other liabilities" (note 23), whose corresponding changes are recognised in the respective profit and loss account.

Consolidated profit comprises the aggregating of CGD's and its subsidiary entities' net profit, in proportion to their effective percentage holding, following consolidation adjustments, i.e. the elimination of dividends received and capital gains and losses made on transactions between companies included in the consolidation perimeter.

2.5. Business combinations and goodwill

Acquisitions of subsidiaries are recognised by the purchase method. The acquisition cost comprises the aggregate fair value of assets delivered, equity instruments issued and liabilities incurred or assumed in exchange for achieving control over the acquired entity. The costs incurred on the acquisition, when directly attributable to the operation are recognised as costs for the period on the date of purchase. Upon the acquisition date, which is the date upon which the Group achieves control over the subsidiary, identifiable assets, liabilities and contingent liabilities meeting the recognition requirements of IFRS 3 – "Business combinations" are recognised at their respective fair value.

Goodwill is the positive difference between the cost of a subsidiary's acquisition and the fair value attributable to the acquisition of the respective assets, liabilities and contingent liabilities on the purchase date. Goodwill is recognised as an asset and is not depreciated.

If the fair value of identifiable assets, liabilities and contingent liabilities acquired in the transaction exceeds their acquisition cost, the excess is recognised as income in profit and loss for the period.

The acquisition of non-controlling interests after control over a subsidiary has been achieved is recognised as a transaction with shareholders and no additional goodwill is recognised. The difference between the value attributed to non-controlling interests and the respective acquisition cost at the transaction date is directly recognised as a charge to reserves. Similarly, the impacts of disposals of non-controlling interests which do not entail a loss of control over a subsidiary are also recognised in reserves. Profit or loss on disposals of non-controlling interests, when entailing changes in control over the subsidiary, are recognised by the Group as a charge to profit and loss on the transaction date.

The Group performs impairment tests on balance sheet goodwill, at least once a year, in accordance with the requirements of IAS 36 – "Impairment of assets". For this purpose, goodwill is allocated to cash flow generating units whose respective recoverable value is based on estimations of future cash flows at discount rates the Group considers appropriate. Impairment losses on goodwill are recognised in profit and loss for the period and cannot be reversed.

Up to January 1, 2004, as provided for by the accounting policies defined by the Bank of Portugal, goodwill was fully deducted from shareholders' equity in the year of the acquisition of the subsidiaries. As permitted under IFRS 1 - "First-time adoption of international financial reporting standards", and as the Group did not make any changes to this recognition procedure, goodwill on operations occurring up to January 1, 2004, continued to be deducted from reserves.

Accounting of written put options on non-controlling interests

Liabilities resulting from written put options on non-controlling interests are initially recognised by the Group as a charge to "Other reserves". Subsequent changes to the fair value of the put option measured on the basis of the agreed terms, are also recognised as a charge to "Other reserves", except for the funding costs on the recognition of the liability, which are recognised in "Interest and similar costs" in profit and loss.

2.6. Investments in associates and jointly controlled enterprises

"Associates" are entities over which the Group wields significant influence but whose management it does not effectively control. Significant influence is presumed to exist whenever the Group has a direct or indirect equity stake or voting rights of 20%, unless this can be clearly shown not to be the case. In parallel, significant influence is not considered to exist whenever the referred to investment is less than 20%, unless the opposite, in this case, can also be clearly shown.

According to the requirements of IAS 28 – "Investments in associates and joint ventures", a significant influence by the Group usually takes one of the following forms:

. A seat on the board of directors or equivalent management body;

. Participation in the process for defining policies, including resolutions on dividends or other appropriations;

. Occurrence of material transactions between the associate and the Group;

. Existence of interchange between members of management; and

. Supply of essential technical information.

There are also situations in which the Group, together with other entities, wields joint control over the activity of a company in which the equity stake is held ("jointly controlled enterprises"), usually structured on a basis of the sharing of voting rights and similar decisions.

Investments in associates and jointly controlled enterprises are recognised by the equity accounting method. Under this method, equity stakes are initially valued at their respective acquisition cost which is subsequently adjusted on the basis of the Group's effective percentage of changes in its associates' shareholders' equity (including results). The equity accounting method is applied up to the time when the accumulated losses incurred by the associate or jointly controlled enterprise, when recognised by the Group, exceed the investment's respective balance sheet value from which time it is discontinued, unless any legal or constructive obligation requires a specific provision to be set up to recognise such losses.

In the event of differences with a materially relevant impact, adjustments are made to the equity of the companies used for the application of the equity accounting method, to comply with the Group's accounting principles.

Unrealised profit or loss on transactions with associates and jointly controlled enterprises are eliminated in conformity with the extent of the Group's effective stake in the said entities.

2.7. Translation of balances and transactions in foreign currency

The individual accounts of each Group entity included in the consolidation are prepared in accordance with the currency used in the economic environment in which they operate (referred to as the "functional currency"). In the consolidated accounts, the results and financial position of each entity are expressed in euros as CGD Group's functional currency.

Foreign currency transactions are recognised on the basis of the reference exchange rates in force on the transaction dates when preparing Caixa's and its subsidiaries' individual, condensed financial statements.

Monetary assets and liabilities denominated in foreign currency at each balance sheet date are translated into each entity's functional currency at the exchange rate in force. Non-monetary assets measured at fair value are translated on the basis of the exchange rate in force on the last measurement date. Non-monetary assets carried at historical cost, including tangible and intangible assets, continue to be recognised at their original exchange rates.

Exchange rate profit/loss, assessed on translation, is recognised in profit and loss for the period, except when deriving from non-monetary financial instruments recognised at fair value, such as equity instruments in respect of which the option to recognise them at fair value through other comprehensive income has been taken and which are recognised directly in "Other reserves".

In the consolidated accounts, the assets and liabilities of entities with a functional currency other than the euro are translated at the closing exchange rate, as opposed to income and costs which are translated at the average rate for the period. Under this method, exchange rate profit/loss is recognised in equity in "Other reserves" and the respective balance is transferred to profit and loss at the time of the disposal of the respective subsidiaries.

As permitted by IFRS 1 – "First-time adoption of international financial reporting standards", the Group opted not to recalculate and therefore did not recognise the impact of the translation of the financial statements of its subsidiaries expressed in foreign currency up to December 31, 2003 in "Other reserves". Accordingly in the case of the disposal or closure of subsidiaries or associates after the said date, only exchange rate gains/losses originating from January 1, 2004 will be reclassified to profit and loss for the period.

2.8. Financial instruments

a) Financial assets

The classification of financial assets depends upon the Group's business model and the characteristics of the financial instrument's contractual cash flows, except for when the option of measuring the financial instrument at its fair value through profit or loss has been taken.

The Group classifies and measures a financial asset at amortised cost when it is part of a portfolio managed on the basis of a business model whose objective is achieved through the receipt of all contractual cash flows and when such cash flows may be considered as payments of principal and interest on the outstanding debt. The Group also classifies and measures a financial asset at fair value through other comprehensive income ("FVTOCI") when it is part of a portfolio managed on the basis of a business model whose objective is achieved either through the receipt of contractual cash flows comprising payments of principal and interest on outstanding debt or by sale. A financial asset is classified and measured at fair value through profit or loss ("FVTPL") when it is neither classified nor measured at amortised cost or by FVTOCI. At the time of initial recognition, however, the Group may irrevocably opt to classify and measure an investment in an equity instrument through FVTOCI (when not held-for-trading nor comprising the recognition of a contingent payment by the acquirer in a business combination subject to IFRS 3 – "Business combinations" which otherwise would have been classified and measured at FVTPL

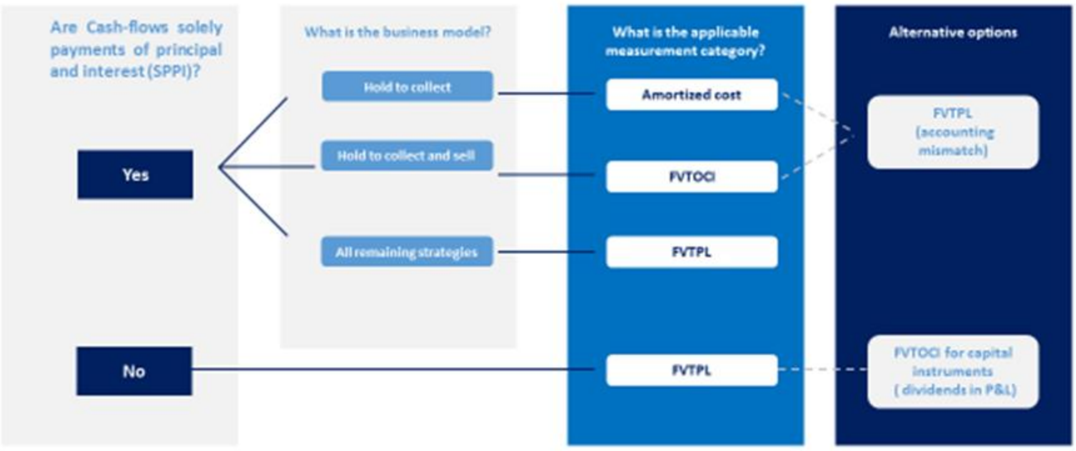
To assess the business model used for the management of a financial asset, the Group defines how it expects to obtain cash flows from the referred to financial asset. The business model is assessed at a level that reflects how a group of financial assets is managed as a whole, in order to achieve the business model's specific objective, and is not dependent upon the Group's plans for any specific financial asset. As the allocation of a business model is a fact and not an assertion, the Group considers all relevant information permitting a conclusion to be reached on which business model is considered for the management of its financial assets. In such a context the Group considers:

- the way in which the performance of the business model and the financial assets held thereunder are assessed and communicated to management;
- the risks affecting the performance of the business model (and the financial assets held thereunder) and, particularly, how such risks are managed; and,
- the way in which a company's management is compensated (e.g. if compensation is based on the fair value of the assets managed or receipt of contractual cash flows).

As referred to above, two criteria should be considered in respect of the classification and measurement of financial assets covered by IFRS 9 – "Financial instruments":

- The entity's business model for managing the financial asset;
- The characteristics of the financial asset's contractual cash flows: SPPI (solely payments of principal and interest).

The following chart represents the classification process applied by the Group:



Derecognition

The Group derecognises a financial asset when, and only when, the contractual right to receive cash flows expires or the financial asset is transferred and the transfer is qualified for derecognition. The Group is considered to have transferred a financial asset if, and only if, the contractual rights to receive the cash flows from the said financial asset are transferred or if the contractual rights to receive the cash flows are maintained but when the Group accepts a contractual commitment to deliver such cash flows to one or more beneficiaries. When the contractual rights to receive the cash flows are maintained, the Group only treats the operation as a transfer when all of the following conditions have been met: (i) when the Group is not forced to pay amounts to the beneficiary except for the amounts received from the original asset; (ii) when the Group is prevented from selling the original asset under the terms of the transfer agreement; and (iii) when the Group must pay the cash flows received, without any material delays and the cash flows cannot be reinvested up until such payment has been made.

When the contractual cash flows on a financial asset are renegotiated or in any way modified and such renegotiation or modification does not result in the financial asset's derecognition, the Group recalculates the gross balance sheet amount of the financial asset and recognises profit or loss on the difference between the previous gross balance sheet amount. The asset's new gross balance sheet amount is assessed as the present value of the renegotiated or modified cash flows, discounted at the asset's original effective rate (or adjusted interest rate in the case of loans acquired or originated with impairment) or, when applicable, the revised effective interest rate. Any costs or commissions incurred are included in the new gross balance sheet amount and amortised over the period of the asset's remaining life.

A scenario in which the modification of the contractual cash flows results in the financial asset's derecognition implies the following:

a. The need for a new SPPI analysis in order to assess whether the contractual conditions of the modified financial asset meet SPPI criteria;

b. Initial recognition of the new financial asset at its fair value, with any difference between the net book value of the former asset being recognised in profit and loss;

c. If the contractual modifications derive from the restructuring of an asset owing to a debtor's financial difficulties, the new asset is considered as POCI ("purchased or originated credit impaired" financial assets) whose impairment losses are always recognised on the basis of a lifetime PD, i.e. the new asset can never be classified in stage 1;

d. The new asset's amortised cost will be assessed on the basis of expected cash flows;

e. The new financial asset recognised as the result of a contractual modification of a financial asset previously marked for forbearance in accordance with Commission implementing regulation (EU) no. 2015/227 of January 9, 2015 and in conformity with the internal policy defined by the Group), will continue to be classified as such, with the cure period restarting from the date of the last restructuring operation; and,

f. For a financial asset originally classified in stage 3 for impairment model purposes and whose contractual modification leads to its respective derecognition, the new financial asset to be recognised will continue to be classified in stage 3, and may, based on the triggers defined by the Group for default definition purposes, be latterly transferred to stage 2.

Reclassification of financial assets

Whenever the Group changes its financial assets management business model, which is expected to occur relatively infrequently and on an exceptional basis, it reclassifies all affected financial assets, in conformity with the requirements of IFRS 9 – "Financial instruments". The reclassification is applied prospectively from the date upon which it becomes effective. In accordance with IFRS 9 – "Financial instruments", reclassifications of equity instruments on which the fair value assessment as a charge to other comprehensive income or other financial assets and liabilities at fair value in the sphere of the fair value option has been exercised, are not permitted.

Fair value

As already stated, "Financial assets at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income" are recognised at fair value.

The fair value of a financial instrument is the amount at which an asset or financial liability can be sold or liquidated between independent, informed parties, interested in realising the transaction under normal market conditions.

The fair value of financial assets is assessed by a Caixa body which is independent from the trading function, based on the following criteria:

- The closing price at the balance sheet date, for instruments traded in active markets;
- Measurement methods and techniques are used for debt instruments not traded in active markets (including unlisted securities or securities with low liquidity levels) and include:

    i) Bid prices published by financial information services such as Bloomberg and Reuters, including market prices available on recent transactions;

    ii) Bid prices obtained from financial institutions operating as market-makers; and

iii) Internal measurement models based on market data which would be used to define a financial instrument's price, reflecting market interest rates and volatility, in addition to the instrument's associated liquidity and credit risk.

- Investment funds not traded in active markets are measured on the basis of the last available NAV (net asset value). Whenever considered adequate NAV may be adjusted on the basis of Caixa's critical appraisal of the application of the measurement criteria on the assets under the referred to investment fund management;

Amortised cost

Financial instruments maintained at amortised cost are initially recognised at fair value, net of the income or costs directly attributable to the transaction. Interest is recognised in accordance with the effective interest rate method.

In the case of impaired financial assets (stage 3), interest is recognised on the basis of the rate used to discount the future cash flows inherent to the assessment of the impairment loss.

b) Financial liabilities

Financial liabilities are recognised on their agreement date, at their respective fair value, net of the costs directly attributable to the transaction. Financial liabilities are classified in the following categories:

i) Financial liabilities held-for-trading

Financial liabilities held-for-trading include derivatives with a negative revaluation value, in addition to the short selling of fixed and variable-income securities in active markets.

These liabilities are recognised at their respective fair value. Profit or loss resulting from their subsequent valuation is recognised in "Income from financial operations", and

ii) Other financial liabilities

This category includes resources of credit institutions and customers, bond issuances, subordinated liabilities and liabilities incurred on the payment of the provision of services or purchase of assets, recognised in "Other liabilities".

These financial liabilities are measured at amortised cost with any interest thereon being recognised by the effective interest rate method.

c) Derivatives and hedge accounting

Caixa's activity includes derivative operations to meet the needs of its customers and reduce its exposure to foreign exchange, interest rate and price fluctuations.

Derivatives are recognised at their fair value at the agreement date. They are also recognised in off-balance sheet accounts at their respective notional value.

The fair value of derivatives not traded in organised markets is calculated by using models incorporating measurement techniques based on discounted cash flows which also reflect the counterparties' credit risk effect and own credit risk – CVA/DVA (credit value adjustments and debt value adjustments).

Embedded derivatives

Derivatives embedded in other financial instruments recognised in liabilities are separated out from the host contract and processed separately, whenever:

- The embedded derivative's economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
- The total combined financial instrument is not recognised at fair value, with the respective changes being recognised in profit and loss.

The principal impact of this procedure on the Group's activity consists of the need to separate out and measure the value of the derivatives embedded in deposits and debt instruments, i.e. instruments whose returns do not comprise interest (e.g. returns indexed to share prices or indices, exchange rates, etc.). At the time of separation, the derivative is recognised at its respective fair value, with the initial amount of the host contract being the difference between the total value of the combined contract and the derivatives' initial revaluation. Therefore, no profit is recognised on the operation's initial recognition.

Trading derivatives

Trading derivatives include all derivatives not associated with effective hedge relationships, namely:

- Derivatives to hedge the risk on assets or liabilities recognised at fair value through profit or loss, thus rendering hedge accounting unnecessary;
- Risk hedging derivatives which do not meet IAS 39 – "Financial instruments" hedge accounting requirements, owing to the difficulty in specifically identifying the hedged elements, in cases other than micro-hedges or when the hedge ratio is shown to be ineffective; and;
- Derivatives contracted for trading purposes.

Trading derivatives are recognised at fair value, with daily revaluation changes being recognised in income and costs for the period in "Income from financial operations", except for the part relating to accrued and liquidated interest, which is recognised in "Interest and similar income" and "Interest and similar costs". Positive and negative revaluations are recognised in "Financial assets held-for-trading" and "Financial liabilities held-for-trading", respectively.

Hedge derivatives

These derivatives are contracted to hedge the Group's exposure to the risks inherent to its activity.

At June 30, 2018 and December 31, 2017 Caixa had only hedged its exposure to changes in the fair value of financial instruments recognised in its balance sheet and referred to as “Fair value hedges”.

The Group prepares formal documentation when a hedge relationship is entered into, to include the following minimum aspects:

- Risk management objectives and strategy associated with the hedge operation, according to defined risk hedging policies;
- Description of the hedged risk(s);
- Identification and description of hedged and hedging financial instruments; and
- Hedge effectiveness and periodicity of assessment method.

Hedge derivatives are recognised at fair value and their results assessed daily in income and costs for the year. If the hedge is shown to be effective, the Group will also recognise the change in fair value of the hedged element, attributable to the hedged risk, in “Income from financial operations”. In the case of instruments with an interest component (e.g. interest rate swaps), accrued interest for the current period and realised cash flows are recognised in “Interest and similar income” and “Interest and similar costs” in net interest income.

Hedge accounting is discontinued whenever hedges cease to meet the hedge accounting requirements defined in the standard. In such situations the adjustments made to hedged elements up to the date upon which hedge accounting ceases to be effective or if the designation is revoked, are recognised in profit and loss up to the maturity of the corresponding financial assets or liabilities, based on the effective interest rate method.

Positive and negative revaluations of hedge derivatives are recognised in specific assets and liabilities accounts, respectively.

Valuations of hedged items are classified in the balance sheet accounts in which the instruments are recognised.

d) Impairment of financial assets

The impairment model of IFRS 9 - “Financial instruments” applies to the following financial assets:

- All financial assets measured at amortised cost (including lease agreements – IAS 17 – “Leases”);
- Debt instruments measured at fair value through other comprehensive income (FVTOCI);
- Rights and obligations as referred to in IFRS 15 – “Revenues from contracts with customers – in cases in which this standard refers to IFRS 9 – “Financial instruments”;
- Assets which translate the right to reimbursement of payments made by the entity when liquidating the liabilities recognised under IAS 37 – “Provisions, contingent liabilities and contingent assets”; and
- Loan liabilities (except when measured at fair value through profit or loss).

These financial assets are divided up into 3 risk groups, depending upon the significance of the deterioration of credit risk:

- Stage 1 - Assets without a significant deterioration in credit risk since the time of their initial recognition;
- Stage 2 - Assets with a significant deterioration in credit risk since the time of their initial recognition; and
- Stage 3 – Impaired assets (assets in default*).*

Depending upon the classification of the operation's stage, credit losses are estimated on the basis of the following criteria:

- 12 month expected losses: the expected loss deriving from a loss event occurring in the 12 months following the calculation date, applied in stage 1 operations; and
- Lifetime expected losses: the losses expected to be made on the difference between contractual cash flows and the cash flows the entity expects to receive up to the agreement's maturity, i.e. the expected loss derives from all potential loss events up to maturity, applied in stage 2 and 3 operations.

Although IFRS 9 - "Financial instruments" does not define the concept of default, CGD Group applied the same definition of default as used for management purposes, on an internal credit risk level, which incorporates the EBA's recommendations as defined in its "Final Report on Guidelines on default definition (EBA-GL-2016-07)" published on September 28, 2016.

Stage 2 classification is based on the observation of an SICR ("significant increase in credit risk") since the time of initial recognition.

The quantitative metrics used to assess when an asset is transferred to stage 2 are based on a comparison of the deterioration of the forward-looking probability of lifetime default between the date of initial recognition and the reporting date.

Qualitative criteria for the transfer of a financial asset to stage 2 were also considered: credit in arrears for more than 30 days (backstop indicator), restructured credit based on financial difficulties and objective credit risk criteria noted when monitoring customers.

Although based on historical and current information, assessments of expected losses should incorporate reliable, reasonable, supportable and available forward-looking projections, without cost or undue excessive endeavours.

The amount of the expected credit loss therefore considers a forward-looking component based on the weighting of 3 different macroeconomic lost estimation scenarios (central, pessimistic and optimistic). The scenarios to be considered are defined by a methodological approach comprising the projection of macroeconomic variables in which the probabilities of the occurrence of each of the scenarios is defined internally.

Evidence of impairment is assessed in the case of significant individual exposures or collectively, for exposures which are not individually significant. If it is considered that there is no objective evidence of impairment for a certain exposure, whether or not significant, it is measured collectively.

2.9. Non-current assets held-for-sale and assets and liabilities disposal groups

IFRS 5 – "Non-current assets held-for-sale and discontinued operations" applies to individual and groups of assets for disposal, either by sale or another aggregate means, in a single transaction in addition to all liabilities directly associated with such assets, which may be transferred in the transaction (referred to as "assets and liabilities disposal groups").

Non-current assets or groups of assets and liabilities for disposal are classified as held-for-sale whenever their book value is expected to be recovered from sale and not their continued use. The following requirements must be met for an asset (or group of assets and liabilities) to be classified in this account:

- There must be a strong probability of sale;
- The asset must be available for immediate sale in its present state; and
- The sale should be expected to occur within a year from the asset's classification in this account.

Assets recognised in this account are not depreciated and are measured at their acquisition cost or fair value, whichever less, net of the costs incurred on the sale. The assets' fair value is calculated by appraisers.

Impairment losses are recognised in "Impairment of other assets, net of reversals and recoveries", when book value exceeds fair value, net of sales costs.

Property and other assets which have been auctioned for overdue credit recovery purposes are also recognised in this account at their bid price.

The Group periodically analyses the recoverable value of foreclosed property on overdue credit or other property reclassified as non-current assets held-for-sale based on a specially developed impairment model.

Impairment is assessed individually for all property with a gross book value of €5 million or more. Properties with a gross book value of less than €5 million, when justified on the basis of their specific characteristics may be included on a one-off basis in this valuation segment. Impairment on other properties is assessed by collective impairment models.

Individual impairment analyses consider a property's specific characteristics as well as the intended disinvestment strategy and includes available information on demand, supply and other specific risks such as licences, investment needs, occupation status, rental or other agreements which could affect its value.

The collective impairment model is based on an assessment of the recoverable value of each property, comprising the minimum amount between:

(i) The last available valuation; and

(ii) The amount resulting from haircuts on the valuations obtained since the property has been listed in the portfolio.

The haircut differs by property segments with similar depreciation characteristics and the length of time it has been listed in the portfolio. The amounts of the haircuts are defined on the basis of the historic evolution of property valuations, with complementary adjustments to ensure that the recoverable value matches the sales history, penalising properties listed in the portfolios for the longest periods and ensuring alignment with the disinvestment strategy.

Impairment losses are recognised if the property's recoverable value, net of its estimated sales costs, is less than its balance sheet amount.

Auctioned property is written-off from assets on sale and its respective profit or loss recognised in "Other operating income".

2.10. Investment properties

Investment properties are properties held by the Group with the objective of receiving income from rentals and/or appreciation.

Investment properties are not depreciated and are recognised at fair value, based on appraisers' valuations.

Investment properties acquired on loan recovery operations are also included in the analysis of the individual and collective impairment assessment model applied to property classified as non-current assets held-for-sale (note 2.9), whose fair balance sheet carrying amount is defined by reference to the assessment of its respective recoverable value.

Fair value changes are recognised in "Other operating income" in profit and loss.

2.11. Other tangible assets

Other tangible assets are recognised at their acquisition cost, revalued under applicable legal dispositions and net of their accumulated depreciation and impairment losses. The costs of repairs, maintenance and other expenses associated with their use are recognised as a cost for the period in "Other administrative costs".

Up to January 1, 2004, Caixa and several of its subsidiaries had revalued their tangible assets under the terms of the applicable legislation. As permitted under IFRS 1 – "First-time adoption of international financial reporting standards" in the transition to IFRS (International Financial Reporting Standards), their book value, including the effect of the referred to revaluations, was deemed to be a cost, as the proceeds therefrom, at the time of the revaluation, generally corresponded to cost or depreciated cost under international accounting standards, adjusted to reflect changes to price indices. In the case of entities headquartered in Portugal, as 40% of the increase in depreciation on these revaluations is not tax deductible, the corresponding deferred tax liabilities thereon have been recognised.

Depreciation is recognised on a straight line basis across the assets' estimated useful lives, comprising the periods in which the assets are expected to be available for use, as follows:

	Useful life (years)
Property for own use	50 - 100
Equipment:	
Furniture and material	8
Machines and tools	5 - 8
Computer equipment	3 - 8
Interior fittings	3 - 10
Transport material	4 - 6
Security equipment	4 - 10

Land is not depreciated.

The cost of works on and improvements to property leased by the Group under operating leases is capitalised in this account and depreciated over an average period of 10 years.

Depreciation is recognised as a cost for the period.

Tests to identify signs of impairment on other tangible assets are periodically performed. An impairment loss is recognised in "Impairment of other assets net of reversals and recoveries" in profit and loss for the period whenever the net book value of tangible assets is higher than their recoverable value (value in use or fair value whichever the higher). Impairment losses may be reversed and also have an impact on profit and loss in the event of a subsequent increase in an asset's recoverable value.

The Group assesses the adequacy of its tangible assets' estimated useful lives on an annual basis

2.12. Finance leases

Finance lease operations are recognised as follows:

<u>As lessee</u>

Assets purchased under finance lease agreements are recognised at their fair value in "Other tangible assets" and in liabilities, in line with the processing of their respective repayments.

Lease instalments are divided up in accordance with the respective financial schedule, whose liabilities are reduced by repayments of principal. Interest payments are recognised in "Interest and similar costs".

<u>As lessor</u>

Leased assets are recognised in the balance sheet as "Loans and advances to customers" whose principal is repaid in accordance with the agreement's repayment schedule. Interest included in the instalments is recognised in "Interest and similar income".

2.13. Intangible assets

This account essentially comprises the cost of acquiring, developing or preparing software used to further the Group's activities. In cases in which the requirements of IAS 38 – "Intangible assets" are met, the direct internal costs incurred on software development are capitalised as intangible assets. These costs essentially comprise employee costs.

Intangible assets are recognised at their acquisition cost, net of accumulated depreciation and impairment losses.

Depreciation is recognised on a straight line basis over the assets' estimated useful lives, which is normally between 3 and 6 years.

Software maintenance costs are recognised in the year in which they are incurred.

2.14. Income taxes

Current tax

CGD pays tax under the fiscal regime set out in the IRC (corporate income tax) code and, starting 2012, has been taxed under the special tax regime for corporate groupings of article 69 *et seq.* of the referred to code. The Group perimeter covered by the referred to tax regime, of which CGD is the dominant entity, includes all companies headquartered and with effective management in Portugal whose total income is subject to the general IRC tax regime, at the highest standard rate, in whose equity capital it has had either a direct or indirect equity stake of at least 75% for a period of more than 1 year and when the equity stake entitles it to more than 50% of the voting rights.

The Group's taxable profit is calculated on the algebraic sum of the taxable profit and tax losses separately made by the companies in the perimeter. Branch accounts are also included in CGD headquarters' accounts pursuant to the principle of the taxation of global profit provided for in article 4 of the IRC code. In addition to paying IRC, in Portugal, branch profit may also have to pay local taxes in the countries/territories in which they are established. Local taxes are deductible from the Group's IRC tax bill, under international double taxation agreements through article 91 of the respective code.

Current tax is calculated on taxable profit for the period and differs from accounting income owing to adjustments resulting from costs or income which are not relevant for fiscal purposes or only considered in other accounting periods.

Adjustments to accounting income

- *Income earned by non-resident subsidiaries with a more favourable tax regime*

  Under article 66 of the IRC code, profit made by non-resident companies with a clearly more favourable tax regime is included in Caixa's accounts, in proportion to its equity stake and independently of its appropriation, provided that Caixa has a direct or indirect equity stake of at least 25% or at least 10% if more than 50% of the non-resident company is either directly or indirectly owned by resident shareholders.

  A company is considered to benefit from a clearly more favourable regime (i) when it is resident in a territory listed in ministerial order 292/2011 of November 8, or (ii) when it is not subject therein to income taxes identical or similar to IRC, or (iii) when the applicable rate of income tax payable on its activity is equal to or less than 60% of the IRC rate payable if the company were resident in Portugal.

In these cases, the profit is included in Caixa's taxable income for the period in which the end of the non-resident company's tax period is included in the form of its net profit in proportion to Caixa's capital holding. The amount of the profit included is deductible from the taxable profit for the period in which the referred to profits are eventually distributed to Caixa. Caixa does not recognise any deferred taxes in respect of this situation.

- *Impairment of credit*

During the course of 2016 and owing to the application of the Bank of Portugal's *notice* 5/2015, Caixa began to prepare the financial statements on its separate activity in accordance with the International Financial Reporting Standards as adopted, at any time, under European Union legislation, considering IAS 39 – "Financial instruments: recognition and measurement" requirements on credit provisions and other receivables, from January 1 of the referred to period.

The change in the accounting regulations required the need to define the fiscal framework applicable from January 1, 2016. Regulatory decree 5/2016, which, in general terms, continued to adopt the same fiscal regime on impairment losses and other value adjustments for specific credit risk in force in 2015, i.e. limiting tax deductions to the amounts assessed in accordance with the dispositions of the Bank of Portugal's *notice* 3/95 (latterly revoked) provided that such loans were not collateralised by real rights over immovable assets, was published on November 18, 2016, with this objective.

The publication of regulatory decree 11/2017, on December 28, 2017 clarified the one year extension of the rules in force in 2016, with the dispositions of *notice* 3/95 remaining in force as a reference for the deductibility of impairment losses on credit operations considered to be fiscally relevant.

As stated in note 2.3, starting January 1, 2018 the measurement of estimated credit risk losses was estimated with reference to the dispositions of IFRS 9 – "Financial instruments", which replaced IAS 39 after the referred to date.

In the absence of specific rules on the fiscal regime applicable to periods starting January 1, 2018, Caixa, when preparing its estimates considered that the legal regime of 2017 remained in force.

- *Written off credit*

At June 30, 2018 and December 31, 2017 Caixa retained deferred tax assets associated with non tax deductible impairment on credit operations which had already been written-off from assets, based on the expectation that they will be included as taxable material for taxation periods in which the conditions required for the deduction thereof have been met, both on a level of the delay period (24 months), as in compliance with the limits provided for by legislation on the referred to dates or, furthermore, in the event of the occurrence of any of the conditions provided for in article 41 of the corporate tax code (bad debts).

- *Impairment of financial investments*

In conformity with the dispositions of no. 2 of article 28-A of the corporate tax code, impairment losses on securities and other investments processed in accordance with the accounting standards applicable to entities supervised by the Bank of Portugal are considered to be tax deductible.

The publication of law 42/2016 involving an addendum to no. 6 of article 51-C of the corporate tax code ruled that, for 2017 and following periods, impairment losses and other value adjustments to equity investments or other own equity instruments, included in taxable income, are considered to be positive components of the taxable profit for the taxation period in which the respective sale has taken place. As a result of this situation, Caixa began to recognise deferred tax liabilities on the impairment of financial investments to be deductible as a tax cost at the time of the constitution thereof when the intention involves a sale or liquidation (or when in progress). These amounted to €117,536 thousand and €116,169 thousand, at June 30, 2018 and December 31, 2017, respectively.

At June 30, 2018 and December 31, 2017 the amount of unrecognised deferred tax liabilities on the impairment of tax deductible financial investments, to the extent of the unlikelihood of any changes to the board of directors' strategy regarding the management of such investments, i.e. no prospects of sale or liquidation in the foreseeable future, amounted to €78,663 thousand and €77,187 thousand respectively.

- *Employee costs*

CGD has considered its payment of employee costs, processed and recognised in the accounts, including, *inter alia*, costs associated with pensions and other post-employment benefits to be tax deductible, up to the limit of the contributions effectively paid into the pension fund. This procedure is in line with the understanding of the secretary of state for fiscal affairs of January 19, 2006, according to which the amounts recognised in costs under the terms of the applicable accounting standards, limited to the amount of the contribution effectively paid into the pension fund in the same or past years, are tax deductible under the rules of article 43 of the IRC code.

Also herein and as a result of the change in the accounting policy on the recognition of actuarial profit and loss on pension plans and other post-employment benefits, with reference to December 31, 2011, the deferred net liabilities balance recognised in Caixa's balance sheet at the said date was fully recognised as a charge to reserves. As the component of €60,837 thousand relating to pension liabilities complied with the requirements of article 183 of law 64-B/2011 of December 30, approving the state budget law for 2012, the negative equity changes originated in 2011, which were not considered for tax purposes, in the period, will be recognised as a deduction from taxable profit, in equal parts, in the ten years beginning on or after January 1, 2012.

At June 30, 2018 and December 31, 2017 Caixa had not recognised deferred tax on actuarial or financial profit and loss on its pension plan for active workers.

- *Settlement result*

  Under article 92 of the IRC code, as amended by the state budget law for 2011, taxable income, net of deductions for international double taxation and fiscal benefits, may not be less than 90% of the amount that would have been assessed if the taxpayer (i) did not enjoy fiscal benefits and (ii) did not make supplementary contributions to pension funds and the like to cover retirement pension liabilities as a result of the application of the international accounting standards

  The referred to limitation does not apply to the fiscal benefits listed in no. 2 of the same article.

  CGD did not make any adjustments to the assessment of its taxable income for first half 2018 or 2017 as a result of the application of this article.

Deferred tax

Total income tax recognised in profit and loss includes current and deferred tax.

Deferred tax comprises the impact on tax recoverable/payable in future periods of temporary deductible or taxable differences between the book value of assets and liabilities and their fiscal basis, used to assess taxable profit.

Whereas deferred tax liabilities are normally recognised for all temporary taxable differences, deferred tax assets are only recognised to the extent of the probability of the existence of sufficient future taxable profit allowing the corresponding deductible tax differences or carry-back of tax losses to be used. Deferred tax assets whose recoverability may be questionable owing to other situations, including issues regarding the interpretation of current tax legislation, are not recognised.

Neither is deferred tax relating to temporary differences originating on the initial recognition of assets and liabilities in transactions which do not affect accounting income or taxable profit recognised.

The principal situations originating temporary differences on a Group level are provisions and impairment which are temporarily non-tax deductible.

Deferred taxes are calculated on the basis of the tax rates expected to be in force upon the temporary differences' reversal dates, comprising the approved or substantially approved rates, at the balance sheet date.

Income tax (current or deferred) is recognised in profit and loss for the period, except for cases whose originating transactions have been recognised in other shareholders' equity accounts. The corresponding tax, in these situations, is also recognised as a charge to equity.

2.15. Provisions and contingent liabilities

A provision is set up whenever there is a current (legal or constructive) obligation resulting from past events involving the probable future expenditure of resources and when this may be reliably assessed. The amount of the provision comprises the best estimate of the amount to be paid to liquidate the liability at the date of the balance sheet.

When not probable, the future expenditure of resources is considered to be a contingent liability. Contingent liabilities only require a disclosure procedure, unless the probability of their occurrence is remote.

Provisions for other risks are for:

- Liabilities for guarantees provided and other off-balance sheet commitments, based on a risk analysis of operations and respective customers; and
- Legal, fiscal and other contingencies resulting from the Group's activity.

2.16. Employee benefits

Liabilities for employee benefits are recognised in accordance with the principles of IAS 19 – "Employee benefits". The principal benefits granted by Caixa include retirement and survivors' pensions, healthcare costs and other long-term benefits.

Pensions and healthcare liabilities

CGD Group has several pension plans, including defined benefit and, in several situations, defined contribution plans. Caixa is therefore liable for the payment of the retirement, disability and survivors' pensions of its employees. Other Group companies, including Banco Comercial do Atlântico, Banco Caixa Geral and Banco Nacional Ultramarino (Macau) also have liabilities for defined benefit plans.

Healthcare for CGD headquarters' active and retired employees is also provided by Caixa Geral de Depósitos's social services and funded by contributions from CGD headquarters and employees. Caixa also has liabilities for contributions to SAMS (healthcare services) for former BNU employees who had retired prior to the July 23, 2001 merger between BNU and CGD.

The liability for defined benefit plans is recognised in the balance sheet and comprises the difference between the present value of liabilities and the fair value of pension funds' assets. Total liabilities are calculated annually by specialised actuaries, using the unit credit projected method and adequate actuarial assumptions. The rate used for liabilities discounting procedures is based on market interest rates on investment grade corporate bonds denominated in the currencies in which the liabilities are paid and with similar periods to maturity to the average settlement period on liabilities.

Profit and loss on differences between the actuarial and financial assumptions used and the effective amounts regarding the evolution of liabilities and pension fund yield projections, as well as on changes to actuarial assumptions are recognised as a charge to "Other reserves".

As the Group does not usually assume any liability for defined contribution plans, other than its annual contributions, no additional costs are recognised.

Retirement pensions and healthcare costs for the period, including current servicing requirements and net interest costs, are aggregated and recognised in the appropriate "Employee costs" account.

The impact of employees' early retirements, as defined in the actuarial study, is directly recognised in "Employee costs". Caixa also recognises a specific liability for the impact of the change to inactive status of employees with whom it has entered into redundancy agreements. This provision is also recognised as a charge to "Employee costs" in profit and loss.

Liabilities for healthcare costs are recognised in a "Provisions for the costs of employee benefits" account (note 21).

Other long-term benefits

The Group also has other liabilities for long-term benefits to its workers, including liabilities for early retirements, seniority bonuses and death grants prior to the standard retirement age. Death grants after the standard retirement age are the responsibility of the pension fund.

Liabilities for such benefits are also based on actuarial assessments. All actuarial income and loss is recognised as a charge to profit and loss for the period under IAS 19 – “Employee benefits” for the type of benefits identified.

Liabilities for the costs of seniority bonuses and death grants are recognised in "Other liabilities" (note 23) and "Provisions for the costs of employee benefits" (note 21), respectively.

Short-term benefits

Short-term benefits, including employees’ productivity bonuses, are recognised on an accrual basis in “Employee costs” for the respective period.

Redundancy benefits

Redundancy benefits include the costs of the redundancy agreements between Caixa and its employees. These costs are also recognised in “Employee costs” in profit and loss.

2.17. Commissions

As referred to in note 2.8, commissions on credit operations and other financial instruments, i.e. commissions charged or paid on originating operations, are included in amortised cost and recognised over the course of the operation, in “Interest and similar income”.

Commissions for services provided are usually recognised as income over the period of the provision of the service or as a lump sum if resulting from single acts.

2.18. Issuance of equity instruments

The issuance of equity instruments is recognised at the fair value of the compensation received, net of the issuance’s direct costs.

Preference shares issued by the Group are recognised on the basis of the criteria defined in IAS 32 – “Financial instruments: disclosure and presentation”. Accordingly, in situations in which payments and/or redemptions of dividends are exclusively at the Group’s discretion, the securities issued are considered to be equity instruments. Preference shares issued by subsidiaries which meet these requirements are recognised in “Non-controlling interests” in the consolidated balance sheet.

2.19. Securities and other items held under custody

Securities and other items held under custody, i.e. customers' securities, are recognised in off-balance sheet accounts, preferably at their fair or nominal value.

2.20. Cash and cash equivalents

For the preparation of its cash flow statements, the Group considers “Cash and cash equivalents” to be the “Cash and cash equivalents at central banks” and “Cash balances at other credit institutions” total.

2.21. Hyperinflationary economies

During the course of 2017, resulting from an analysis of the evolution of the key financial and behavioural indices of Angola’s economy, the Group concluded that the conditions of IAS 29 – “Financial reporting in hyperinflationary economies” had been met in order to proceed with the expected change to this standard of the presentation of the financial statements of subsidiaries operating in this geography, namely through its equity stake in Banco Caixa Geral – Angola, S.A. (Caixa Angola). This understanding was renewed in first half 2018.

One of the most relevant, albeit non-exclusive, factors in terms of this understanding, was the progression noted in the consumer price index across the period 2015 and first half 2018, as published by Angola’s national statistics institute and shown in the following table:

	2018-06-30	2017	2016	2015	2014
Consumer Price Index at the end of the period	211.65	195.63	158.19	112.09	100.00
Change	8.19%	23.67%	41.13%	12.09%	-

Although the standard does not define an absolute rate based on which an economy is presumed to be hyperinflationary, the fact that the accumulated value across the last three years is close to or in excess of 100% is considered as possible evidence of this situation. The following indicators are also considered to be potential signs of a hyperinflationary economy:

(i) Reinvestment of the local currency in non-monetary assets or a relatively stable foreign currency;

(ii) When purchases and sales made on credit include compensation for the loss of purchasing power, even over relatively short periods;

(iii) When the evolution of interest rates, wages and prices are linked to a price index; and,

(iv) When goods and services are priced in a stable foreign currency.

As a result of this situation, the financial statements of Caixa Angola included in Caixa Group’s consolidated accounts were prepared in accordance with the following specifications:

– Non-monetary assets and liabilities measured at historical cost, net of accumulated amortisation or impairment, when applicable, were re-expressed on the basis of the evolution of the general price index applied from the respective date of acquisition or origination, provided that this does not exceed their recoverable amount;

– Monetary assets and liabilities measured at current prices on the date of the closure of the financial statements were not re-expressed;

– The profit or loss on the net monetary position for the period deriving from the change in purchasing power occurring between the start and the end of the reporting period was recognised in the "Income from financial operations" aggregate (note 30) in profit and loss;

– The different cost components of Caixa Angola's profit and loss statement were re-expressed on the basis of the application of a general price index from the start of the month in which they were recognised, except for impairment costs on financial assets and the depreciation and amortisation of tangible and intangible assets; and

– On January 1, 2017, the date upon which this standard came into effect, the diverse equity components of Caixa Angola, except for retained earnings from previous periods, were re-expressed on the basis of the application of a general price index from their date of constitution or origination. All of the equity components were subsequently re-expressed on the basis of the application of a general price index from the start of the month to which the financial statements refer or their date of constitution if later.

The same measurement criteria as for the above referred to non-monetary assets were applied to the goodwill recognised in the Group's condensed consolidated financial statements, recognised on the date of the acquisition of control over this subsidiary.

Information on the principal effects on Caixa Group's condensed consolidated financial statements resulting from the adoption of IAS 29 – "Financial reporting in hyperinflationary economies" with reference to the period ended June 30, 2018 is set out below:

	2018-06-30		
	Attributable to the shareholder of CGD	Non-controlling interests	Total
Consolidated net income for the period, of which:			
Restatement of Caixa Angola's net income for the first half of 2018	588	565	1,154
Net monetary loss (Note 30)	(7,663)	(7,363)	(15,026)
	(7,075)	(6,798)	(13,873)
Impact on equity	(3,839)	(3,688)	(7,527)
Total	(10,914)	(10,486)	(21,399)

Considering that Caixa Angola's financial statements for the period ended June 30, 2017 which are included in Caixa's condensed consolidated financial statements, were translated into the Group's functional currency at the exchange rates in force on the said date, as the board of directors only decided to apply IAS 29 – "Financial reporting in hyperinflationary economies" from December 31 2017, the Group decided not to re-express the referred to interim period, as set out in this document.

The translation of Caixa Angola's re-expressed financial statements for first half 2018 and at December 31, 2017 (comparative balance sheet amounts) into the Group's functional currency complied with the criteria of note 2.5.

2.22. Critical accounting estimates and the most relevant judgmental aspects for the application of accounting policies

The application of the above described accounting policies requires Caixa's executive committee and Group companies to make estimates. The following estimates had the greatest impact in the Group's condensed consolidated financial statements, as set out below.

Measurement of impairment losses on loans and advances to customers

The assessment of impairment losses on loans measured at amortised cost is based on the methodology defined in note 2.8. d). This assessment is, *inter alia*, based on the weighting of a series of factors reflecting knowledge of a customer's situation, treatment of historical data, value of the guarantees associated with the operations in question, and, as such, is highly subjective.

The Group considers that the impairment assessed by this methodology enables the risks on its loan portfolio to be adequately recognised, in line with the requirements of IAS 39 – "Financial instruments: recognition and measurement"

Assessment of impairment losses on debt instruments at fair value through other comprehensive income

According to the measurement requirements for these assets, changes in fair value are recognised as a charge to other comprehensive income. Whenever the results of the analysis (note 2.8. d)), show the existence of impairment, the amount of the estimated loss is re-classified from other comprehensive income to costs for the period.

This assessment uses available market information and includes modelling assumptions and judgements, a change of which could produce different results. The Group, however, considers that impairment based on this methodology provides adequate recognition of the risk associated with such assets, taking into account the rules defined by IFRS 9 – "Financial instruments".

Measurement of financial instruments not traded in active markets

Under IAS 39 – "Financial instruments", the Group measures all financial instruments at fair value, except for those recognised at amortised cost. The valuation models and techniques described in note 2.8. are used to measure the value of financial instruments not traded in liquid markets. The valuations obtained comprise the best estimate of the fair value of the referred to instruments, at the date of the balance sheet. To guarantee adequate separation between functions, the value of such financial instruments is measured by a body that is independent from the trading function.

Measurement of non-current assets held-for-sale – investments in subsidiaries

The measurement of investments in subsidiaries recognised in "Non-current assets held-for-sale" accounts is based on valuation methodologies mainly supported by external valuations, using different fair value measurement techniques, considering the board of directors' estimates for each entity, market conditions in which they operate and certain assumptions or judgments. Alternative methodologies and the use of different assumptions and estimates may result in a different valuation level for these investments.

Employee benefits

As referred to in note 2.16. above, the Group's liabilities for its employees' post-employment and other long term benefits are assessed on an actuarial basis. The actuarial calculations use, *inter alia,* financial and actuarial assumptions on mortality, disability, wages and pension growth, returns on assets used to hedge these liabilities and discount rates. The assumptions reflect the Group's and its actuaries' best estimates of the future performance of the respective variables.

Income tax assessment

Income tax (current and deferred) is assessed by Group companies on the basis of the rules defined in the current tax legislation of the countries in which they operate. In several cases, however, tax legislation is not sufficiently clear and objective and may give rise to different interpretations. Although the amounts recognised, in such cases, represent the best understanding of Caixa's and Group companies' responsible bodies, on the correctness of their operations, they may be questioned by the tax authorities.

The Group's recognition of deferred tax assets, including those in respect of the carry-back of tax losses, is based on the expectation of future taxable profit enabling them to be realised, assessed on the basis of more up-to-date projections of accounting income and considering the objective for the reduction of non-performing assets. The fiscal income projections have been prepared on the assumption of the maintenance of the deductibility rules on the existence of impairment losses on loans and other receivables at December 31, 2017. The recoverability of deferred tax assets is, therefore, contingent upon the successful implementation of Caixa's board of directors' strategy, namely the capacity to generate estimations of taxable income and interpretation of fiscal legislation in force and in the future (note 16).

Property valuations

The valuation of properties recognised in "Non-current assets held-for-sale" and "Investment properties" accounts considers a set of judgmental assumptions which are contingent upon each asset's specific characteristics and the Group's respective business strategy. The assumptions regarding future events may not occur or, even if occurring, their real results could be different as, other anticipated events frequently fail to occur as expected and the change could be materially relevant. By way of example, there could be changes on a level of property market expectations, relevant macroeconomic variables or on a level of the intrinsic characteristics of the actual property and its surrounding physical environment.

Provisions and contingent liabilities

As referred to in note 2.15. above, provisions are recognised whenever there is a present (legal or constructive) obligation which involves a probable future payment and when this may be reliably assessed.

Contingent liabilities are not recognised in the condensed financial statements and information thereon is disclosed if the possibility of payments being made is not classified as being remote.

The decision regarding the recognition of provisions and their respective measurement takes into account the board of directors' assessment of the risks and uncertainties associated with the processes in progress and expected confirmation of future cash flows based on the best information available on the date upon which the condensed financial statements are filed.

3. GROUP COMPANIES AND TRANSACTIONS IN PERIOD

The Group's structure on a level of its principal subsidiaries, by sectors of activity and respective financial data taken from their separate, statutory financial accounts, unless otherwise specified, is summarised below:

Activity / Entity	Location	2018-06-30			2017-12-31	
		% Effective participating interest	Equity (a)	Net income	Equity (a)	Net income
Holding Companies						
Caixa - Gestão de Activos, SGPS, S.A.	Lisbon	100.00%	21,092	(102)	21,194	3,490
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	92,896	6,676	79,751	14,583
Caixa Desenvolvimento, SGPS, S.A.	Lisbon	99.75%	313	-	313	(3)
Caixa Seguros e Saúde, SGPS, S.A.	Lisbon	100.00%	1,325,983	22,091	1,348,760	34,677
Parbanca, SGPS, S.A.	Madeira	100.00%	67,988	6,334	51,828	16,157
Parcaixa SGPS, S.A.	Lisbon	100.00%	1,022,555	6,275	1,023,697	5,835
Partang, SGPS, S.A.	Lisbon	100.00%	143,723	(8,958)	201,439	1,743
Wolfpart, SGPS, S.A.	Lisbon	100.00%	(111,011)	(24)	(108,625)	9,664
Banking						
Banco Caixa Geral, S.A.	Vigo	99.79%	539,749	14,244	536,158	26,377
Banco Comercial do Atlântico, S.A.	Praia	58.19%	52,184	3,361	49,392	2,274
Banco Comercial e de Investimentos, S.A.R.L.	Maputo	63.05%	229,233	15,890	221,091	34,821
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	89,136	1,420	104,044	22,228
Banco Interatlântico, S.A.R.L.	Praia	70.00%	17,132	1,162	16,406	492
Banco Nacional Ultramarino, S.A. (Macau)	Macau	100.00%	732,018	27,787	718,688	68,002
Caixa - Banco de Investimento, S.A. (b)	Lisbon	99.75%	377,622	33,302	371,830	33,011
CGD Investimentos CVC, S.A.	São Paulo	99.88%	24,606	891	35,291	41,225
Mercantile Bank Holdings, Ltd. (b)	Johannesburg	100.00%	149,256	8,697	157,782	14,150
Banco Caixa Geral Angola, S.A.	Luanda	51.00%	213,845	49,942	267,365	41,534
Specialised Credit						
Caixa Leasing e Factoring - Instituição Financeira de Crédito, S.A.	Lisbon	100.00%	122,202	7,886	121,659	14,124
Asset Management						
Caixagest - Técnicas de Gestão de Fundos, S.A.	Lisbon	100.00%	32,355	2,970	30,328	4,340
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	10,654	863	9,525	1,874
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisbon	100.00%	4,054	608	3,445	1,245
Venture Capital						
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	45.33%	3,415	140	3,153	8
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	99.75%	12,117	1,397	10,721	3,406
Real Estate						
Imobci, Lda.	Maputo	46.31%	98	(16)	112	(6)
Imocaixa - Gestão Imobiliária, S.A.	Lisbon	100.00%	(10,011)	942	(10,953)	855
Caixa Imobiliário, S.A.	Lisbon	100.00%	(57,372)	(7,196)	(50,176)	26,197
Inmobiliaria Caixa Geral S.A.U.	Madrid	100.00%	(79,113)	(1,378)	(77,735)	(7,997)
Cibergradual, Investimento Imobiliário, S.A.	Lisbon	100.00%	(116,085)	(324)	(115,761)	(19,001)
Other Financial Entities						
CGD Finance	Cayman	100.00%	2,546	(4)	2,528	(21)
Caixa Geral Finance (c)	Cayman	0.00%	111,214	815	111,215	1,650

(a) Equity includes net income for the period.
(b) Data taken from consolidated financial statements.
(c) Share capital comprises 1 000 ordinary shares of EUR 1 and 110 728 non-voting preference shares of EUR 1 000 each (110 728 preference shares in 12/31/2017)

Activity / Entity	Head office	2018-06-30			2017-12-31	
		% Effective participating interest	Equity (a)	Net income	Equity (a)	Net income
Other Companies						
Caixanet - Telemática e Comunicações, S.A.	Lisbon	80.00%	1,823	(14)	1,837	(34)
Caixatec, Tecnologias de Comunicação, S.A.	Lisbon	100.00%	(1,801)	(109)	(1,692)	(331)
Complementary Corporate Groupings						
Groupment d'Interet Economique	Paris	100.00%	-	-	-	-
Sogrupo - Compras e Serviços Partilhados, ACE	Lisbon	90.00%	-	-	-	-
Sogrupo - Sistemas de Informação, ACE	Lisbon	80.00%	-	-	-	-
Sogrupo IV - Gestão de Imóveis, ACE	Lisbon	82.00%	-	-	-	-
Special Purpose Entities and Investment Funds						
Fundo de Capital de Risco - Grupo CGD - Caixa Capital	Lisbon	100.00%	155,105	1,616	153,489	2,008
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	21,694	(930)	22,624	(961)
Fundo de Capital de Risco Caixa Fundos	Lisbon	100.00%	151,690	7,334	144,356	6,700
Fundo de Capital de Risco Caixa Crescimento	Lisbon	100.00%	86,334	(535)	86,868	(4,438)
Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	Lisbon	100.00%	62,651	(1,298)	63,948	1,142
Fundo Especial de Investimento Aberto Estratégias Alternativas	Lisbon	75.64%	10,465	(290)	10,944	149
Caixa Imobiliário - Fundo de Investimento Fechado de Arrendamento Habitacional	Lisbon	100.00%	25,461	(782)	26,244	(144)
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	32.61%	67,839	1,508	100,416	9,639
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Lisbon	41.49%	182,272	5,915	185,427	11,080
Caixagest Infra-Estruturas - Fundo Especial de Investimento	Lisbon	21.00%	106,892	2,982	106,893	7,838
Beirafundo - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	125	(291)	417	934
Cidades de Portugal - Fundo de Investimento fechado de Arrendamento Habitacional	Lisbon	100.00%	11,570	(368)	11,938	60
Fundolis - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	50,202	(508)	50,710	966
Fundimo - Fundo de Investimento Imobiliário Aberto	Lisbon	46.47%	561,260	12,535	565,013	23,405
Fundiestamo - Fundo de Investimento Imobiliário Fechado	Lisbon	78.08%	152,961	4,669	148,292	7,008
Fundo Especial de Investimento Imobiliário Fechado - Iberia	Lisbon	100.00%	74,679	(2,326)	77,004	(5,158)

(a) Equity includes net income for the year.

Information on the Group's principal subsidiary movements for first half ended June 30, 2018 and 2017 is given below:

Banco Comercial e de Investimentos, S.A.

In first half 2015, Banco Comercial e de Investimentos, S.A.'s general meeting of shareholders approved a share capital increase of which MZN 3,081,274,880 as an incorporation of reserves and MZN 1,789,709,460 based on the issuance of 72,752,418 new shares. The Group's equity investment in this operation was made through Parbanca, SGPS, S.A., which has a 51% equity stake in BCI, based on a subscription of MZN 912,751,820 in new shares at a unit price of MZN 24.60 (including a share issuance premium of MZN 14.60).

The company's acquisition of the subscribed and unpaid shares by the shareholder Insitec in the sphere of the share capital increase of 2015 was approved by Banco Comercial e de Investimentos, S.A.'s general meeting of shareholders in March 2016. The referred to shares are now part of the company's treasury stock.

During the course of 2017 an agreement for the payment in kind of BCI shares was reached between Caixa Geral de Depósitos S.A., Banco BPI, S.A., Banco BPI, S.A., BCI – Banco Comercial de Investimentos, S.A., Parbanca SGPS, S.A. and Insitec SGPS, S.A. As part of this operation Insitec Capital surrendered 110,171,080 shares in its name, comprising 16.18069% of BCI's share capital as payment in kind for the credit operations entered into with CGD and BPI, for the purpose of fully clearing its debts. CGD received 71,543,434 BCI shares comprising 10.51% of the respective share capital in payment of its credit, with the Group having increased its effective equity stake in this company to 63.05%.

Fundo de Capital de Risco Grupo CGD (FCR Grupo CGD)

During the course of 2017, in conformity with a resolution passed at a general meeting of its sole shareholder, the capital of FCR Grupo CGD was reduced by €78,885 thousand, of which €23,884 thousand to cover retained earnings with the remaining €55,001 thousand having been paid in cash.

Fundo de Capital de Risco Caixa Fundos

During the course of 2017, in conformity with a resolution passed by the sole shareholder at a general meeting, Caixa Capital (fund manager) reduced the subscribed for and unpaid capital of the FCR Caixa Fundos by the amount of €65,000 thousand. This reduction was made as it was considered that the amount of the undertakings greatly exceeded the fund's possibility of making new investments.

Caixa Arrendamento (FIIAH – Caixa Arrendamento) closed end residential property investment fund

During the course of 2017, a resolution approving a reduction of 48,238 investment units for an overall amount of €48,000 thousand to the capital of the Caixa Arrendamento fund, was passed by a general meeting of investors.

CGD - North America Finance

During the course of 2017 a resolution was passed by Caixa Geral de Depósitos, S.A. as its sole shareholder, to close down and liquidate CGD - North America Finance, which was totally inactive at the said date.

Parcaixa

The Portuguese state, as CGD's sole shareholder, passed a resolution on January 4, 2017, to transfer its indirect equity stake in the company Parcaixa, SGPS, S.A., held through Parpública, SGPS, S.A., to Caixa, in the form of a capital increase, based on the delivery in kind of 490,000,000 shares comprising 49% of the share capital. The value attributed to the equity stake, comprising its book value at the said date, amounted to €498,996 thousand.

This operation was part of the agreement entered into between the Portuguese state and the competent European authorities, with a view to recapitalising CGD (introductory note).

This transaction gave Caixa Geral de Depósitos, S.A. full ownership of the share capital of this holding company and, *ipso facto*, an effective equity stake of 100% in Caixa Leasing e Factoring – Instituição Financeira de Crédito, S.A., by the Group.

Caixa Tech Transfer Accelerator Ventures venture capital fund

The *Caixa Tech Transfer Accelerator Ventures* venture capital fund was formed on March 16, 2015, with a start-up capital of €6,000 thousand, comprising 6,000 investment units with a nominal value of €1,000 each, fully subscribed for by the *Caixa Fundos* venture capital fund.

The fund's corporate object was to perform a venture capital activity by investing in technology companies with medium to high growth potential, with projects in the scientific field originating in the domestic and international science-technology system. On June 22, 2017, in compliance with the resolution of its investors, the *Caixa Tech Transfer Accelerator Ventures* venture capital fund was merged with the *Risco Empreender* + venture capital fund to which its equity was fully transferred. With this merger the equity structure of the *Risco Empreender* + venture capital fund was fully owned by Caixa Geral de Depósitos and the *Caixa Fundos* venture capital fund, in a ratio of 76.23% and 26.77%, respectively.

4. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This account comprises the following:

	2018-06-30	2017-12-31
Cash	608,513	687,285
Demand deposits in central banks	4,640,286	3,933,559
	5,248,799	4,620,844
Interest on demand deposits in central banks	-	49
	5,248,799	4,620,893

The objective of Caixa's sight deposits with the Bank of Portugal is to comply with the minimum cash reserves requirements of the ECBS (European Central Banks System). Interest is paid on these deposits which comprise 1% of deposits and debt securities with maturities of up to two years, except for the deposits and debt securities of institutions subject to ECBS minimum cash reserve requirements.

The funds deposited at central banks by Caixa and Group banks at June 30, 2018 and December 31, 2017, complied with the minimum limits defined by the regulations in force in the countries in which they operate.

5. CASH BALANCES AT OTHER CREDIT INSTITUTIONS

This account comprises the following:

	2018-06-30	2017-12-31
Cheques for collection		
- Portugal	56,346	76,667
- Abroad	21,974	24,817
	78,320	101,484
Demand deposits		
- Portugal	194,662	193,957
- Abroad	708,987	401,651
	903,649	595,608
Accrued interest	837	1,608
	982,806	698,700

Cheques pending collection represent cheques drawn by customers of other banks and sent for clearing. These amounts are collected in the first few days of the subsequent period.

6. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This account comprises the following:

	2018-06-30	2017-12-31
Term deposits		
- Portugal	4,501	1,003
- Abroad	1,033,976	1,035,718
Loans		
- Abroad	57,486	89,289
Other applications		
- Portugal	18	32
- Abroad	1,016,038	1,897,804
Purchase operations with resale agreement	196,850	-
Overdue loans and interest	7,152	7,152
	2,316,021	3,030,998
Accrued interest	3,172	7,230
Deferred income	(730)	(2,409)
	2,318,463	3,035,819
Impairment (Note 34)	(9,165)	(7,125)
	2,309,298	3,028,694

At June 30, 2018, the "Purchase operations with resale agreements" account referred to contracts for the acquisition of financial instruments with a resale agreement at a future date at a predefined price. The financial instruments acquired in these operations are not recognised in the balance sheet and their purchase price continues to be recognised as a loan to credit institutions, measured at their respective amortised cost. These operations were contracted for under GMRAs (global master repurchase agreements) providing for mechanisms to strengthen the collateral associated with such transactions on the basis of the evolution of their respective market value which is assessed on the specifications agreed between the counterparties, usually in the form of surety deposits.

Information on impairment movements on loans and advances to credit institutions, for the half years ended June 30, 2018 and 2017, is set out in note 34.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account comprises the following:

	30-06-2018			31-12-2017		
	Held for trading	At fair value through profit or loss	Total	Held for trading	At fair value through profit or loss	Total
Debt instruments						
- Public issuers:						
. Public debt securities	7.587	-	7.587	4.843	-	4.843
. Treasury bills	3.529.431	-	3.529.431	2.810.844	-	2.810.844
. Bonds of other public issuers						
Foreign	1.792.570	-	1.792.570	2.331.345	-	2.331.345
- Other issuers:						
. Bonds and other securities:						
Residents	2.161	-	2.161	541	-	541
Non-residents	10.091	1	10.091	10.267	-	10.267
	5.341.839	1	5.341.840	5.157.840	-	5.157.840
Equity instruments						
Residents	7.947	255.773	263.720	3.766	49.337	53.103
Non-residents	11.358	200.531	211.888	14.342	128.995	143.337
	19.304	456.304	475.608	18.108	178.332	196.440
Other financial instruments						
Residents	-	513.771	513.771	-	55.885	55.885
Non-residents	-	642.238	642.238	-	418.951	418.951
	-	1.156.009	1.156.009	-	474.836	474.836
Loans and receivables						
Loans and advances to customers	-	8.377	8.377	-	-	-
Other loans and receivables	-	34.207	34.207	-	-	-
	-	42.585	42.585	-	-	-
Derivatives with positive fair value (Note 10)						
- Swaps	598.150	-	598.150	774.752	-	774.752
- Futures and other forward operations	8.521	-	8.521	8.834	-	8.834
- Options - shares, currency and commodities	30.528	-	30.528	34.621	-	34.621
- Caps and floors	142.099	-	142.099	145.502	-	145.502
	779.298	-	779.298	963.709	-	963.709
	6.140.442	1.654.899	7.795.341	6.139.656	653.168	6.792.824

At June 30, 2018, the "Other financial instruments" account included €554,099 thousand in subscriptions for investments in vehicles set up in the sphere of financial assets lending operations (loans and advances to customers), which at December 31, 2017 were classified as “Financial assets at fair value through other comprehensive income” (note 8).

Following the transfer of the referred to assets (to the company itself or companies held by the corporate vehicle in which the Group holds its share), these were derecognised from the balance sheet, as it was considered that the IFRS 9 – “Financial instruments” requirements were accomplished, i.e. the transfer of a substantial part of the risks and benefits associated with credit operations and their respective control. The corporate vehicles in which the Group has a non-controlling interest continue to be autonomous in terms of their management. To ensure the neutrality of operations, at the time of performance, impairment on the estimated losses on the transferred assets was set against the amount of the equity investment in the respective associated corporate vehicles. Following their initial recognition, these positions reflect the revaluation of such companies' equity.

Information on the Group’s exposure at June 30, 2018 and December 31, 2017 was as follows:

	2018-06-30	2017-12-31
	At fair value through profit or loss	At fair value through other comprehensive income
Fundo Imobiliário Aquarius	117,164	117,164
Fundo Recuperação, FCR	95,014	95,182
Flit-Ptrel SICAV	196,994	77,383
OXI Capital, SCR	53,887	53,899
Predicapital FEIIF	35,081	35,146
Fundo Recuperação Turismo, FCR	32,508	32,508
Fundo Imobiliário Vega	19,122	19,122
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	4,330	4,330
	554,099	434,733

This reclassification derives from the application of the classification and measurement criteria of IFRS 9 – “Financial instruments”

At June 30, 2018 and December 31, 2017, the value of the asset transfer funds considers an analysis carried out by Caixa on the recoverable value of each fund’s equity, for which the amount recognised may be less than the respective NAV (net asset value) as calculated and disclosed by the management companies. At June 30, 2018 and December 31, 2017 provisions for additional depreciation were also recognised in "Provisions for other risks and liabilities" for the amount of €23,421 thousand (note 21).

Complementary to the equity stakes in these corporate vehicles, in the case of certain operations Caixa also made shareholders' loans and accessory capital payments, recognised in "Other assets", with a fully provisioned balance sheet carrying amount of €38,284 thousand and €43,993 thousand, respectively, at June 30, 2018 and December 31, 2017 (note 17).

At June 30, 2018 and December 31, 2017, the balance sheet carrying amount of the unit trust and property investment funds managed by Group entities, recognised in the financial assets at fair value through profit or loss portfolio, was as follows:

	2018-06-30		2017-12-31	
	Securities Investment Funds	Real Estate Investment Funds	Securities Investment Funds	Real Estate Investment Funds
Book value	5,092	18,774	100	18,630

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This account comprises the following:

	2018-06-30	2017-12-31
Debt instruments		
- Public debt	2,425,083	2,657,910
- Other public issuers	607,186	833,133
- Other issuers	1,334,752	1,720,481
	4,367,022	5,211,524
Equity instruments		
- Measured at fair value	97,850	251,323
- Measured at historical cost	-	174,339
	97,850	425,662
Other instruments	147,087	1,183,761
	4,611,958	6,820,947
Impairment (Note 34)		
- Equity instruments	-	(111,268)
- Debt instruments	(5,110)	(3,622)
- Other instruments	-	(374,694)
	(5,110)	(489,584)
	4,606,849	6,331,363

At December 31, 2017 the “Debt instruments – public debt” account included securities allocated to the issuance of covered bonds with a book value of €127,015 thousand.

At December 31, 2017, the "Other instruments" account included €521,383 thousand, for investments in vehicles set up in the sphere of financial assets lending operations (loans and advances to customers), which, as a result of the implementation of IFRS 9 – “Financial instruments”, were mainly reclassified to “Financial assets at fair value through profit or loss” (note 7).

At June 30, 2018 and December 31, 2017, details on the Group’s exposure to financial assets at fair value through other comprehensive income, were as follows:

	2018-06-30		2017-12-31	
	Book value	Revaluation reserve	Book value	Revaluation reserve
Discovery Portugal Real Estate Fund	87,861	6,798	86,650	7,256

9. FINANCIAL ASSETS WITH REPURCHASE AGREEMENTS

Information on financial assets with repurchase agreements at June 30, 2018 and December 31, 2017, is set out below:

	2018-06-30	2017-12-31
At fair value through other comprehensive income		
Debt instruments		
- From public issuers:		
. Portuguese debt securities	166,806	32,639
. Foreign debt securities	-	20,210
	166,806	52,849
At amortised cost		
Loans and advances to customers		
Non-residents	150,851	-
	317,656	52,849

The Group entered into financial assets sale operations with purchase agreements at a future date at a predefined price with financial institutions and customers for the six months ended June 30, 2018 and in 2017.

Financial instruments ceded in sales operations with repurchase agreements are not derecognised from the balance sheet and continue to be measured in accordance with the accounting policies applicable to the underlying assets. The difference between their sales and repurchase prices is recognised as interest income and deferred over the period of the agreements.

Liabilities on the repurchase agreements are recognised as a liability in “Other credit institutions’ resources – sales operations with repurchase agreements” (note 18) and “Customer resources and other loans – other resources – operations with repurchase agreements” (note 19).

10. DERIVATIVES

The Group's activity includes operations on derivatives to meet the needs of its customers and reduce its exposure to foreign exchange, interest rate and price fluctuations.

The Group controls the risk of its derivatives activities on the basis of operations approval procedures, a definition of exposure limits per product and customer and its daily oversight of the respective results.

The value of these operations, at June 30, 2018 and December 31, 2017 was measured in accordance with the criteria described in note 2.8. c). Information on the operations' notional and book values at the said dates is given below:

	2018-06-30							
	Notional value			Book value				
						Hedging derivatives		
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Assets	Liabilities	Total
Forward foreign exchange transactions								
Fowards				1,900	(2,152)	-	-	(252)
Purchase	134,353	-	134,353					
Sale	134,628	-	134,628					
Swaps								
Currency swaps				4,360	(1,053)	-	-	3,307
Purchase	428,768	-	428,768					
Sale	426,570	-	426,570					
Equity swaps				50	(60)	-	-	(10)
Purchase	2,480	-	2,480					
Sale	2,480	-	2,480					
Interest rate swaps and cross currency interest rate swaps				593,739	(668,502)	5,724	(4,478)	(73,518)
Purchase	38,658,098	55,398	38,713,496					
Sale	38,616,034	60,767	38,676,801					
Futures								
Currency				-	-	-	-	-
Long positions	99,087	-	99,087					
Interest rate				-	-	-	-	-
Long positions	9,084	-	9,084					
Short positions	5,525,039	-	5,525,039					
Equity				6,621	-	-	-	6,621
Long positions	23,403	-	23,403					
Short positions	885	-	885					
Other				-	-	-	-	-
Long positions	92,485	-	92,485					
Short positions	544,099	-	544,099					
Options								
Currency				829	(889)	-	-	(59)
Purchase	133,228	-	133,228					
Sale	136,015	-	136,015					
Equity				29,699	(32,002)	-	-	(2,303)
Purchase	71,155	-	71,155					
Sale	64,004	-	64,004					
Interest rate (Caps & Floors)				142,099	(154,528)	-	-	(12,429)
Purchase	1,785,647	-	1,785,647					
Sale	2,005,535	-	2,005,535					
	88,893,077	116,165	89,009,242	779,298	(859,187)	5,724	(4,478)	(78,643)

	2017-12-31							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Hedging derivatives - Assets	Hedging derivatives - Liabilities	Total
Forward foreign exchange transactions								
Fowards				2,337	(3,490)	-	-	(1,153)
Purchase	469,354	-	469,354					
Sale	471,250	-	471,250					
Swaps								
Currency swaps				2,525	(1,875)	-	-	650
Purchase	327,432	-	327,432					
Sale	326,706	-	326,706					
Equity swaps				26	(75)	-	-	(49)
Purchase	2,318	-	2,318					
Sale	2,317	-	2,317					
Interest rate swaps and cross currency interest rate swaps				772,201	(861,833)	7,413	(5,459)	(87,678)
Purchase	48,392,171	74,233	48,466,404					
Sale	48,364,010	80,767	48,444,777					
Futures								
Currency				-	-	-	-	-
Long positions	105,866	-	105,866					
Short positions	500	-	500					
Interest rate				-	-	-	-	-
Short positions	2,638,726	-	2,638,726					
Equity				6,497	-	-	-	6,497
Long positions	12,293	-	12,293					
Short positions	14,648	-	14,648					
Other				-	-	-	-	-
Long positions	84,723	-	84,723					
Short positions	569,848	-	569,848					
Options								
Currency				776	(852)	-	-	(76)
Purchase	80,776	-	80,776					
Sale	82,564	-	82,564					
Equity				33,845	(38,017)	-	-	(4,172)
Purchase	54,920	-	54,920					
Sale	50,951	-	50,951					
Interest rate (Caps & Floors)				145,502	(154,197)	-	-	(8,695)
Purchase	1,953,152	-	1,953,152					
Sale	2,159,837	-	2,159,837					
	106,164,362	155,000	106,319,362	963,709	(1,060,339)	7,413	(5,459)	(94,676)

Derivatives recognised in "Assets held-for-trading", "Liabilities held-for-trading", "Hedge derivatives - assets" and "Hedge derivatives - liabilities" at June 30, 2018 and December 31, 2017, included operations collateralised by surety accounts with the aim of hedging the fair value of lending and borrowing exposures between Caixa and various financial institutions. The balances deposited by the referred to financial institutions with Caixa and by Caixa with the referred to financial institutions on the said dates were recognised in "Other liabilities - resources - surety account" (note 23) and "Other assets - Debtors and other assets - Other debtors" accounts (note 17), respectively.

Detailed information on CVAs (credit value adjustments) and DVAs (debit value adjustments) is given in note 37.

11. INVESTMENTS AT AMORTISED COST

The following is a breakdown of investment balances at amortised cost at June 30, 2018 and December 31, 2017:

	2018-06-30	2017-12-31
Debt instruments		
Public debt	630,521	508,100
Other public issuers		
Other residents	65,394	-
Other non-residents	2,528,241	2,118,719
	2,593,635	2,118,719
International financial organisations	45,135	-
	3,269,291	2,626,819
Impairment (Note 34)	(210)	-
	3,269,082	2,626,819

Investments at amortised cost, at June 30, 2018 and December 31, 2017 included Angola sovereign debt instruments for the amount of €537,247 thousand and €499,116 thousand respectively.

The “Debt instruments – issued by public entities” account at June 30, 2018, included securities allocated to the issuance of covered bonds with a balance sheet carrying amount of €128,229 thousand.

12. LOANS AND ADVANCES TO CUSTOMERS

This account comprises the following:

	2018-06-30	2017-12-31
Domestic and foreign loans		
Loans	38,361,229	41,314,025
Current account loans	1,521,852	1,590,368
Other loans	3,396,598	2,529,230
Other loans and amounts receivable - securitised		
. Commercial Paper	2,943,905	2,620,423
. Other	3,887,524	3,884,656
Property leasing operations	865,397	940,104
Discounts and other loans secured by bills	660,799	335,565
Equipment leasing operations	701,196	675,956
Factoring	972,129	1,049,852
Overdrafts	257,709	250,857
	53,568,337	55,191,037
Accrued interest	163,432	164,464
Deferred income, commissions and other cost and income associated with amortised cost	(55,512)	(61,214)
	53,676,257	55,294,287
Overdue loans and interest	4,117,844	4,516,655
	57,794,101	59,810,942
Impairment (Note 34)	(4,181,618)	(4,555,961)
	53,612,483	55,254,981

“Domestic and foreign credit – other loans”, at June 30, 2018 and December 31, 2017, included €51,470 thousand and €56,302 thousand, relating to mortgage and personal loans issued by CGD to its employees, respectively.

The “Other loans and receivables – securitised” account at June 30, 2018 and December 31, 2017 respectively, included €1,294,792 thousand and €1,500,658 thousand, in bonds issued by Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. as part of the liquidity re-organisation support operations for the former BPN (Banco Português de Negócios, S.A.) These bonds are backed by a Portuguese state guarantee. During the course of the former BNP’s reprivatisation process, the ownership of the vehicles and, *ipso facto,* the debts contracted for by these companies from Caixa, were transferred to the Portuguese state. The state also assumed liabilities for a commercial paper programme subscribed for by Caixa for the amount of €1,000,000 thousand, owing to the transfer of the contractual position between BPN and Parvalorem. This operation was recognised In “Other loans and receivables – securitised – commercial paper” account.

The amounts owed to CGD by the vehicles are being repaid according to the terms agreed between the Portuguese state, European Central Bank, International Monetary Fund and the European Union.

As provided for in the referred to repayment plan, any amounts received from the recovery of assets held by the corporate vehicles shall be set against these loan settlements.

Vale de Lobo

In the framework of the implementation of the objectives of reducing non-performing assets set out in the agreement entered into between the Portuguese state and the competent European authorities, Caixa entered into an agreement on December 22, 2017 for the transfer of Vale de Lobo Group's assets to FLITPTREL VDL, S.A., a Portuguese company fully owned by the Flit-PTREL, SICAV-SIF, S.C.A., fund for an overall amount of €222,821 thousand. At the same date, Caixa undertook to subscribe for 224,220 thousand investment units to be issued by the Flit-PTREL fund.

At December 31, 2017, the completion of the operation was contingent upon certification, as one of its pre-conditions, of the need to obtain authorisation for the issuance of the previously referred to investment units by the Flit-PTREL fund, to be realised by the supervisory body of the Grand Duchy of Luxembourg (CSSF – "*Commission de Surveillance du Secteur Financier*"), where the vehicle is headquartered.

As a result of this situation Caixa concluded that the conditions required to proceed with the derecognition of the transferred assets in 2017, pursuant to the requirements of IAS 39 – "Financial instruments: recognition and measurement" (then in force) had not been met and that such conditions had only been met in first half 2018 together with the subscription for and financial settlement of the investment units.

Upon the date of derecognition of the said assets, the total amount of the debt stood at €372,259 thousand, of which only €265,077 thousand continued to be recognised in the balance sheet, with impairment of €144,784 thousand (net amount of €120,293 thousand). To ensure the neutrality of this transaction for Caixa's equity the difference between the disposal price of the loans and the respective net amount of impairment on the date of the transfer for the amount of €102,859 thousand was deducted from the subscription price of the Flit-PTREL fund investment units. As a consequence of this operation, Caixa's exposure of 14.55% to the Flit-PTREL Fund at December 31, 2017, rose to 36.45% (note 7).

Other credit disposal operations

Caixa disposed of a series of non-performing mortgage loans with a balance sheet carrying amount, before impairment, of €83,690 thousand across first half 2018.

Caixa disposed of loans and economic rights to mortgage and non-mortgage loans in first half 2017 at a balance sheet carrying amount, before impairment, on the transaction date of €153,600 thousand (including the risks and benefits attached thereto). Most of the referred to operations were in default. The losses made on these loans were recognised as "Impairment of loans, net of reversals" in profit and loss.

In the first half 2018 and in 2017 were also disposed other loans to customers in the "corporates" portfolio (excluding operations transferred to asset lending operations funds) with a balance sheet carrying amount, before impairment, of approximately €26,263 thousand and €505,274 thousand, respectively.

The “Loans” account, at June 30, 2018 and December 31, 2017, included mortgage loans issued by Caixa as part of securitisation operations. Loan movements in first half 2018 and in 2017 were as follows:

	Nostrum Mortgages nº2
Balances at 2016-12-31	3,995,118
Sale of new loans	86
Repayments	(267,248)
Repurchases	(8,091)
Other	(41,935)
Balances at 2017-12-31	3,677,930
Repayments	(141,068)
Repurchases	(2,753)
Other	(11,031)
Balances at 2018-06-30	3,523,078

The Group is fully responsible for the liabilities associated with this operation which were accordingly eliminated in the preparation of the condensed consolidated financial statements.

The “Loans” account, at June 30, 2018 and December 31, 2017, included mortgage loans with a book value of €7,951,388 thousand and €8,420,634 thousand, respectively, allocated to the issuance of covered bonds.

The assets pool collateralising the referred to issuances, at June 30, 2018 and December 31, 2017 also included debt securities with a book value on the said dates of €128,299 thousand and €127,015 thousand, respectively (notes 11 and 8, respectively).

Information on impairment movements in first half 2018 and in 2017, is given in note 34.

13. NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE

Information on non-current assets and liabilities held-for-sale balances at June 30, 2018 and December 31, 2017, is set out below:

	30-06-2018	31-12-2017
ASSETS		
Property and equipment	982.519	1.028.690
Subsidiaries		
Banco Caixa Geral, S.A. (Spain)	5.217.185	5.194.094
Mercantile Bank Holdings, Ltd	863.587	895.902
Banco Caixa Geral Brasil, S.A.	405.477	458.151
CGD Investimentos CVC, S.A.	27.298	52.015
	7.496.068	7.628.852
Impairment (Note 34)		
Property and equipment	(438.538)	(464.080)
Subsidiaries	(413.263)	(408.263)
	(851.801)	(872.343)
	6.644.266	6.756.508
LIABILITIES		
Subsidiaries		
Banco Caixa Geral, S.A. (Spain)	4.668.905	4.652.871
Mercantile Bank Holdings, Ltd	719.923	743.981
Banco Caixa Geral Brasil, S.A.	328.620	373.261
CGD Investimentos CVC, S.A.	2.692	13.715
	5.720.140	5.783.829

Income generated by held-for-sale business units, in first half 2018 and in 2017, is itemised as "Income from subsidiaries held-for-sale" in the condensed consolidated profit and loss statement as set out below:

	2018-06-30	2017-06-30
Net income of subsidiaries held-for-sale		
Banco Caixa Geral, S.A. (Spain)	14,244	12,793
Mercantile Bank Holdings, Ltd.	8,660	6,987
Banco Caixa Geral Brasil, S.A.	1,004	369
CGD Investimentos CVC, S.A.	891	40,991
Interbancos, S.A.R.L.	-	312
	24,799	61,453

Subsidiaries

In the framework of the commitments for the recapitalisation of CGD, entered into between the Portuguese state, as Caixa's sole shareholder and the competent European authorities (see introductory note), Caixa initiated a series of actions in 2016 and 2017, leading to the disposal of the Group's equity stake in Mercantile Bank Holdings, Ltd., Banco Caixa Geral, S.A. (Spain), Banco Caixa Geral – Brasil and CGD Investimentos CVC, S.A. (a Brazilian entity 50% owned by Banco Caixa Geral – Brasil, S.A. and 50% by Caixa – Banco de Investimento, S.A.), as regards aspects leading to the identification of and contact with potential investors, assessment of the legal aspects pertaining to the operation and information on its intentions for the relevant supervisors.

The disposal of the referred to companies is relevant to Caixa's furtherance of its objectives for implementing its strategic plan. The rationalisation of the Group's international structure will enable it to focus on intervention in the national market, making an active contribution to its development while continuing to provide assistance to its customers and Portuguese communities in the said geographies.

Decree law 153/2017 was published on December 22 for the purpose of ensuring that domestic legislation was adapted to the particularities of the disposal process on these equity stakes. The said decree law regulated the terms and modalities relating to these transactions as well as the instruments to be used for their implementation.

Accordingly and in conformity with the dispositions of IFRS 5 – "Non-current assets held-for-sale and discontinued operations", the referred to business units' assets and liabilities were aggregated and recognised in "Non-current assets and liabilities held-for-sale – subsidiaries" at December 31, 2017. As already noted, the income from these equity stakes is also set out in a single line of the profit and loss statement, with the comparative periods having been re-expressed in conformity. The Group did not eliminate the balances with the other companies in the consolidation perimeter under the consolidation process of the entities classified under the referred to standard.

Upon the date of issue of this report, an important development was the binding offers already received for Banco Caixa Geral (Spain) and Mercantile Bank Holdings Ltd which are currently being analysed.

Impairment of €413,263 thousand and €408,263 thousand was also declared at June 30, 2018 and December 31, 2017 for the purpose of adjusting the equity value of these units' assets and liabilities to their estimated respective fair value, net of disposal costs (note 34) at the said date.

Mercantile Bank Holding Ltd

Information on the key financial data of Mercantile Bank Holdings, Ltd, at June 30, 2018 and December 31, 2017, is set out below.

ASSETS	2018-06-30	2017-12-31
Cash balances and loans and receivables at other credit institutions	59,729	89,290
Financial assets at fair value through profit or loss	3,586	7,026
Financial assets at fair value through other comprehensive income	55,727	61,542
Investments at amortised cost	4	-
Other tangible assets	7,260	8,396
Intangible assets	8,611	10,339
Deferred tax assets	1,674	1,019
Loans and advances to customers	609,494	638,944
Other assets	117,502	79,347
TOTAL ASSETS	863,587	895,902
LIABILITIES AND EQUITY		
Resources of other credit institutions	40,096	49,687
Customer resources	578,870	615,018
Debt securities	71,887	32,237
Financial liabilities at fair value through profit or loss	2,473	8,648
Provisions for employee benefits	2,277	2,454
Current tax liabilities	274	422
Deferred tax liabilities	1,714	1,801
Other liabilities	22,332	33,713
TOTAL LIABILITIES	719,923	743,981
TOTAL EQUITY, of which:	143,665	151,920
Revaluation reserves	2,787	3,231
	863,587	895,902

The balances set out in the above table include operations with other Group entities which were not eliminated in the consolidation process.

INCOME	2018-06-30	2017-06-30
Other income and expenses		
Interest and similar income	39,581	38,676
Interest and similar expenses	(20,412)	(20,558)
Income from services rendered and commissions	18,248	14,137
Cost of services and commissions	(8,485)	(5,952)
Results from financial operations	2,758	2,701
Employee costs	(10,922)	(10,738)
Other administrative costs	(4,961)	(4,484)
Depreciation and amortisation	(2,386)	(2,363)
Provisions and impairments, net of reversals and recoveries	631	(372)
Other	(2,089)	(1,280)
	11,964	9,767
Income tax	(3,304)	(2,779)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	8,660	6,987
Non-controlling interests	-	-
NET INCOME	8,660	6,987

Banco Caixa Geral – Brasil, S.A.

Information on the key financial data of Banco Caixa Geral – Brasil, at June 30, 2018 and December 31, 2017, is set out below:

ASSETS	2018-06-30	2017-12-31
Cash balances and loans and receivables at other credit institutions	180,931	55,786
Financial assets at fair value through profit or loss	32,971	131,831
Financial assets at fair value through other comprehensive income	70,968	124,121
Financial assets with repurchase agreement	12,316	14,421
Non-current assets held-for-sale	4,527	5,114
Other tangible assets	595	662
Intangible assets	40	58
Investments in associates and subsidiaries excluded from consolidation	20,016	22,610
Current tax assets	706	352
Deferred tax assets	12,375	15,666
Loans and advances to customers	85,685	107,865
Other assets	4,363	2,275
TOTAL ASSETS	425,493	480,760
LIABILITIES AND EQUITY		
Resources of other credit institutions	116,984	76,373
Customer resources	193,531	228,128
Financial liabilities at fair value through profit or loss	11,731	56,974
Provisions for guarantees and other commitements	2,348	2,574
Provisions for other risks	866	942
Current tax liabilities	1,195	-
Deferred tax liabilities	-	6,106
Other liabilities	1,966	2,165
TOTAL LIABILITIES	328,620	373,261
TOTAL EQUITY, of which:	96,873	107,499
Revaluation reserves	(1,488)	(678)
	425,493	480,760

Note: Banco Caixa Geral Brasil balance sheet includes the participation held on CGD Investimentos, CVC, in the amount of 20.016 thousand euros.

INCOME	2018-06-30	2017-06-30
Other income and expenses		
Interest and similar income	15,061	26,984
Interest and similar expenses	(8,488)	(20,640)
Income from services rendered and commissions	3,904	1,530
Cost of services and commissions	(69)	(76)
Income from equity instruments (*)	5,485	-
Results from financial operations	1,193	4,438
Employee costs	(2,875)	(3,402)
Other administrative costs	(2,349)	(3,324)
Depreciation and amortisation	(84)	(99)
Provisions and impairments, net of reversals and recoveries	(2,976)	(4,253)
Other	(880)	(393)
	7,922	764
Income tax	(1,433)	(394)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	6,489	369
Non-controlling interests	-	-
NET INCOME	6,489	369

(*) - The caption "Income from equity instruments", includes 5.485 thousand euros from dividens distributed by CGD Investimentos, CVC in the first half of 2018, a subsidiary held in 50% by Banco Caixa Brasil.

Banco Caixa Geral, S.A. (Spain)

Information on the key financial data of Banco Caixa Geral at June 30, 2018 and December 31, 2017, is set out below:

ASSETS	2018-06-30	2017-12-31
Cash balances and loans and receivables at other credit institutions	520,923	357,717
Financial assets at fair value through profit or loss	3	17
Financial assets at fair value through other comprehensive income	997,300	1,153,341
Financial assets with repurchase agreement	142,479	142,813
Non-current assets held-for-sale	361	44
Other tangible assets	5,878	6,291
Intangible assets	3,775	3,430
Current tax assets	8,318	5,982
Deferred tax assets	76,193	76,193
Loans and advances to customers	3,418,950	3,414,157
Other assets	43,004	34,109
TOTAL ASSETS	5,217,185	5,194,094
LIABILITIES AND EQUITY		
Resources of other credit institutions	1,563,529	1,552,134
Customer resources	2,960,582	2,951,484
Financial liabilities at fair value through profit or loss	17	22
Provisions for guarantees and other commitements	8,572	7,344
Provisions for other risks	7,202	7,735
Deferred tax liabilities	26,611	23,586
Other subordinated liabilities	31,115	31,082
Other liabilities	71,279	79,485
TOTAL LIABILITIES	4,668,905	4,652,871
TOTAL EQUITY, of which:	548,280	541,223
Revaluation reserves	24,744	32,364
	5,217,185	5,194,094

INCOME	2018-06-30	2017-06-30
Other income and expenses		
Interest and similar income	35,522	46,542
Interest and similar expenses	(3,556)	(7,231)
Income from services rendered and commissions	7,461	6,923
Cost of services and commissions	(1,236)	(1,420)
Income from equity instruments	1	15
Results from financial operations	13,534	797
Employee costs	(18,472)	(17,730)
Other administrative costs	(9,278)	(9,502)
Depreciation and amortisation	(1,207)	(1,178)
Provisions and impairments, net of reversals and recoveries	(2,319)	(43)
Other	(101)	1,101
	20,349	18,275
Income tax	(6,105)	(5,483)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	14,244	12,793
Non-controlling interests	-	-
NET INCOME	14,244	12,793

CGD Investimentos, CVC

Information on the key financial data of CGD Investimentos, CVC, at June 30, 2018 and December 31, 2017, is set out below:

ASSETS	2018-06-30	2017-12-31
Cash balances and loans and receivables at other credit institutions	19,169	37,424
Financial assets at fair value through profit or loss	-	2,627
Financial assets at fair value through other comprehensive income	1,359	1,488
Intangible assets	-	20
Current tax assets	430	3,514
Other assets	6,339	6,942
TOTAL ASSETS	27,298	52,015
LIABILITIES AND EQUITY		
Provisions for other risks	855	2,876
Current tax liabilities	176	8,578
Deferred tax liabilities	1,114	1,258
Other liabilities	548	1,003
TOTAL LIABILITIES	2,692	13,715
TOTAL EQUITY, of which:	24,606	38,300
Revaluation reserves	-	-
	27,298	52,015

INCOME	2018-06-30	2017-06-30
Other income and expenses		
Interest and similar income	1,210	4,469
Interest and similar expenses	-	(174)
Results from financial operations	(3)	52,532
Employee costs	(38)	(90)
Other administrative costs	(129)	(474)
Depreciation and amortisation	(19)	(560)
Provisions and impairments, net of reversals and recoveries	213	(3,868)
Other	(152)	(3,298)
	1,082	48,536
Income tax	(191)	(7,544)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	891	40,991
Non-controlling interests	-	-
NET INCOME	891	40,991

Caixa Group, through CGD Investimentos, CVC, completed the process for the disposal of its economic rights over Rico Corretora, during the course of first half 2017, under the terms of the contract for the purchase and sale of securities and other agreements entered into on November 29, 2016 and after having obtained the relevant regulatory permits. The transaction in which the Group recognised capital gains of €53,054 thousand (based on the average reference exchange rate for the period) amounted to approximately R$209,000 thousand.

Foreign exchange reserves

As referred to in note 2.7., at the time of the disposal of the equity stakes denominated in a functional currency other than the euro, profit and loss on the exchange rates previously recognised in "Other reserves" will be transferred to profit and loss for the period as they constitute an integral part of the profit or loss made on the transaction.

The accumulated value of the profit and loss on foreign exchange operations, at June 30, 2018 recognised as a charge to "Other reserves" in respect of the consolidation of units classified as non-current assets and liabilities held-for-sale, comprised losses of approximately €170,886 thousand (€144,464 thousand at December 31, 2017).

Interbancos, S.A.R.L.

During the course of second half 2017, the shareholders of the company Interbancos, S.A. (Interbancos) agreed with Sociedade Interbancária de Moçambique, S.A. (SIMO) to fully dispose of their shares (representing economic and corporate rights of Interbancos). The objective of the sale of Interbancos to SIMO was to comply with the dispositions of article 7, no. 2, of the LICSF (regulation of the credit institutions and financial corporations law), under the terms of *notice* 2/GBM/2015, of April 22, which defined the conditions governing the connection of the internal banking operations management systems to the nationwide “unique, common and shared payments network”.

Following this transaction the Group, through BCI Moçambique, recognised capital gains of €3,923 thousand (€1,868 thousand net of non-controlling interests)

In the recognition of the proceeds from the disposal of these assets, the accumulated impairment directly allocated to them is reversed as a charge to profit and loss for the period, with the amount of the operation’s capital gains/losses being assessed in comparison to the respective acquisition cost.

14. INVESTMENT PROPERTIES

Investment properties owned by the Group, at June 30, 2018 and December 31, 2017, are recognised at fair value. Profit and loss on the revaluation of these properties is recognised as a charge to "Other operating income" (note 2.10) in profit and loss (note 2.10).

"Investment properties", at June 30, 2018 and December 31, 2017, included €727,805 thousand and €728,784 thousand, respectively, in property owned by the Fundimo and Fundiestamo funds. Negative revaluations of €2,089 thousand were made on the property managed by these funds in first half 2018.

Measurement methodologies and fair value assessment

The measurement of the fair value of investment properties, in addition to other relevant factors, takes into consideration the nature, characteristics and geographies of the properties, with the objective of assessing the best price to be achieved on their disposal under normal market conditions. Fair value is assessed by individual appraisers who should employ at least two of the following methods:

. Market comparison method. The market comparison method assesses the amount of a specific transaction using prices and other relevant information on market deals involving identical or comparable or similar properties. It generally uses statistical methods after harmonising the various market data. This is the principal method used whenever there is a significant number of known transactions.

. Income method. The income method estimates the value of an item of property by capitalising the annual amount of rents or annual operating income generated by the activity being performed in the building. When, over time, the changes in income are more significant than generally expected in the market, DCF (discounted cash flows) analysis techniques are used. The income method is applied in the case of an effective rental of the property, when the property is for rent, when the rental market for the type of property being valued is active or when the property is to be exploited economically.

. Cost method. The cost method estimates the value of property on the basis of the amount which would currently be needed to obtain alternative property, as a replica of the original or with an equivalent use, adjusted for obsolescence. It is obtained from the sum of the acquisition cost of the land and construction costs (including charges), depreciation based on a property's present physical, functional, environmental and economic conditions plus commercialisation costs and a developer's margin/risk. This method is used as the principal approach when no market information is available on transactions of similar property and no potential income associated with it has been identified; and

The availability of relevant data and its relative subjectivity may affect the choice of valuation method/techniques. The choice, in each case, should be particularly based on those which maximise the use of relevant observable variables.

The most relevant variables considered for each of the above referred to valuation methods are as follows:

(i) Market comparison method

This is the presumed sales price per sqm or presumed sales price per unit (when what is relevant is not the area but rather the use given to the property e.g. car parks). In liquid markets, these variables are provided by directly or indirectly observable data in the transaction market, although they may need to be adjusted (harmonised) depending on the specific characteristics of the property being valued.

(ii) Income method

Capitalisation technique

This is the amount of the monthly rent per sqm or monthly rent per unit (when what is relevant is not the area but rather the use given to the property, e.g. car parks). In active rental markets, these variables are provided by directly or indirectly observable data in the said market, although they may need to be adjusted (harmonised) depending on the specific characteristics of the property being valued.

Variables which contribute towards the assessment of operating income generated by the property. There may be diverse variables in line with the type of property. They are generally assessed on the basis of the property's potential income generating capacity, taking into account the information available on the assumptions of market players. The data supplied by the entity operating the property may be used if there is no reasonably available information indicating that market players would employ different assumptions.

Capitalisation rate. This is associated with the risk on capital invested, income, liquidity, tax burden, risk-free interest rate and expectations of market evolution. In active markets, it establishes the existence of a linear relationship at a certain point of time between the rental and purchase/sales market, in a certain geography for a specific property product, with an identical risk and identical evolution of rents.

Discounted cash flow technique

Diverse variables may contribute to the cash flow projection based on the type of property. This technique is reliant on current expectations of changes in the values and times of the occurrence of future cash flows. It is usually necessary to include a risk adjustment factor based on the uncertainty of this type of measurement.

Discount rate. This is considered to be the value of money over time, associated with a risk-free interest rate and the price to be paid on the uncertainty involved in cash flows (risk premium).

(iii) Cost method

Construction cost per sqm. This variable is essentially reliant upon the construction characteristics of the property although the place of construction is also a contributory factor. It is based on directly or indirectly observable construction market data.

Investment properties acquired on credit recovery operations are also included in the analysis of the individual and collective impairment valuation model applied to property recognised as non-current assets held-for-sale, whose principal characteristics are described in note 2.10. In these cases, the respective fair value is assessed with reference to the assessment of the recoverable amount.

In compliance with the requirements of IFRS 13 – "Fair value measurement", the following table sets out information on the investment properties in the Group's portfolio, at June 30, 2018 and December 31, 2017, by type, development status in terms of their preparation for use and current occupation, considering the methodologies used to measure fair value:

			30-06-2018			
Property type	State development	Occupation	Book value	Measurement techniques	Relevant inputs	Reference range of relevant inputs
Shoping center	Concluded	Rented	4.783	Income capitalisation method	Estimated rental value per m2	5
				Income capitalisation method	Estimated rental value per m2	[724 - 779]
			4.783			
Offices	Concluded	Rented	46.123	Presumed transaction value method	Estimated sale value per m2	[428 -1069]
			17.911	Presumed transaction value method	Estimated sale value per m2	[1041 -2140]
			33.261	Presumed transaction value method	Estimated sale value per m2	evaluation average
			5.412	Income capitalisation method / Market comparable method	Estimated sale value per m2	[1.700-2.050]
			120.764	Replacement cost method / DCF / Market comparable method	Discount rate	[6,50%-8,25%]
		Capitalisation / sale	7.103	Replacement cost method / DCF / Market comparable method	Estimated rental value per m2	1700-2050
	Under construction	Capitalisation / sale	13.010	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1700-2050
			243.584			
Housing	Concluded	Rented	43.923	Income capitalisation method / Market comparable method	Estimated rental value / sale value per m2	0,4 - 6,3 / 1200 - 2270
			3.912	Income capitalisation method / Market comparable method	Estimated sale value per m2	6,0 - 9,6 / 2030 - 2070
			34.438	Income capitalisation method / Market comparable method	Estimated sale value per m2	12,0 - 32,00 / 5000 - 6000
			11.901	Income capitalisation method / Market comparable method	Estimated sale value per m2	[280 - 2031]
			190	Income capitalisation method	Estimated rental value per m2	4,2
		Capitalisation / sale	150	Income capitalisation method	Estimated rental value per m2	0,6 / 770
			12.123	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[1400-2000]
	Under construction	Capitalisation / sale	9.307	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[1400-2000]
			115.944			
Stores	Concluded	Rented	771	Income capitalisation method / Market comparable method	Estimated sale value per m2	508 - 567
			202	Income capitalisation method	Estimated sale value per m2	508 - 567
			651	Market comparable method	Estimated sale value per m2	evaluation average
			20.962	Presumed transaction value method	Estimated sale value per m2	869-1000
			49.275	Presumed transaction value method	Estimated sale value per m2	1014-2930
			13.053	Presumed transaction value method	Estimated sale value per m2	evaluation average
	Under construction	Capitalisation / sale	1.778	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	800-900 1000-1650
			86.692			
Parking	Concluded	Rented	8.727	Market comparable method / Income capitalisation method	Discount rate	6,75% - 8,25%
			2.085	Presumed transaction value method	Estimated sale value per m2	[2470-10000]
			34.713	Presumed transaction value method	Estimated sale value per m2	[10200-33000]
			15.845	Presumed transaction value method	Estimated sale value per m2	[38060-48300]
			153.882	Presumed transaction value method	Unit value	
	Under construction	Capitalisation / sale	7.537	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[600-650]
			712	Replacement cost method / DCF / Market comparable method	Value of sales per parking	[6.500-7.500]
			223.501			
Land	n.a.	Capitalisation / sale	11.494	Replacement cost method / Market comparable method	Estimated sale value per m2 (mortgage / commercial)	1.650-2.700
			1.196	Replacement cost method / Market comparable method	Estimated sale value per m2	1.000-1.350 / 900-1.000
			1.204	Income capitalisation method / Market comparable method	Estimated sale value per m2	200
		Rented	64	Replacement cost method /Market comparable method	Estimated sale value per m2	90-140
			1.265	Income capitalisation method / Market comparable method	Estimated sale/ rental value per m2	1.050-1.200 / 900-1.000
			12	Market comparable method	Estimated rental value per m2	6.5 - 8
			15.235			
Warehouses	Concluded	Rented	20.873	Market comparable method / Income capitalisation method	Estimated sale value per m2	1,1 / 545
			94.596	Presumed transaction value method	Estimated rental value per m2	[260 - 2320]
			6.244	Presumed transaction value method	Unit value	127000 - 124500
			121.713			
			811.452			
Other			65.431			
			876.883			

			31-12-2017			
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Shoping center	Concluded	Rented	4.783	Income capitalisation method	Estimated rental value per m2	5
				Income capitalisation method	Estimated rental value per m2	[724 - 779]
			4.783			
Offices	Concluded	Rented	26.819	Presumed transaction value method	Estimated sale value per m2	[428 -1069]
			139.391	Presumed transaction value method	Estimated sale value per m2	[1041 -2140]
			111.112	Presumed transaction value method	Estimated sale value per m2	[2010 - 3862]
			75.787	Market comparable method / Income capitalisation method	Discount rate	[6,25%-8,75%]
			89.648	Replacement cost method / DCF / Market comparable method	Discount rate	[6,50%-8,25%]
		Capitalisation / sale	7.103	Replacement cost method / DCF / Market comparable method	Estimated rental value per m2	1700-2050
	Under construction	Capitalisation / sale	13.010	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1700-2050
			462.870			
Housing	Concluded	Rented	59.907	Income capitalisation method / Market comparable method	Estimated rental value / sale value per m2	0,4 - 6,3 / 1200 - 2270
			4.134	Income capitalisation method / Market comparable method	Estimated sale value per m2	6,0 - 9,6 / 2030 - 2070
			22.744	Income capitalisation method / Market comparable method	Estimated sale value per m2	12,0 - 32,00 / 5000 - 6000
			12.215	Income capitalisation method / Market comparable method	Estimated sale value per m2	[280 - 2031]
			38	Market method / Cost method	Estimated rental value per m2	2
			240	Income capitalisation method	Estimated rental value per m2	4,2
		Capitalisation / sale	150	Income capitalisation method	Estimated rental value per m2	0,6 / 770
	Under construction	Capitalisation / sale	30.468	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[1400-2000]
			129.896			
Stores	Concluded	Rented	132	Income capitalisation method / Market comparable method	Estimated sale value per m2	10 / 970
			46	Income capitalisation method / Market comparable method	Estimated sale value per m2	4,90 / 800
			3.014	Income capitalisation method / Market comparable method	Estimated sale value per m2	4,7 / 1770 - 2080
			9.210	Income capitalisation method	Estimated rental value per m2	2.3 / 8.5%
			15.749	Income capitalisation method	Estimated rental value per m2	740-1100
			136	Market comparable method	Estimated sale value per m2	1440
			23.078	Presumed transaction value method	Estimated sale value per m2	397-961
			24.797	Presumed transaction value method	Estimated sale value per m2	938-7783
			9.621	Presumed transaction value method	Estimated sale value per m2	13736 - 22078
	Under construction	Capitalisation / sale	2.294	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	800-900 1000-1650
			88.077			
Parking	Concluded	Rented	3.916	Market comparable method / Income capitalisation method	Discount rate	6,75% - 8,25%
			2.261	Presumed transaction value method	Estimated sale value per m2	[2470-10000]
			31.484	Presumed transaction value method	Estimated sale value per m2	[10200-33000]
			15.537	Presumed transaction value method	Estimated sale value per m2	[38060-48300]
	Under construction	Capitalisation / sale	749	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[600-650]
			432	Replacement cost method / DCF / Market comparable method	Value of sales per parking	[6.500-7.500]
			54.379			
Land	n.a.	Capitalisation / sale	13.417	Replacement cost method / Market comparable method	Estimated sale value per m2	1.650-2.700
			1.196	Replacement cost method / Market comparable method	Estimated sale value per m2 (mortgage / commercial)	1.000-1.350 / 900-1.000
			1.204	Income capitalisation method / Market comparable method	Estimated sale value per m2	200
		Rented	204	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1.700-2.000
			481	Income capitalisation method / Market comparable method	Estimated sale/ rental value per m2	1.050-1.200 / 900-1.000
			1.265	Income capitalisation method / Market comparable method	Estimated sale/ rental value per m2	5
			12	Market comparable method	Estimated rental value per m2	6.5 - 8
			17.779			
Warehouses	Concluded	Rented	22.576	Market comparable method / Income capitalisation method	Estimated sale value per m2	1,1 / 545
			11	Market comparable method / Income capitalisation method	Discount rate	6,75% - 8,00%
			94.776	Presumed transaction value method	Estimated rental value per m2	[260 - 2320]
			126	Presumed transaction value method	Unit value	127000 - 124500
		Capitalisation / sale	1.342	Presumed transaction value method	Estimated rental value per m2	[260 - 2320]
				Presumed transaction value method	Unit value	127000 - 124500
			118.831			
			876.615			
Other			21.203			
			897.818			

As already stated, valuations of land and buildings maximise the use of observable market data. However, as most valuation techniques also consider non-observable data, they are classified at level 3 of the fair value ranking of IFRS 13 – "Fair value measurement".

15. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTERPRISES

The composition of this account, at June 30, 2018 and December 31, 2017, was as follows:

	2018-06-30			2017-12-31		
	Effective participating interest (%)	Book Value	Contribution to net income of the group	Effective participating interest (%)	Book Value	Contribution to net income of the group
Jointly controlled entities						
Locarent, S.A.	50.00	19,527	873	50.00	18,650	2,593
Esegur, S.A.	50.00	8,434	62	50.00	8,526	409
		27,961	935		27,176	3,002
Associated companies						
Fidelidade – Companhia de Seguros, S.A	15.00	304,738	21,457	15.00	323,190	12,421
Fidelidade Assistence Consolidated	20.00	8,126	782	20.00	7,544	1,003
Multicare - Seguros de Saúde, S.A.	20.00	15,899	695	20.00	15,375	1,618
SIBS - Sociedade Interbancária de Serviços, S.A.	22.97	32,206	3,602	22.97	29,064	5,291
Banco Internacional de São Tomé e Príncipe, S.A.	27.00	3,795	277	27.00	3,774	428
Other		7,189	(691)		9,062	924
		371,954	26,122		388,009	21,686
Impairment (Note 34)		(469)	-		(469)	-
		399,446	27,057		414,717	24,688

Information on the statutory financial data (unaudited financial statements) of principal associates and jointly controlled enterprises, at June 30, 2018 and December 31, 2017, is set out below:

Business sector / Entity	Registered office	2018-06-30				
		Assets	Liabilities	Equity (a)	Net income	Total income
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	17,665,588	14,865,548	2,800,040	161,075	1,861,949
Fidelidade Assistence Consolidated	Lisbon	58,287	19,718	38,569	3,909	32,151
Multicare - Seguros de Saúde, S.A.	Lisbon	197,160	120,490	76,670	3,474	174,908
Other						
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	263,151	498,441	(235,290)	(3,054)	13,214
Esegur, S.A.	Lisbon	40,414	23,546	16,869	125	21,557
Locarent, S.A.	Lisbon	299,674	260,620	39,054	1,745	37,330
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	197,623	57,391	140,232	20,626	92,184

(a) Equity includes net income for the period and excludes non-controlling interests.
(b) Data taken from the consolidated financial statements.

Business sector / Entity	Registered office	2017-12-31				
		Assets	Liabilities	Equity (a)	Net income	Total income
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	17,259,472	14,595,845	2,663,628	187,861	3,327,523
Fidelidade Assistence Consolidated (c)	Lisbon	70,054	33,950	36,105	5,016	50,229
Multicare - Seguros de Saúde, S.A.	Lisbon	157,842	83,792	74,050	8,089	267,804
Other						
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	342,981	518,941	(175,959)	(17,661)	21,042
Esegur, S.A.	Lisbon	37,642	20,898	16,744	510	44,237
Locarent, S.A.	Lisbon	271,519	234,211	37,309	5,194	77,597
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	176,438	56,587	119,851	24,574	186,183

(a) Equity includes net income for the year and excludes non-controlling interests.
(b) Data taken from the consolidated financial statements.

16. INCOME TAX

Tax assets and liabilities balances on income, at June 30, 2018 and December 31, 2017, were as follows:

	2018-06-30	2017-12-31
Current tax assets		
Income tax recoverable	32,848	33,171
Other	2,315	1,712
	35,162	34,883
Current tax liabilities		
Income tax payable	42,306	26,704
Other	11,288	3,814
	53,593	30,519
	(18,431)	4,365
Deferred tax assets		
Temporary differences	2,159,286	2,263,183
Reported tax losses	24,625	24,625
	2,183,911	2,287,808
Deferred tax liabilities	195,366	277,790
	1,988,545	2,010,019

Deferred tax movements, for the half years ended June 30, 2018 and 2017, were as follows:

	Balance at 2017-12-31	Change in		Adoption of IFRS 9	Other	Balance at 2018-06-30
		Equity	Profit or loss			
Impairment for loans and advances to customers	1,822,036	-	(97,898)	11,732	(1,003)	1,734,866
Employee benefits	224,405	(482)	(8,527)	-	(51)	215,345
Impairment and adjustments to property and tangible and intangible assets	4,227	900	12,279	-	35,993	53,399
Measurement of financial assets at fair value through other comprehensive income	(94,818)	2,808	-	40,349	1,468	(50,193)
Impairment and other value changes in equity investments and other securities	(33,414)	-	(2,831)	(12,585)	(4,988)	(53,818)
Other provisions and impairment not tax deductible	24,605	-	1,466	1	(1)	26,071
Tax loss carry forward	24,625	-	-	-	-	24,625
Other	38,351	-	933	-	(1,034)	38,251
	2,010,019	3,225	(94,579)	39,497	30,384	1,988,545

	Balance at 31-12-2016	Change in		Other	Balance at 30-06-2017
		Equity	Profit or loss		
Impairment for loans and advances to customers	2.003.876	-	1.925	(1.229)	2.004.572
Employee benefits	188.854	(693)	12.588	-	200.749
Impairment and adjustments to property and tangible and intangible assets	60.530	249	(11.510)	(91)	49.180
Measurement of financial assets at fair value through other comprehensive income	34.655	(44.491)	-	112	(9.723)
Impairment and other value changes in equity investments and other securities	(56.562)	-	2.981	5.734	(47.847)
Other provisions and impairment not tax deductible	98.605	-	(6.331)	(772)	91.503
Tax loss carry forward	43.219	-	(13.789)	(416)	29.014
Other	(18.438)	-	(4.527)	(7.524)	(30.490)
	2.354.740	(44.935)	(18.662)	(4.185)	2.286.958

The “Changes in income” column in the deferred tax movements table for the half year ended June 30, 2017 includes the reclassification of costs of €1,740 thousand to the “Income of subsidiaries held-for-sale” in profit and loss for the referred to period, from the transfer of the assets and liabilities of Mercantile Bank Holdings. Ltd, BCG Spain, BCG Brasil and CVC Corretora, to non-current assets and liabilities held-for-sale categories (note 13).

Special regime applicable to deferred tax assets

Caixa Geral de Depósitos and Caixa - Banco de Investimento applied for the special deferred tax assets regime, in 2014, following the favourable resolution of their respective general meetings of shareholders.

This regime, approved by law 61/2014 of August 26 and amended by law 23/2016 of August 19, applies to deferred tax assets resulting from the non-deduction of expenses and negative equity changes with impairment losses on loans (provided for in nos. 1 and 2 of article 28-A of the IRC code and respective exclusions) and with the post employment or long term benefits of employees.

The changes to the timeframe of the amendments to the regime under law 23/2016 of August 19, excluded the costs and negative equity changes accounted for in the taxation periods beginning on or after January 1, 2016, as well as their associated deferred taxes. The deferred taxes protected by this regime therefore solely correspond to the assessment of costs and negative equity changes at December 31, 2015.

Deferred tax assets resulting from the non-deduction of costs and negative equity changes with impairment losses on loans and with the post employment or long term benefits of employees are converted into tax credit when the taxpayer’s net income in the respective tax period is negative or, in the event of liquidation based on voluntary dissolution or a court ordered insolvency. In the case of a conversion resulting from negative net income, the amount of the tax credit to be attributed will be the result of the proportion of such negative net income for the period to the taxpayer’s total equity (assessed prior to the deduction of the result) plus the value of CoCo bonds, applied to the eligible deferred tax assets balance. When the conversion derives from liquidation or insolvency or the taxpayer’s net income is negative, the full amount of the deferred tax assets is converted into tax credit.

In the conversion into tax credit (other than in cases of liquidation or insolvency) a special reserve, plus 10%, should be created for the amount of the respective credit and, when shareholders' equity is less than share capital, adjusted by the quotient between the former and latter which is deducted from the amount of the increased tax credit, together with the issuance of securities in the form of conversion rights to be attributed to the state that, in the case of Caixa, is, at the same time, its sole shareholder. The consequence of exercising conversion rights increases the taxpayer's share capital through the incorporation of the special reserve and issuance of new ordinary shares for free delivery to the state. This special reserve cannot be appropriated. On the date of the issuance of the conversion rights, shareholders have the potestative right to their acquisition in proportion to their respective investment.

Information on the type of deferred tax assets recognised by the Group and considered eligible under the regime, up to December 31, 2015, is set out below:

Deferred Tax within the scope of the special regime for deferred tax assets	2018-06-30	2017-12-31
Impairment losses on loans	913,348	960,465
Employee benefits	162,439	163,410
	1,075,787	1,123,875

As a consequence of Caixa Geral de Depósitos's assessment of negative net income on its separate activity in 2016, eligible deferred tax assets at the close of the referred to period will be converted into tax credit, based on the proportion of net income to shareholders' equity. The estimated amount of the deferred tax to be converted, based on Caixa's equity, at December 31, 2016, is approximately €446,000 thousand.

As specified in article 12 of the appendix to law 61/2014 (of which it is an integral part), the amount of deferred tax assets to be converted into tax credit, the creation of the special reserve and the issuance and attributing of conversion rights to the state should be certified by a statutory auditor. The amount of deferred tax assets to be converted will also be analysed by the fiscal authorities, as part of the review procedures on taxable income for the relevant tax periods.

The representation of the state as Caixa's sole shareholder signifies that the issuance and attribution of conversion rights will not imply any dilution of its equity status.

Income tax as a charge to shareholders' equity

The Group changed its accounting policy on its recognition of actuarial profit and loss on pension plans and other post-employment benefits in 2011, pursuant to which actuarial profit and loss arising from the revaluation of pensions and healthcare liabilities and pension fund yield forecasts were fully recognised as a charge to a shareholders' equity account. Up to 2010 such profit and loss had been processed by the corridor method.

The amount of tax associated with the contribution of the actuarial deviations component originated after the date upon which the accounting policy was changed, considered deductible under the terms of the limits of numbers 2 and 3 of article 43 of the IRC code, or under number 8 of the referred to article is recognised in an equity account in conformity with the recognition basis of its originating liabilities.

Income tax as a charge to profit and loss

Information on income tax recognised in profit and loss and the tax burden, measured by the ratio between the appropriation for tax on profit and net profit for the year before tax is set out below:

	2018-06-30	2017-06-30
Current tax		
For the period	40,275	98,333
Extraordinary contribution of the banking sector	32,814	36,866
Prior year adjustments (net)	401	418
	73,491	135,618
Deferred tax	94,579	16,922
Total income tax	168,070	152,540
Consolidated income before tax and non-controlling interests	328,614	49,839
Tax charge	51.15%	306.07%

Information on the "Adjustments for past years" account for the half years ended June 30, 2018 and 2017, comprised the following:

	2018-06-30	2017-06-30
Insufficiency / (excess) of estimated tax for 2017 and 2016	155	446
Adjustments to previous years taxable income	248	(24)
Other	(2)	(4)
	401	418

The reconciliation between the nominal and effective tax rates for the half years ended June 30, 2018 and 2017 was:

	2018-06-30		2017-06-30	
	Rate	Tax	Rate	Tax
Income before tax		328,614		49,839
Tax at the nominal rate	27.35%	89,876	27.35%	13,631
Impact of companies with tax rates different from the nominal rate in Portugal	1.51%	4,946	(22.86%)	(11,394)
Permanent differences to be added:				
Non deductable provisions and impaiment	13.16%	43,256	184.56%	91,982
Other	0.07%	217	0.57%	284
Other permanent differences to be deducted	(0.42%)	(1,382)	(0.52%)	(261)
Impairment on equity financial assets, net of write-offs	0.42%	1,368	4.55%	2,266
Annulment of tax losses considered non recoverable	0.12%	381	2.89%	1,442
State and Municipal subcharges	0.00%	-	16.00%	7,976
Differential of tax rate on tax losses carry forward (*)	0.00%	-	(4.63%)	(2,309)
Autonomous taxation	0.12%	399	1.24%	616
Contribution of the banking sector	9.99%	32,814	73.97%	36,866
Change in the net monetary position of Caixa Angola under IAS 29	1.15%	3,794	0.00%	-
Other	(2.72%)	(8,924)	12.83%	6,395
	50.74%	166,743	295.94%	147,495
Tax adjustments relative to prior periods				
Insufficiency / (excess) of tax estimate, net of deferred tax	0.40%	1,328	10.13%	5,049
Other	(0.00%)	(2)	(0.01%)	(4)
	0.40%	1,326	10.12%	5,044
	51.15%	168,070	306.07%	152,540

(*) The computation of deffered taxes relating to tax losses carry forward is based on a regulatory tax rate of 21% and does not include State or Municipal subcharges

CGD's nominal tax rate, for the half years ended June 30, 2018 and 2017, considering the surcharge rates applicable to its operations was 27.35%.

The assessment of CGD's nominal tax rate considers the increase in the municipal and state surcharges on taxable profit. In the case of the state surcharge, reference should be made to the changes to the wording of article 87-A of the IRC code under law 114-2017 of December 29, whose no. 1 provides for the application of the following rates on taxable profit in the following bands:

- a rate of 3% between €1,500 thousand and €7,500 thousand;
- a rate of 5% between €7,500 thousand and €35,000 thousand; and
- a rate of 9% on more than €35,000 thousand.

According to the wording of article 87-A of the IRC code in force up to the time of the changes made by law 114/2017, the rate applicable to the upper limit of the band (taxable income of more than €35,000 thousand), was only 7%.

Article 51-C of the IRC code was also changed by the publication of law 42/2016, on the basis of an addendum to no. 6, which ruled, for 2017 and following years, that impairment losses and other value adjustments to corporate investments or other own equity instruments included as part of taxable profit under no. 2 of article 28-A, are considered to be positive components of taxable profit for the taxation period in which the respective sale is made.

As a result of this situation, the Group recognised deferred tax liabilities for the impairment of financial investments, deductible as a tax expense at the time of the constitution thereof when the intention involves a sale or liquidation (or when in progress), for the amounts of €117,536 thousand and €116,169 thousand, at June 30, 2018 and December 31, 2017 respectively.

Limitations on tax deductions of impairment losses on loans and other value adjustments

During the course of 2016, owing to the application of the Bank of Portugal's *notice* 5/2015, Caixa and other relevant financial institutions in Portugal now prepare the financial statements on their separate activity in accordance with the dispositions of the International Financial Reporting Standards as adopted at any time under a European Union regulation, considering IAS 39 **– "**Financial instruments: recognition and measurement" requirements on provisions for loans and other receivables from January 1 of the referred to year.

Regulatory decree 5/2016, published on November 18, 2016, defined the maximum limits on impairment losses and other value adjustments on specific credit risk, deductible for the calculation of IRC taxable profit, extending the framework deriving from *notice* 3/95 for the taxation period beginning January 1, 2016, for fiscal purposes.

The publication of regulatory decree 11/2017 on December 28, 2017 clarified the extension of the rules in force in 2016 and preceding years for a further year, retaining the dispositions of *notice* 3/95 as a reference for the deductibility of impairment losses on fiscally relevant loan operations.

As stated in note 2.3, starting January 1, 2018 the estimated losses on credit risk were measured by reference to the dispositions of IFRS 9 – "Financial instruments", which replaced IAS 39 after the referred to date.

There being no specific rules regarding the fiscal regime applicable to taxation periods starting January 1, 2018, and with no legislative evolution or initiatives of relevance to this subject matter up to the date of the approval of these financial statements, Caixa's board of directors, based the preparation of its financial statements on the legal framework in force in 2017.

Owing to the referred to uncertainties, Caixa's board of directors considered it appropriate to revise the assumptions employed in the analysis of the recoverability of deferred tax assets when signing off the accounts for 2017, considering, on the said date, that it was more likely that the deductibility rules applicable at December 31, 2017 would remain in force.

Analysis of recoverability of deferred tax assets

Based on the requirements of IAS 12 – "Income taxes", deferred tax assets are recognised on the basis of the Group's expectations of their future recoverability which is fundamentally based on, (i) an assessment of its capacity to generate sufficient taxable profit, and (ii) its interpretation of the legal framework in force in the relevant analysis period.

This assessment was made on the basis of the implementation of the strategic plan which was developed as part of the agreement entered into between the Portuguese state and the European authorities for the period 2017-2020, allowing the Group to ensure the existence of adequate profitability and capital levels over the referred to timeframe as well as to achieve the objectives of reducing non-performing assets as submitted to the supervisors.

The expectation of generating future taxable profit is based on profitability projections prepared in conformity with the referred to plan, based on a highly conservative approach. Reference should be made to the following factors:

(i) The positive evolution of net interest income, attributable to a sustained reduction of financing costs, consistent with its commercial policy and current market situation, namely the continuation of very low interest rates;

(ii) An increase in revenue from services, aligned with a commercial strategy more geared to value creation for customers;

(iii) A decrease in the cost of risk to levels comparable to those of other leading European banks, based on a major restructuring of its toxic assets management policy as well as adapting loan-making and oversight processes to a duly sustainable risk appetite policy;

(iv) Major cost reductions, aligned with measures to rationalise operational structures for implementation over the next three years, based on the size, type and expected evolution of business in which digital area considerations will play a decisive role in the intended improvements to the efficiency of resource management; and

(v) Alignment of profitability and solvency levels with the objectives and assumptions involved in CGD's recent recapitalisation process. Based on a conservative approach, the amount of income before tax considered relevant for this purpose, was kept constant across all taxation periods after 2020, i.e. 2021 to 2036.

The assumptions listed below, of relevance to the conclusions regarding the recoverability of deferred tax assets, were also considered:

(vi) Conversion of around €446,000 thousand in eligible deferred tax assets under the special regime;

(vii) Maintenance of the fiscal framework for impairment losses on specific credit risk, in force up to 2017, for tax periods beginning on or after January 1, 2018;

(viii) Inclusion of estimated fiscal income deriving from the international operations restructuring strategy; and

(ix) Projection of the deductibility of the costs of present and future employee benefits based on an estimate of the taxation period for realising the respective payments.

Any changes to the assumptions employed or relevant variables on its assessment of taxable profit projections may lead to substantially different results and conclusions.

In accordance with this analysis the Group concluded that the deferred tax assets recognised at June 30, 2018 were recoverable.

The Group also performed sensitivity analyses on the results of the assessment on the recoverability of deferred tax assets considering a 15% decrease in income before tax applicable to all of the years in the projection. No additional reduction needs on deferred tax assets recognised in the balance sheet were estimated.

Banking sector contribution

Deriving from the dispositions of article 141 of the state budget law for 2011 (law 55-A/2010 of December 31), which brought in a new contribution regime for the banking sector, the Group recognised €32,814 thousand and €36,866 thousand as costs for the half years ended June 30, 2018 and 2017, respectively, in respect of the total costs to be paid for this tax in the respective tax period. The tax, regulated under the terms of ministerial order 121/2011 of March 30, is levied on the liabilities of credit institutions headquartered on Portuguese territory, net of own and complementary funds therein included, as well as deposits covered by the deposit guarantee fund and the notional amount of financial derivatives other than hedge derivatives. The tax is also levied on the subsidiaries of credit institutions headquartered outside Portuguese territory as well as the branches in Portugal of credit institutions headquartered outside the European Union.

The tax authorities are normally entitled to review the tax situation across a certain period, which, in Portugal, is four years (unless tax losses have been carried back, in addition to any other deduction or tax credit expiring in the same year as this right). Owing to different interpretations of the legislation, this may result in the eventual possibility of adjustments being made to taxable profit for former years (2014 to 2017 in the case of most entities headquartered in Portugal, with Caixa Geral de Depósitos having been inspected in 2014 and 2015). Any possible adjustments, given the nature thereof, cannot be quantified at present. Caixa's board of directors considers, however, that any adjustments for the above years are unlikely to have a significant effect on the condensed consolidated financial statements.

17. OTHER ASSETS

This account comprises the following:

	2018-06-30	2017-12-31
Other assets		
Debt certificates of the Territory of Macau	929,296	849,883
Gold, precious metals, numismatics and medals	3,415	3,449
Other receivables	28	33
Other	5,840	5,843
Debtors and other investments		
Central and local government	48,789	43,552
Shareholders' loans	87,133	149,500
Debtors - futures contracts	44,794	58,926
Amount receivable from the sale of EDP	481,912	482,456
Grants receivable from		
The State	17,842	18,292
Other entities	16,039	14,011
Amount receivable from the sale of assets recovered as settlement of defaulting loans	1,157	201
Other past due debtors	39,277	53,405
Other debtors	794,313	992,325
Commitments with pensions and other employee benefits		
Excess responsabilities coverage		
Caixa Geral de Depósitos	5,726	14,620
Other	148	148
Income receivable	49,617	52,478
Deferred costs		
Rent	4,360	4,038
Other	21,801	12,395
Operations pending settlement	237,068	262,539
Stock exchange operations	138,947	41,903
	2,927,504	3,059,997
Impairment (Note 34)	(232,811)	(287,643)
	2,694,693	2,772,355

Information on impairment movements on debtors and other assets for the half years ended June 30, 2018 and 2017 is set out in note 34.

The proceeds from the EDP sale, at June 30, 2018 and December 31, 2017 and 2016, derive from CGD's disposal of an equity stake in the company to Parpública.

The "Debtors and other assets – other debtors" account at June 30, 2018 and December 31, 2017 included €530,114 thousand and €628,989 thousand, respectively, for surety accounts in several financial institutions. The referred to sureties derive from the liquidity injection operations collateralised by financial assets and from interest rate swap agreements (IRS) with these entities (note 10).

At June 30, 2018 and December 31, 2017, the "Debtors and other assets – other debtors" account, included €12,977 thousand and €8,754 thousand, respectively, for sureties in the form of an irrevocable commitment for contributions to the European single resolution fund (note 31).

Under the contract to issue notes entered into between Banco Nacional Ultramarino, S.A. (Macau) and the Territory of Macau, the Bank provides the Territory with convertible currency corresponding to the counter value of notes in circulation, receiving in return, a debt certificate for an equivalent amount to cover the liability resulting from the currency issuance (note 23). The amounts to be provided to the Territory by the Bank are reconciled on a monthly basis, in the first fifteen days of each month, based on the preceding month's average daily balances. At June 30, 2018 and December 31, 2017 the debt certificate of the government of Macau totalled €929,296 thousand and €849,883 thousand, respectively. No interest is payable on the certificate, as the consideration for the functions attributed to Banco Nacional Ultramarino, S.A. (Macau) is given by a permanent non-interest-bearing deposit.

At June 30, 2018 and December 31, 2017 the "Debtors and other assets - other overdue debtors" account, included outstanding balances for the calling in of guarantees provided to customers and other costs directly associated with such operations for the amounts of €27,698 thousand and €49,091 thousand, respectively. Accumulated impairment associated with these operations on the said dates amounted to €19,724 thousand and €31,707 thousand, respectively.

Shareholders' loans, at June 30, 2018 and December 31, 2017 comprised the following:

	30-06-2018	31-12-2017
Locarent - Companhia Portuguesa de Aluguer de Viaturas, S.A.	-	36.000
A. Silva & Silva - Imobiliário & Serviços, S.A.	-	28.977
Sagesecur - Estudo, Desenvolvimento e Participações em Projetos, S.A.	12.180	12.180
Visabeira Global, SGPS, SA	-	11.223
Relating to financial assets transferred (Note 8)		
Moretextile, SGPS, S.A.	38.284	37.876
Taem - Processamento Alimentar, SGPS, S.A	-	5.118
Vncork - SGPS, S.A	-	999
	38.284	43.993
Other	36.669	17.127
	87.133	149.500

Interest charged on the shareholders' loan to Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A., at December 31, 2017, for the amount of €36,000 thousand, was indexed to the 3 month Euribor rate plus a spread of 0.75%. Interest was payable quarterly and in arrears on February 1, May, August and November of each year. The agreement was liquidated at June 30, 2018.

Caixa made shareholders' loans of €31,182 thousand to Moretextile, SGPS, S.A. under the terms of the financial restructuring agreement for the Coelima, JMA – José Machado de Almeida and AAF – António Almeida & Filhos textiles groups, in first half 2011. Interest is charged on these partners' loans, which were used to pay off a part of Coelima's debt to its creditors (including CGD), at the 6 month Euribor rate plus a spread of 2.5%. The agreement provides for full repayment (principal and interest) in a lump sum on May 13, 2018, which period is renewable for an additional five years and which option was exercised. The repayment of these partners' loans is subordinated to Moretextile's and its subsidiaries' settlement of overdue, unpaid credit to other creditors. Caixa recognised impairment of €37,876 thousand on this asset, €870 thousand of which in first half 2018.

The partners' loans to Taem - Processamento Alimentar, SGPS, S.A. and Vncork - SGPS, S.A., matured in first half 2018 and were not liquidated. The amounts were recognised as "Debtors and other assets – other overdue debtors", at June 30, 2018. The initial contractual terms are being renegotiated with these entities.

18. RESOURCES OF CREDIT INSTITUTIONS' AND CENTRAL BANKS

This account comprises the following:

	2018-06-30	2017-12-31
Resources of central banks		
Resources - European Central Bank		
Loans, deposits and other resources		
Caixa Geral de Depósitos	-	2,000,000
Other Group entities	48,000	165,340
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	88,163	361
Of foreign credit institutions	30,572	11,978
Interest payable	27	-
	166,762	2,177,678
Resources of other credit institutions		
Deposits and other resources		
Of domestic credit institutions	330,411	407,368
Of foreign credit institutions	1,184,169	1,076,301
Interbank money market resources	15,700	14,500
Immediate short term resources		
Of domestic credit institutions	176,871	270,967
Of foreign credit institutions	116,982	30,202
Loans		
Of foreign credit institutions	2,063	2,655
Resources of international financial entities	7,058	7,643
Sale operations with repurchase agreement	311,708	44,956
Interest payable	10,965	10,579
	2,155,928	1,865,172
	2,322,690	4,042,850

The "Resources of central banks – resources – European Central Bank" account at June 30 2018 and December 31 2017, refers to loans obtained from the European Central Bank, collateralised by debt instruments and other loans in the Group's portfolio. These assets are not available for free circulation and are recognised at their nominal value in "Asset-backed guarantees" (note 21) in off-balance sheet accounts. Caixa Geral de Depósitos repaid the full amount of its loans from the European Central Bank in first half 2018.

The “Sales operations with repurchase agreements” account, at June 30, 2018 and December 31, 2017, refers to contracts for loan operations on financial assets with an agreement to purchase at a future date at a predefined price, entered into between the Group and various financial institutions.

The assignment of financial instruments in sales operations with repurchase agreements is not derecognised in the balance sheet and continues to be measured in accordance with the accounting policies applicable to the underlying assets (note 9). The difference between sales and repurchase prices is recognised as an interest expense and deferred over the contract's lifetime

The referred to operations were contracted for under GMRAs (“global master repurchase agreements”) or bilateral liquidity injection agreements, providing mechanisms to strengthen the collateral associated with these transactions based on the evolution of respective market value, assessed in accordance with the specifications agreed between the counterparties, usually comprising surety deposits.

19. CUSTOMER RESOURCES AND OTHER LOANS

This account comprises the following:

	2018-06-30	2017-12-31
Savings deposits	2,342,101	2,448,858
Other debts		
Repayable on demand	28,421,629	25,952,012
At term		
Deposits	31,536,000	33,308,435
Mandatory deposits	251,281	253,634
Other resources:		
Cheques and orders payable	116,338	114,034
Loans	-	20,000
Other	1,541,960	1,447,732
	33,445,579	35,143,835
	61,867,208	61,095,846
Interest payable	102,465	96,602
Deferred costs, net of deferred income	(3,998)	(4,939)
Commissions associated with amortised cost (deferred)	(4,403)	(6,520)
Adjustments to liabilities under hedging operations	7	1,048
	94,071	86,191
	64,303,380	63,630,896

20. DEBT SECURITIES

This account comprises the following:

	2018-06-30	2017-12-31
Bonds in circulation:		
Bonds issued under the EMTN Programme		
- Remuneration indexed to interest rates	12,498	40,000
- Fixed interest rate	76,861	123,952
- Remuneration indexed to exchange rates	107,398	31,641
	196,757	195,593
Covered bonds	3,013,450	3,761,050
	3,210,207	3,956,643
Adjustments to liabilities under hedging operations	2,403	3,291
Deferred costs, net of income	(3,526)	(5,336)
Interest payable	32,198	96,823
	3,241,282	4,051,421

The breakdown of the debt securities account, at June 30, 2018 and December 31, 2017, is net of the accumulated debt balances repurchased in the meantime, as follows:

	2018-06-30	2017-12-31
Bonds issued under the EMTN programme	78,000	78,000
Covered bonds	1,506,550	1,507,550
	1,584,550	1,585,550

CGD uses the following specific programmes to diversify its funding sources:

(i) Euro commercial paper and certificates of deposit (ECP and CCP)

Under the "€10 billion euro commercial paper and certificates of deposit" programme, CGD (either directly or through its France branch) is entitled to issue certificates of deposit (CD) and notes with a maximum maturity of 5 years and 1 year, respectively, denominated in euros, US dollars, sterling, Japanese yen or any other currency agreed between the parties. Fixed or variable-rate interest is payable on these issuances which may also be indexed to indices or shares.

(ii) Euro medium term notes (EMTN)

CGD Group, through CGD (either directly or through its France branch) and CGD Finance, are entitled to issue a maximum amount of €15 billion in debt securities under this programme. France branch guarantees all CGD Finance issuances.

Bonds with minimum maturities of one month and 5 years for non-subordinated and subordinated issuances, respectively, may be issued in any currency. No maximum maturities have been defined for these operations.

These securities may be issued at a discount. Fixed or variable-rate interest is payable on these issuances which may also be indexed to indices or shares.

(iii) Covered bonds

CGD initiated a covered bonds programme, for direct issuance, up to a current maximum amount of €15 billion, in November 2006. The bonds to be issued are backed by a mortgage loan portfolio which must, at any point of time, comply with the minimum conditions required by the regulation applicable to issuances of such assets, i.e. decree law 59/2006, *notices* 5, 6, 7 and 8 and Bank of Portugal *instruction* 13.

Bonds with a minimum maturity of 2 and maximum maturity of 50 years. may be issued in any currency Fixed or variable-rate interest is payable on these issuances which may also be indexed to indices or shares.

These bonds entitle their holders to special credit rights – over any other creditors – on assets which have been set aside in the issuing entity's balance sheet to guarantee the debt and to which bondholders enjoy access in the event of insolvency.

Assets eligible for the constitution of an asset pool comprise residential mortgage or commercial loans in a European Union member state or, alternatively, loans and advances to central governments or the regional and local authorities of one of the European Union member states and loans with an express and legally binding guarantee upon such entities. Mortgage loans cannot exceed 80% of the mortgaged assets given as collateral for residential property (60% for other property).

In accordance with the issuance conditions defined by the programme, the following criteria must also be complied with across the period of the issuance:

- The total nominal value of covered bonds in circulation may not exceed 95% of the total value of mortgage loans and other assets allocated to the referred to bonds;
- The average maturity of covered bonds issuances may not, for issuances as a whole, exceed the average life of the associated mortgage loans;
- The total amount of interest payable on the covered bonds may not, for issuances as a whole, exceed the amount of interest charged to borrowers of the mortgage loans allocated to the referred to bonds; and
- The present value of the covered bonds may not exceed the present value of the assets allocated to them, which ratio must be maintained for parallel shifts of 200 basis points on the yield curve.

The asset pool may also include autonomous assets, up to a maximum of 20% of its value, namely deposits at the Bank of Portugal or securities eligible for Eurosystem credit and other operations defined by law.

The nominal value of covered bonds issued by Caixa at June 30, 2018 and December 31, 2017, totalled €4,520,000 thousand and €5,270,000 thousand, respectively, with the following characteristics:

DESIGNATION	Nominal amount 2018-06-30	Nominal amount 2017-12-31	Date of issue	Date of redemption	Interest payment	Remuneration	Interest rate at 2018-06-30	Interest rate at 2017-12-31
Hipotecárias Série 4 2007/2022	250,000	250,000	2007-06-28	2022-06-28	Quarterly, on March 28, June, September and December	3 month Euribor rate + 0.05%	-0.279%	0.017%
Covered Bonds Serie 8 2008/2038	20,000	20,000	2008-10-01	2038-10-01	Annually, on October 1	Fixed rate	5.380%	5.380%
Covered Bonds Serie 10 2010/2020	1,000,000	1,000,000	2010-01-27	2020-01-27	Annually, on January 27	Fixed rate	4.250%	4.250%
Covered Bonds Serie 14 2012/2022 (*)	1,500,000	1,500,000	2012-07-31	2022-07-31	Quarterly, on January 31, April, July and October	3 month Euribor rate + 0.75%	0.422%	0.419%
Covered Bonds Serie 15 2013/2018	-	750,000	2013-01-18	2018-01-18	Annually, on January 18	Fixed rate	3.750%	3.750%
Covered Bonds Serie 16 2014/2019	750,000	750,000	2014-01-15	2019-01-15	Annually, on January 15	Fixed rate	3.000%	3.000%
Covered Bonds Serie 17 2015/2022	1,000,000	1,000,000	2015-01-27	2022-01-27	Annually, on January 27	Fixed rate	1.000%	1.000%
	4,520,000	5,270,000						

(*) Issue fully repurchased by CGD. These securities are collaterising liquidity providing operations with the European Central Bank
(**) Issue partially repurchased by CGD.

The assets pool collateralising the issuances includes mortgage loans issued in Portugal with a book value of €7,951,388 thousand and €8,420,634 thousand (note 12), at June 30, 2018 and December 31, 2017, respectively.

The assets pool used as collateral for the issuances also included debt securities, with a book value of €128,229 thousand and €127,015 thousand (notes 8 and 11) at June 30, 2018 and December 31, 2017, respectively

The Moody's and Fitch ratings on these covered bonds, at June 30, 2018 were A2 and BBB+, respectively.

Details on bond issuances, by type of interest and period to maturity at June 30, 2018 and December 31, 2017 are given below:

	2018-06-30				
	Type of asset or underlying index used to calculate the remuneration			Covered bonds	Total
	Exchange rate	Interest rate	Sub total		
Up to one year	-	(3,138)	(3,138)	749,000	745,862
One to five years	66,550	82,497	149,047	2,244,450	2,393,497
Five to ten years	17,624	-	17,624	-	17,624
Over ten years	23,224	10,000	33,224	20,000	53,224
	107,398	89,359	196,757	3,013,450	3,210,207

	2017-12-31				
	Type of asset or underlying index used to calculate the remuneration			Covered bonds	Total
	Exchange rate	Interest rate	Sub total		
Up to one year	-	-	-	749,000	749,000
One to five years	66,481	79,360	145,841	2,992,050	3,137,891
Five to ten years	17,110	-	17,110	-	17,110
Over ten years	22,642	10,000	32,642	20,000	52,642
	106,233	89,360	195,593	3,761,050	3,956,643

Derivatives were contracted for to convert the amounts of most EMTN programme issuances into euros and their respective interest into 3 or 6 month Euribor rates, net of a spread.

The following issuances and redemptions of debt securities took place in the half years ended June 30, 2018 and 2017:

	Balance at 2017-12-31	Repayments	Exchange differences	Other	Balance at 2018-06-30
Bonds issued under the EMTN programme	195,593	-	1,164	-	196,757
Covered bonds	3,761,050	(750,000)	-	2,400	3,013,450
	3,956,643	(750,000)	1,164	2,400	3,210,207

	Balance at 2016-12-31	Repayments	Exchange differences	Balance at 2017-06-30
Bonds issued under the EMTN programme	322,488	(52,026)	(939)	269,523
Covered bonds	3,759,850	-	-	3,759,850
	4,082,338	(52,026)	(939)	4,029,373

21. PROVISIONS AND CONTINGENT LIABILITIES

Provisions

Provisions movements for employee benefits and for other risks, in the half years ended June 30, 2017 and 2018, were as follows:

	Balance at 31-12-2017	Adoption of IFRS 9 (Note 2.3.)	Increases, recoveries and cancellations	Write-offs	Exchange differences	Transfers and other	Balance at 30-06-2018
Provision for employee benefits	814.064	-	(32.620)	(31.593)	(627)	51.250	800.474
Provision for litigation	17.464	-	2.451	-	-	(4.689)	15.225
Provision for guarantees and other commitments	328.437	(25.057)	(53.928)	(113)	36	928	250.304
Provision for other risks	128.326	-	15.029	(3.527)	(1.745)	8.239	146.323
	474.227	(25.057)	(36.447)	(3.640)	(1.709)	4.478	411.852
	1.288.291	(25.057)	(69.067)	(35.233)	(2.336)	55.728	1.212.326

	Balance at 31-12-2016	Increases, recoveries and cancellations	Write-offs	Exchange differences	Transfers and other	Balance at 30-06-2017
Provision for employee benefits	613.094	1.197	(26.807)	(96)	70.227	657.615
Provision for litigation	23.145	3.914	(5.376)	(1.005)	5.615	26.294
Provision for guarantees and other commitments	360.935	(6.907)	-	(5.864)	(7.127)	341.037
Provision for other risks	130.138	319.608	(762)	243	(8.795)	440.431
	514.218	316.616	(6.138)	(6.626)	(10.307)	807.763
	1.127.312	317.813	(32.946)	(6.722)	59.921	1.465.378

At June 30, 2018 and December 31, 2017, the “Provisions for the costs of employee benefits”, included €208,609 thousand and €223,901 thousand, for the early retirement plan for Caixa Geral de Depósitos, S.A. employees.

For the half years ended June 30, 2018 and 2017 the use of the provisions for the costs of employee benefits, totalling €31,593 thousand and €26,807 thousand, respectively, included:

- €10,858 thousand for the healthcare plan, €15,018 thousand for the *Horizonte* plan and other redundancy agreements and €4,117 thousand for voluntary redundancies and rescissions for first half 2018; and,
- €11,957 thousand for the healthcare plan and €13,697 thousand for the *Horizonte* plan and other redundancy agreements for first half 2017.

Provisions for the costs of employee benefits, at June 30, 2018 and December 31, 2017 comprise the following:

The “Increases, recoveries and cancellations” column in the table of provisions movements for first half 2017 included net costs of €323,529 thousand of which €1,529 thousand were reclassified to “Income from subsidiaries held-for-sale” in profit and loss and €322,000 thousand reclassified from provisions for “Other risks and liabilities” to the impairment of “Non-current assets held-for-sale”.

Provisions for other risks and liabilities are for contingencies arising from the Group's activity.

Provisions for legal contingencies comprise the Group's best estimate of any amounts to be spent on the resolution thereof, based on the legal department's and its attendant lawyers' estimates.

Contingent liabilities and commitments

Contingent liabilities associated with banking activity are recognised in off-balance sheet accounts, as follows:

	2018-06-30	2017-12-31
Contingent liabilities		
Assets given as collateral	12,982,530	14,907,681
Guarantees and sureties	3,033,177	3,285,796
Open documentary credits	267,024	241,886
Stand by letters of credit	48,469	45,028
	16,331,200	18,480,391
Commitments		
Revocable commitments	8,235,211	8,486,603
Securities subscription	731,527	1,340,452
Irrevocable lines of credit	707,416	569,331
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	155,553	155,553
Investor Compensation System	42,983	39,947
Other irrevocable commitments	95,418	63,220
Forward deposit agreements		
Receivable	21,838	21,624
To be created	101,218	60,242
Other	196,850	192,198
	10,288,015	10,929,171
Deposit and custody of securities	46,386,831	46,223,343

The composition of asset-backed guarantees is as follows:

	2018-06-30	2017-12-31
Debt Instruments		
Consigned resources		
EIB - European Investment Bank	1,592,500	1,567,500
Council of Europe Development Bank	21,500	22,300
Bank of Portugal (*)	11,134,689	13,001,548
Agência de Gestão da Tesouraria e da Dívida Pública - IGCP, E.P.E.	-	64,509
Deposit Guarantee Fund	157,740	175,240
Banco Português de Investimento	50,000	50,000
Investor Compensation System (futures)	20,500	21,000
Euronext	5,000	5,000
Other Assets		
Other	601	584
	12,982,530	14,907,681

(*) Includes a portfolio of securities associated with liquidity-taking with the European Central Bank, as well as the securities given to the Bank of Portugal as collateral in the scope of the EUR 500 million "Daily Market Credit Agreement" and other interbank money market transactions.

Asset-backed guarantees at June 30, 2018 and December 31, 2017, refer to debt instruments recognised in assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, loans and advances to customers and debt securities accounts (note 20).

Asset-backed guarantees are not available for Caixa's free use in its operations and are recognised at their nominal value in off-balance sheet accounts.

The market value of debt instruments given as collateral, at June 30, 2018 and December 31, 2017, was €13,307,296 thousand and €15,093,209 thousand, respectively.

The market value of securities collateralising the Group's term liabilities for its annual contributions to the deposit guarantee fund and the investors' indemnity system was €202,088 thousand and €216,564 thousand, at June 30, 2018 and December 31, 2017, respectively.

The object of the deposit guarantee fund is to guarantee customers' deposits in conformity with the limits defined by the general credit institutions regime. This takes the form of regular annual contributions. In past years a part of the liabilities took the form of an irrevocable commitment to make the referred to contributions when requested by the fund, with the amount not being recognised as a cost. The total amount of undertakings since 1996 amounts to €155,553 thousand. The Group recognised costs of €733 thousand and €661 thousand, for its annual contribution to the deposit guarantee fund, at June 30, 2018 and 2016, respectively.

Asset-backed guarantees are not available for the Group's free use in its operations and are recognised at their nominal value in off-balance sheet accounts.

Caixa Brasil, SGPS, S.A.

CGD was notified, in 2009, by the Portuguese tax authorities of their inspection report for 2005 in respect of an adjustment of €155,602 thousand in taxable income for the year. In addition to other situations, the referred to amount included an adjustment of €135,592 thousand owing to the fact that Caixa had benefited from the elimination of double taxation on its share of Caixa Brasil SGPS, S.A.'s results in the said period. Caixa contested these adjustments, considering that the procedure adopted by it was in compliance with the fiscal legislation in force. The Lisbon tax court also issued a ruling, in 2014, annulling, *inter alia*, the adjustments made by the tax and customs authority during the said year on the component allocated to the profit made on the liquidation of Caixa Brasil.

The contents of the ruling of the southern central administrative court were announced in April 2015. A decision was made, in the second instance, to revoke the ruling decreed in the first instance by the Lisbon tax court. In its reaction to this ruling of the southern central administrative court, Caixa decided to appeal and apply for a review of the rulings in first half 2015. As a result of the allegations made, the appeal was accepted on the basis of the legal framework under which the allegations were made.

In December 2016, as a result of Caixa's application for the exceptional fiscal debt and social security contributions settlement regime (PERES – Special Programme for the Reduction of Debt to the State), approved by decree law 67/2016 of November 3, the amount of €34,071 thousand in tax associated with the current process was settled in full on the said date.

On May 31, 2017, Caixa was notified of the ruling of the supreme administrative court's review of the appeal, which accepted the arguments put forward and consequently ruled that the proceedings should be returned to the southern central administrative court, to await the issue of the respective final ruling.

Notwithstanding Caixa's board of directors' conviction of the conformity of the procedures adopted, it was considered appropriate that the amount of the tax delivered to the state pursuant to the subscription to PERES, recognised as a charge to an "Other assets" account should continue to be considered fully provisioned with reference to June 30, 2018

Competition authority

On 3 June 2015, in addition to another fourteen other credit institutions, CGD was charged by the competition authority, with performing certain practices, namely exchanging information with several of the said credit institutions, which, in the eyes of the said authority, comprised concerted practices with the aim of significantly distorting market competition.

Based on the requests submitted by several of the referred to credit institutions, the initial period was extended on more than one occasion and has still not expired. CGD, nevertheless, prepared its defence to comply with the initial period which expired on November 17, 2015.

On March 14, 2017, CGD was formally notified by the competition authority of its board of directors' resolution to lift the suspension regarding the current offence with which it had been charged, although the suspension of the period for the decision on the charge remained. A new resolution passed by the competition authority's board of directors terminated the suspension of the sentencing period, ending on September 27, 2017. CGD submitted its defence on September 26, 2017, having for the purpose, requested complementary evidentiary hearings which took place on December 5 and 6, 2017. In June and July 2018 CGD replied to the competition authority's requests for additional elements.

CGD's considers that there are no factual or legal assumptions leading to the sentencing of Caixa Geral de Depósitos on account of any restrictive market practice, for which reason it has expressly applied for the process to be archived.

Resolution fund

The resolution fund was created by decree law 31-A/2012 of February 10. It is funded by resources from the payment of contributions by the institutions participating in the fund and the banking sector contribution. Other sources of funding may also be used whenever such resources are shown to be insufficient to meet liabilities, namely: (i) special contributions made by credit institutions; and (ii) amounts deriving from loans.

Application of resolution measure to Banco Espírito Santo, S.A.

On August 3, 2014, the board of trustees of the Bank of Portugal decided to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), transferring most of the activity and assets of BES to Novo Banco S.A., a new transitional banking institution created for the purpose, fully owned by the resolution fund.

Following the resolution measure, Novo Banco, S.A. was deemed to have capital requirements of €4,900,000 thousand to be paid up by the sole shareholder under the terms of the legislation in force. Considering that the resolution fund did not have sufficient own resources for the operation at the said date, the capital was subscribed for on the basis of two loans:

– €3,900,000 thousand from the Portuguese state; and

– €700,000 thousand from eight fund member institutions (of which €174,000 thousand from CGD).

In September 2015 the Bank of Portugal suspended the sales process on the resolution fund's investment in Novo Banco, which began in 2014 and completed the process in progress without accepting any of the three binding proposals received, considering that the terms and conditions thereof were not satisfactory. In an announcement made on December 21, 2015 the Bank of Portugal disclosed information on the agreement reached with the European Commission, providing for, *inter alia*, an extension to the period for the full disposal of the resolution fund's equity investment in Novo Banco.

On December 29, 2015 the Bank of Portugal made an announcement approving a series of decisions to complete the resolution measure applied to BES. The Bank of Portugal decided to reassign the liability for the non-subordinated bonds issued by it for institutional investors to BES. The nominal amount of the bonds reassigned to BES was €1,941 million, comprising a balance sheet carrying amount of €1,985 million. In addition to this measure, the Bank of Portugal also clarified that the resolution fund is responsible for neutralising any negative effects of future decisions resulting in contingent liabilities deriving from the resolution process, by compensating Novo Banco.

The disposal process of the resolution fund's equity investment in Novo Banco was re-launched in January 2016.

In July 2016, deriving from the completion of the independent assessment process on a level of the recovery of loans in each category of BES creditors, in a hypothetical liquidation scenario in August 2014, as an alternative to the application of the resolution measure, the Bank of Portugal clarified, in the event of the closure or liquidation of BES, that its creditors whose loans had not been transferred to Novo Banco, S.A., would incur greater losses than would otherwise have been the case and should be compensated for the difference by the resolution fund.

On August 4, 2016, the resolution fund informed that it had changed the conditions of the loans obtained to finance the application of the resolution measure (both with a maximum maturity of August 4, 2016) which would mature on December 31, 2017, without prejudice to early redemptions or other changes being agreed.

On September 28, 2016, the resolution fund announced that it had reached an agreement with the ministry of finance on a review of the conditions of the loans obtained to fund the BES resolution measure. According to the resolution fund's announcement, the agreed revision "would permit an extension of the maturity in order to guarantee the resolution fund's capacity to fully comply with its obligations based on its regular revenue, notwithstanding the positive or negative contingencies to which the resolution fund was exposed." On the same date, the office of the ministry of finance also announced that: "in the sphere of the agreement with the resolution fund and bases already established, any increases or reductions of liabilities deriving from the materialisation of future contingencies, shall determine the adjustment of the maturity of the state's and banks' loans to the resolution fund, with the contributions required from the banking sector remaining at their current levels."

On March 21, 2017 the resolution fund announced the formalisation of the above mentioned contractual changes, including an extension of the maturity period to December 31, 2046. The objective behind the review of the loan conditions was to ensure the resolution fund's sustainability and financial balance, based on stable, foreseeable, manageable costs for the banking sector.

At March 31, 2017, the Bank of Portugal selected Lone Star for the completion of the Novo Banco sales operation. This agreement required two capital increases, the first of which for €750,000 thousand in October of the said year and the second for €250,000 thousand in December 2017.

The sale was preceded by a liability management exercise (LME) on 36 bond series with a book value of €3,000,000 thousand. The success of this operation translated into the purchase and redemption of bonds representing 73% of book value, with immediate proceeds of €209,700 thousand.

The sales process was followed by the creation of a contingent capital mechanism enabling Novo Banco to receive compensation of up to €3,890,000 thousand on the recognition of losses on any of its assets under resolution fund management.

On October 18, 2017, the resolution fund complied with the operation's final formalities in implementing the resolutions of the national resolution authority, with the Bank of Portugal, retaining a 25% equity stake in Novo Banco and Lone Star taking 75%. This operation increased Novo Banco's share capital from €4,900,000 thousand to €5,900,000 thousand.

Following the completion of this operation, the transitional regime ceased to be applied to Novo Banco, which started to operate normally, albeit subject to several measures limiting its activity imposed by the European competition authority

On March 28, 2018, following the announcement of the Bank's results for 2017, the contingent capitalisation mechanism, provided for in the agreements entered into at the time the sale was activated, requiring the resolution fund to pay €792,000 thousand to Novo Banco.

The above payment was made on May 24, 2018, following the issue of Novo Banco's statutory audit certificate and completion of the necessary certification procedures, resulting in the confirmation of the existence of the conditions requiring the payment to be made, under the agreement, in addition to the exact amount to be paid by the resolution fund.

The resolution fund used its own available financial resources resulting from the contributions paid by the banking sector, complemented by a €430,000 thousand loan from the Portuguese state.

Application of resolution measure to Banif - Banco Internacional do Funchal, S.A.

According to the Bank of Portugal's announcement of December 20, 2015, a decision was made to sell off the activity of Banif – Banco Internacional do Funchal, S.A. (Banif) and most of its assets and liabilities to Banco Santander Totta for €150,000 thousand. According to the referred to announcement, the requirements of European institutions and the unfeasibility of the voluntary sale of Banif led to the disposal being made under the terms of a resolution measure.

Most of the unsold assets were transferred to Oitante, S.A. (Oitante) an asset management vehicle which was specifically created for the purpose, with the resolution fund as its sole shareholder. Oitante issued debt bonds all of which were acquired by Banco Santander Totta, with a guarantee having been issued by the resolution fund and counter guaranteed by the Portuguese state.

The operation involved a state loan of around €2,255,000 thousand to cover future contingencies of which €489,000 thousand from the resolution fund and €1,766,000 thousand directly from the Portuguese state, as a result of the options for the delimitation of the assets and liabilities sold, as agreed between the Portuguese authorities, European instances and Banco Santander Totta.

On July 21, 2016, the resolution fund made a payment of €163,120 thousand to the state by way of part early repayment of the resolution measures applied to Banif – Banco Internacional do Funchal, S.A. (Banif), enabling the debt to be reduced from €489,000 thousand to €353,000 thousand.

The amount not transferred to the single resolution fund will be paid by the institutions covered by the UMR ("unique mechanism of resolution") regulation to the same single resolution fund over a period of eight years (ending 2024), as provided for in the Council's implementing resolution 2015/81(EU) of December 19, 2014.

On March 21, 2017, the resolution fund announced a change to the conditions of the loans obtained to finance the Banif resolution measure, similar to the referred to financing of the BES resolution measure.

Notwithstanding, at the present time, in light of the above referred to developments: (i) the resolution fund is unlikely to propose the creation of a special contribution to finance the above referred to resolution measures and the probability of any special contribution being charged is therefore remote, and (ii) any resolution fund deficits are expected to be financed by periodic contributions under article 9 of decree law 24/2013 of February 19, which stipulates that the periodic contributions to the resolution fund should be paid by the institutions participating therein that are active on the last day of the month of April of the year to which the periodic contribution refers. Such contributions, in addition to the banking sector contribution, are recognised in costs for each year in accordance with IFRIC 21 – "Levies".

22. OTHER SUBORDINATED LIABILITIES

This account comprises the following:

	2018-06-30	2017-12-31
Bonds	1,516,636	1,016,230
Loans	209	209
	1,516,845	1,016,439
Interest payable	10,029	17,418
Deferred income, net of charges	(5,040)	(6,116)
	1,521,834	1,027,741

On June 29, 2012, CGD issued €900,000 thousand in hybrid financial instruments eligible as core tier 1 own funds, fully subscribed for by the Portuguese state (conditions defined in ministerial order 8840-C/2012 of June 28, 2012). These bonds are convertible into shares in the following circumstances:

- CGD's full or part cancellation or suspension of the payment of interest on the hybrid financial instruments;
- A materially relevant breach of the recapitalisation plan;
- CGD's failure to repurchase the full amount of the hybrid financial instruments up to the term of the investment period (five years);
- Exercising of the conversion right specified by the state in the issuance conditions; and
- If the hybrid financial instruments cease to be eligible as core tier 1 own funds.

Following authorisation from the European Central Bank and the Bank of Portugal on December 6, 2016, obtained in the new recapitalisation process negotiated with the European authorities, Caixa Geral de Depósitos, S.A., received the hybrid financial instruments eligible as core tier 1 own funds (CoCo bonds), as a capital increase in kind plus their corresponding accrued and unpaid interest up to January 4, 2017, as the date upon which the capital increase was finalised.

Following this process, the European Commission lifted the interdiction in force on the payment of discretionary coupons on subordinated debt. Caixa resumed payment of the respective coupons In first quarter 2017.

Caixa completed the last stage of the recapitalisation procedure agreed with the European institutions during the course of first quarter 2018, through its issuance of €500,000 thousand in tier 2 subordinated debt (introductory note).

The following is a summary of the principal issuance conditions:

Issuer	Bonds	Currency	Value of issue	Book value at 2018-06-30	Book value at 2016-12-31	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Step Up Switchable Subordinated Notes due May 2019	EUR	538,552	536,729	536,729	2009-05-11	2019-05-13	12 month Euribor rate + 1.15%. If there is no early redemption, 12 month Euribor rate + 1.65%. Annual interest payment on 11 May.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 11 May, 2014.
Caixa Geral de Depósitos	Fixed Rate Reset Callable Subordinated Notes	EUR	500,000	500,000	-	2018-06-28	2028-06-28	5.75%. Annual interest payment on 28 June.	In the payment date of the coupons as from 28 June, 2023.
Caixa Geral de Depósitos	Caixa Subordinadas CGD 2008/2018 (1st issue)	EUR	369,045	368,522	368,522	2008-11-03	2018-11-05	2nd year, 12 month Euribor rate + 0.125%; 3rd year, 12 month Euribor rate + 0.250%, 4th year, 12 month Euribor rate + 0.500% and 5th year, 12 month Euribor rate + 1.00%. If there is no early redemption, 12 month Euribor rate + 1.50%. Annual interest payment on 3 November.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 5th year.
CGD (France branch)	Floating Rate Undated Subordinated Notes	EUR	110,000	209	209	2002-12-18	Perpetual	3 month Euribor rate + 1.30%. 3 month Euribor rate + 2.80%, if there is no early redemption. Quarterly interest payment on 18 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 18 December 2012.
Caixa Geral de Depósitos	Lower Tier 2 due March 3, 2028	EUR	100,000	100,000	100,000	2008-03-03	2028-03-03	5.980%. Annual interest payment on 3 March.	N/A.
CGD Finance	Floating Rate Undated Subordinated Notes	EUR	110,000	731	765	2002-12-18	Perpetual	3 month Euribor rate + 1.30%. 3 month Euribor rate + 2.80%, if there is no early redemption. Quarterly interest payment on 18 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 18 December 2012.
Banco Comercial e de Investimentos	Subordinanted bonds BCI 2008-2018	MZN	216,000	2,915	2,847	2008-10-16	2018-10-16	1st coupon 15.25%. Following coupons indexed to the average weighted rate of the last six Treasury Bills issues with maturities equal or over 90 days, plus 1%. Quarterly interest payment on 16 January, April, July and October.	The issuer has an early redemption option, in full or in part, at par, by reduction from nominal value at the date of the 2nd period of calculation of interest and subsequently, at each interest payment date.
Banco Interatlântico	Bonds BI 2014	CVE	500,000	4,535	4,255	2008-07-08	2018-07-08	6 month Euribor rate + 0.9% until the 2nd coupon. 6.0% until July 2013 . From this date on, the rate of the last five year Treasury Bonds issue + 0,5%. Half yearly interest payment on 8 January and July.	The issuer has an early redemption option at nominal or partly value of the outstanding debt at the end of the 1st year and, after this date, every six months, with a 0.5% premium payment over the nominal
Banco Comercial e de Investimentos	Subordinated loan BPI	USD	3,704	3,204	3,112	2008-07-30	2018-07-30	3 month Libor rate + 3.00%. Quarterly interest payment on 30 January, April, July and October.	Early redemption of principal, in full or part, may only occur at BCI's initiative and with prior authorisation of the Bank of Mozambique.

23. OTHER LIABILITIES

This account comprises the following:

	30-06-2018	31-12-2017
Creditors		
Consigned resources	1.056.173	880.771
Resources - collateral account	38.070	32.332
Resources - subscription account	30.707	37.087
Resources - secured account	1.224	1.311
Suppliers of finance leasing assets	9.527	6.195
Creditors for factoring ceded	69.018	67.723
Caixa Geral de Aposentações	19.851	4.024
CGD's Pension Fund	363	357
Creditors for futures contracts	26.471	39.417
Creditors for transactions in securities	68	66
Creditors for sale of assets recovered as settlement of defaulting loans	6.535	6.332
Other suppliers	23.106	43.947
Other creditors	193.069	150.191
Other liabilities		
Notes in circulation - Macau (Note 17)	922.067	886.381
Withholding taxes	32.480	24.075
Social Security contributions	3.800	5.031
Other taxes payable	6.706	5.772
Collections on behalf of third parties	395	110
Other	10.613	17.102
Accrued costs	207.508	195.097
Deferred income	57.656	63.723
Liabilities pending settlement	1.044.525	1.251.372
Stock exchange operations	159.906	56.047
	3.919.838	3.774.464

The “Resources – collateral account” account, relating to interest rates swap (IRS) contracts deposits made in CGD by several financial institutions, included €35,075 thousand and €28,672 thousand, at June 30, 2018 and December 31, 2017, respectively.

The "Lending operations pending settlement” account at June 30, 2018 and December 31, 2017 included €532,247 thousand and €523,721 thousand, respectively, on financial liabilities with non-controlling interest investors in the unit trust investment funds included in CGD group’s consolidation perimeter.

The "Costs payable" account at June 30, 2018 and December 31, 2017, included €35,043 thousand and €36,350 thousand for seniority bonuses, respectively.

24. CAPITAL AND OTHER INSTRUMENTS

CGD's share capital, at June 30, 2017 and December 31, 2017, was totally owned by the Portuguese State, as follows:

	2018-06-30	2017-12-31
Number of shares	768,828,747	768,828,747
Unit price (Euros)	5	5
Share capital	3,844,143,735	3,844,143,735

As referred to in more detail in the introductory note, the Portuguese state, under the March 2017 agreement with the European authorities as part of CGD's recapitalisation process, passed a resolution, on January 4, 2017, relating to the following:

(i) An increase in CGD's share capital to €7,344,144 thousand, comprising the issuance of 288,828,747 ordinary shares with a nominal value of €5 each through the transfer in kind of 490,000,000 Parcaixa, SGPS, S.A. equity shares for the amount of €498,996 thousand and the transfer in kind of €900,000 thousand in CoCo bonds (note 22), plus respective accrued interest for the amount of €45,148 thousand; and

(ii) A €6,000,000 thousand reduction in CGD's share capital through the extinguishing of 1,200,000,000 shares to cover negative retained earnings of €1,404,506 thousand and to set up free reserves for the amount of €4,595,494 thousand.

Latterly, on March 30, 2017, the state issued a resolution to undertake a new capital increase of €2,500,000 thousand, through the issuance of 500,000,000 new ordinary shares with a nominal value of €5 each, fully subscribed for by the sole shareholder.

On the same date Caixa issued 500,000 thousand additional tier 1 shares, fully subscribed for by private professional investors. Interest of 10.75% is paid on this issuance.

25. RESERVES, RETAINED EARNINGS AND PROFIT ATTRIBUTABLE TO CGD'S SHAREHOLDER

Reserves and retained earnings, at June 30, 2018 and December 31, 2017, were as follows:

	30-06-2018	31-12-2017
Revaluation reserves		
Legal revaluation reserve of fixed assets	110,425	110,425
Fair value reserve, net of deferred tax		
Financial assets at fair value trough other comprehensive income (Note 8)	147,568	263,134
Financial assets with repurchase agreement	2,143	4,100
Other revaluation reserves	7,563	17,301
	267,699	394,961
Other reserves and retained earnings		
- Other reserves	4,513,710	4,494,077
- Retained earnings	(1,502,692)	(1,395,858)
	3,011,017	3,098,220
Net income attributable to the shareholder of CGD	194,099	51,946
	3,472,815	3,545,126

The "Fair value reserve" recognises unrealised capital gains and losses on debt instruments recognised at fair value through other comprehensive income and assets with repurchase agreements as a charge to shareholders' equity, net of the corresponding fiscal effect.

The currency translation reserve, which recognises the effect of translating subsidiaries' statements in foreign currency, is included in "Other reserves".

The legal revaluation reserves may only be used to cover accumulated losses or increase capital. CGD's non-distributable reserves therefore totalled €110,425 thousand in compliance with the following legislation:

Tangible fixed assets	
Decree-Law nº 219/82, of June 2	1,752
Decree-Law nº 399 - G/84, of December 28	1,219
Decree-Law nº 118 - B/86, of May 27	2,304
Decree-Law nº 111/88, of April 2	8,974
Decree-Law nº 49/91, of January 25	22,880
Decree-Law nº 264/92, of November 24	24,228
Decree-Law nº 31/98, of February 11	48,345
Other financial assets	723
	110,425

The net contribution of branches and subsidiaries to CGD's consolidated income, at June 30, 2018 and 31 December 2017 was as follows:

	2018-06-30	2017-06-30
Caixa Geral de Depósitos, S.A.		
Caixa Geral de Depósitos	31,250	(248,936)
France Branch	9,817	20,705
Spain Branch	4,852	3,293
New York Branch	(1,840)	189
Luxembourg Branch	(1,644)	(915)
East Timor Branch	1,610	2,199
Zhuhai Branch	(50)	(104)
Cayman Branch	-	(10,535)
London Branch	-	1,414
Macau Branch	-	87
	43,994	(232,604)

	2018-06-30	2017-06-30
Contribution to net income from		
Subsidiaries:		
Caixa Banco de Investimento, S.A. (a)	39,322	36,008
Banco Nacional Ultramarino, S.A. (Macau)	30,525	28,769
Caixa Seguros e Saúde, SGPS, S.A.	22,726	9,364
Banco Caixa Geral, S.A.	14,215	12,766
Partang, SGPS	(13,261)	(2,354)
Banco Comercial e de Investimentos, S.A.R.L.	10,079	6,579
Banco Caixa Geral Angola, S.A.	8,871	12,095
Mercantile Bank Holdings, Ltd.	8,660	6,987
Caixa Imobiliário, S.A.	(6,383)	756
Parcaixa, SGPS, S.A.	6,269	4,030
Fundo de Capital de Risco Caixa Fundos	5,914	759
Fundimo - Fundo de Investimento Imobiliário Aberto	5,146	5,280
Caixa Leasing e Factoring – Instituição Financeira de Crédito, S.A.	4,668	8,464
Fundiestamo - Fundo de Investimento Imobiliário Fechado	3,646	2,812
Ibéria - Fundo Especial de Investimento Imobiliário Fechado	(2,467)	(1,523)
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	2,454	2,161
Caixagest - Técnicas de Gestão de Fundos, S.A.	2,026	1,465
Banco Comercial do Atlântico, S.A.R.L.	2,021	568
Inmobiliaria Caixa Geral, S.A.U.	(1,378)	(4,222)
Fundo de Capital de Risco – Grupo CGD - Caixa Capital	1,181	3,097
CGD Pensões, S.A.	1,172	702
Banco Caixa Geral Brasil, S.A.	1,004	369
Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	(990)	4,351
Imocaixa - Gestão Imobiliária, S.A.	942	(104)
CGD Investimentos CVC, S.A.	890	40,940
Caixa Imobiliário - Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional	(874)	713
Banco Interatlântico, S.A.R.L.	793	394
Fundo de Capital de Risco Empreender Mais	(691)	(1,202)
Caixagest Infra-Estruturas - Fundo Especial de Investimento	626	1,006
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	608	575
Caixagest Private Equity - Fundo Especial de Investimento	492	3,517
Fundo de Capital de Risco Caixa Crescimento	(388)	(960)
Fundolis - Fundo de Investimento Imobiliário Fechado	(369)	(503)
Cibergradual, Investimento Imobiliário, S.A.	(324)	(2,120)
Parbanca, SGPS	(301)	485
Beirafundo - Fundo de Investimento Imobiliário Fechado	(291)	(716)
Fundo de Investimento Imobiliário de Arrendamento Habitacional - Cidades de Portugal	(57)	395
Imobci, Lda.	(7)	(476)
Other	(443)	(98)
	146,028	181,129
Associates and jointly controlled entities:	4,077	1,550
Consolidated net income attributable to the shareholder of CGD	194,099	(49,925)

(a) Data taken from the consolidated financial statements.

The amounts were assessed prior to the elimination of intragroup operations involved in the consolidation process.

Several initiatives were defined to rationalise the Group’s presence in the international market in the framework of the commitments agreed between the Portuguese state and the competent European authorities for the purposes of CGD’s recapitalisation. To pursue these objectives, Caixa closed down its financial activities in its Cayman and Macau offshore branches, as well as its London branch in 2017. Caixa continued to implement this process, in 2018, in closing down the financial activities of its New York and Zhuhai branches.

Appropriation of results for 2017

A resolution was passed at the general meeting of shareholders, held in May 2018, to include the amount of €24,642 thousand in profit made in 2017 in the “Other reserves and retained earnings” balance sheet account.

Appropriation of results for 2016

A resolution was passed at the general meeting of shareholders, held in May 2017, to include losses of €2,050,413 thousand made in 2016, in the "Other reserves and retained earnings" balance sheet account.

26. NON-CONTROLLING INTERESTS

Third party investments in subsidiaries are distributed among the following entities:

	2018-06-30	2017-12-31
Banco Caixa Geral Angola, S.A.	102,250	155,904
Caixa Geral Finance	96,245	96,246
Banco Comercial e de Investimentos, S.A.R.L.	80,957	78,001
Fundiestamo - Fundo de Investimento Imobiliário Fechado	33,531	32,507
Banco Comercial do Altlântico, S.A.R.L.	14,645	13,548
Banco Interatlântico, S.A.R.L.	5,161	4,944
A Promotora - Sociedade de Capital de Risco, S.A.R.L.	1,608	1,464
Banco Caixa Geral, S.A.	1,128	1,114
Caixa – Banco de Investimento, S.A.	981	959
Other	334	359
	336,839	385,046

Caixa Geral Finance, with a share capital of €1,000 is headquartered in the Cayman Islands.

The company issued €250,000 thousand in non-voting preference shares on June 28, 2004. If a decision is made by its directors to pay dividends, a quarterly dividend equivalent to annual interest at the 3 month Euribor rate plus 0.8% up to June 28, 2014 and 1.8% thereafter, will be paid to shareholders, as from the said date. Caixa Geral Finance may redeem the preference shares, in part or in full, from June 28, 2014, at their nominal price of €1,000 per share plus the monthly payment of dividends accrued since the last payment.

On September 30, 2005 Caixa Geral Finance issued €350,000 thousand in non-voting preference shares. If a decision is made to pay dividends, a quarterly dividend equivalent to annual interest at the 3 month Euribor rate plus 0.77% up to September 30, 2015 and 1.77% thereafter, will be paid to shareholders, as from the said date. Caixa Geral Finance may redeem the preference shares, in part or in full, from September 30, 2015, at their nominal value of €50 per share, plus the monthly payment of dividends accrued since the last payment.

During the course of its activity, the Group repurchased preference shares issued by Caixa Geral Finance for an accumulated amount of €504,241 thousand, at June 30, 2018 and December 31, 2017.

Following Caixa Geral de Depósitos, S.A.'s recapitalisation process, in June 2012, the payment of dividends to holders of Caixa Geral Finance's preference shares was suspended from January 1, 2013. Considering the nature of preference shares, dividends are not mandatory and are not cumulative. CGD resumed payment of the referred to dividends with the lifting of the interdiction by the European Commission, on March 10, 2017, under the new recapitalisation plan.

Information on the amount of consolidated profit attributable to non-controlling interests for the half years ended June 30, 2018 and 2017 is set out below:

	2018-06-30	2017-06-30
Banco Caixa Geral Angola, S.A.	(8,523)	(11,620)
Banco Comercial e de Investimentos, S.A.R.L.	(5,906)	(6,042)
Banco Comercial do Atlântico, S.A.R.L.	(1,452)	(413)
Fundiestamo - Fundo de Investimento Imobiliário Fechado	(1,024)	(790)
Caixa Geral Finance	(815)	(825)
Banco Interatlântico, S.A.R.L.	(340)	(169)
Other	(242)	175
	(18,301)	(19,683)

27. INTEREST AND INCOME AND INTEREST AND SIMILAR COSTS

These accounts are made up as follows:

	2018-06-30	2017-06-30
Interest and similar income		
Interest on loans and advances to domestic credit institutions	334	463
Interest on loans and advances to foreign credit institutions	32,486	20,673
Interest on domestic credit	308,243	353,090
Interest on foreign credit	221,765	270,802
Interest on overdue credit	18,771	22,209
Interest on financial assets held-for-trading		
- Derivatives	200,209	237,059
- Securities	381	264
Interest on financial assets at fair value through profit or loss	520	28
Interest on financial assets at fair value through other comprehensive income	95,900	82,440
Interest on hedging derivatives	656	4,004
Interest on debtors and other investments	2,844	3,182
Interest on cash and cash equivalents	1,304	1,253
Interest on other loans and other amounts receivable	69,516	79,893
Other interest and similar income	966	258
Commissions received relating to amortised cost	69,017	59,486
Other	13,494	32,645
	1,036,405	1,167,748
Interest and similar costs		
Interest on deposits of		
- Central and local government	16	47
- Other residents	41,557	79,718
- Emigrants	4,754	7,341
- Other non-residents	104,624	122,749
- Other	-	26
Interest on resources of foreign credit institutions	14,437	13,269
Interest on resources of domestic credit institutions	8,576	3,300
Interest on swaps	204,401	252,402
Interest on other trading liabilities	3,896	3,667
Interest on unsubordinated debt securities	38,921	55,298
Interest on subordinated liabilities	10,259	10,254
Other interest and similar costs	6,566	9,049
Commissions paid relating to amortised cost	5,083	4,863
	443,090	561,984

28. INCOME FROM EQUITY INSTRUMENTS

This account comprises the following:

	2018-06-30	2017-06-30
ADP - Águas de Portugal, S.A.	-	4,953
Ascendi Beiras Litoral e Alta, Auto Estradas das Beiras Litoral e Alta, S.A	-	1,072
Income received from investment funds	10,549	12,517
Other	1,412	5,228
	11,961	23,771

29. INCOME AND COSTS OF SERVICES AND COMMISSIONS

These accounts are made up as follows:

	2018-06-30	2017-06-30
Income from services rendered and commissions:		
On guarantees provided	19,019	20,630
On commitments to third parties	5,985	8,069
On operations on financial instruments	322	293
On services provided		
Deposit and safekeeping of valuables	11,802	10,477
Collection of valuables	3,480	3,084
Management of securities	8,690	7,906
Colective investment entities	15,649	13,752
Transfer of valuables	8,286	9,254
Cards management	7,256	6,758
Annuities	28,466	30,793
Structured Operations	2,474	4,047
Credit operations	17,998	18,913
Other services rendered	97,312	80,103
On operations carried out on behalf of third parties	4,564	3,980
Other commissions received	65,553	58,215
	296,859	276,273
Cost of services and commissions:		
On guarantees received	211	1,141
On operations on financial instruments	87	92
On banking services rendered by third parties	50,279	49,852
On operations carried out by third parties	1,896	2,269
Other commissiond paid	5,229	4,714
	57,701	58,068

30. INCOME FROM FINANCIAL OPERATIONS

These accounts are made up as follows:

	2018-06-30	2017-06-30
Result from foreign exchange operations:		
Revaluation of foreign exchange position	29,211	82,515
Results from currency derivatives	17,476	(58,681)
	46,688	23,834
Result from financial assets and liabilities held-for-trading:		
Securities:		
Debt instruments	(2,761)	3,975
Equity instruments	424	3,403
Other instruments	-	(24)
	(2,336)	7,355
Derivatives:		
Interest rate	(8,896)	165,122
Equity	782	5,192
Other	(7,946)	2,253
	(16,061)	172,566
	(18,397)	179,921
Result from other financial assets at fair value through profit or loss:		
Debt instruments	188	(31)
Equity instruments	15,710	(621)
Other securities	13,734	17,336
Loans and other amounts receivable	(864)	-
	28,769	16,684
Result from financial assets at fair value through other comprehensive income:		
Debt instruments	24,177	11,144
Equity instruments	-	(174)
Other securities	-	4,975
	24,177	15,944
Result on hedging operations:		
Hedging derivatives	(1,296)	(5,048)
Value adjustments of hedged assets and liabilities	(518)	3,057
	(1,814)	(1,991)
Other		
Net monetary loss (IAS 29)	(15,026)	-
Other	(13,519)	(16,488)
	(28,545)	(16,488)
	50,878	217,904

The "Other" account, at June 30, 2018 and 2017, included losses of €12,690 thousand and €16,189 thousand, respectively, on income with minority investors included in CGD Group’s consolidation perimeter.

31. OTHER OPERATING INCOME

These accounts are made up as follows:

	2018-06-30	2017-06-30
Other operating income:		
Rendering of services	16,534	15,388
Expenses reimbursement	3,493	4,094
Income under operating lease agreements	25,443	25,390
Gains on non-financial assets:		
- Non-current assets held-for-sale	39,388	28,143
- Other tangible assets	209	103
- Investment property	11,390	79,804
- Other	396	226
Secondment of employees to Caixa Geral de Aposentações	161	418
Sale of cheques	3,597	4,471
Other	26,700	14,454
	127,311	172,491
Other operating costs:		
Donations and subscriptions	3,390	3,432
Losses on non-financial assets:		
- Non-current assets held-for-sale	26,082	31,642
- Other tangible assets	15,564	-
- Investment property	13,255	76,449
- Other	34	19
Other taxes	20,553	19,385
Contribution to the Deposit Guarantee Fund	733	687
Contribution to the Resolution Fund	36,984	38,026
Administrative expenditure under the Single Resolution Board	732	412
Fines and penalties	273	525
Other	15,754	25,234
	133,356	195,811
	(6,045)	(23,320)

The resolution fund, created by decree law 31-A/2012 of February 10, introduced a resolution regime in the general credit institutions and financial corporations regime, approved by decree law 298/92 of December 31.

The measures provided for in the new regime have been designed, as appropriate, to recover or prepare the orderly liquidation of credit institutions and certain investment companies in financial distress. They comprise three Bank of Portugal intervention stages, in the form of corrective intervention, provisional administration and resolution.

The resolution fund's principal mission, herein, is to provide financial support to the application of the resolution mechanisms adopted by the Bank of Portugal.

The transposition of the bank recovery and resolution directive (directive 2014/59/EU) into domestic legislation introduced a common European Union resolution regime providing for the internalising of losses on the bankruptcy processes of banking institutions by their shareholders and creditors. It will be financed by mandatory contributions to the single resolution fund.

The Group contributed €29,640 thousand and €29,227 thousand to the single European resolution fund in first half 2018 and 2017, respectively, of which €25,397 thousand and €25,047 thousand in cash and €4,243 thousand and €4,180 thousand, respectively, in the form of an irrevocable commitment comprising a surety for the said purpose (note 17).

The Group's periodic contribution to the domestic resolution fund at June 30, 2018 and 2017 totalled €11,588 thousand and €12,980 thousand, respectively.

32. EMPLOYEE COSTS AND AVERAGE NUMBER OF EMPLOYEES

This account comprises the following:

	30-06-2018	30-06-2017
Remuneration of management and supervisory bodies	7.450	7.461
Remuneration of employees	206.250	222.414
Provision for suspension of labour agreements	(735)	58.000
Early retirement programme - 2018	27.324	-
Mutually agreed terminations	12.860	-
	253.149	287.875
Other charges relating to remunerations	15.156	15.892
Healthcare - CGD		
- Normal cost (Note 21)	7.967	11.957
- Contributions relating to current employees	8.021	8.836
Pension Liabilities - CGD		
- Normal cost	31.698	34.383
- Retirements before the normal retirement age	4.783	-
- Gains from mutually agreed terminations	(8.942)	-
Other pension costs	479	873
Other mandatory social charges	4.821	6.560
	63.982	78.502
Other employee costs	9.435	9.211
	326.566	375.588

A programme for employees was created following the approval of CGD's restructuring plan, providing for a substantial reduction of operating costs with an adjustment to CGD's structure and resources to the current and future size of its business. The programme was based on retirements, early retirements and voluntary redundancies in the Group's domestic perimeter across the period 2018-2020.

In the half year ended June 30, 2018, CGD recognised a global amount of €22,430 thousand in employee costs, on the exit potential based on early retirements in 2018 (around €27,324 thousand deriving from a reclassification of costs associated with the early retirement programme for 2018, a reversal of around €735 thousand in "Provisions for redundancy agreements" with the remainder referring to the recognition of a €4,159 thousand reversal in the "Liabilities for early retirement" aggregate. It also recognised an amount of around €12,860 thousand in employee costs for voluntary redundancies.

CGD recognised an increase of €58,000 thousand in employee costs in first half 2017, resulting from its estimations of voluntary redundancies in 2017 under the *Horizonte* plan, approved by the executive committee in 2015, which aimed to create new opportunities for its employees' voluntary redundancies. The objective of the *Horizonte* plan was to reduce employee numbers through early retirements. The process was available to all employees aged 55 or more by December 31, 2017.

The average number of employees in Caixa and its subsidiaries, for the half years ended June 30, 2018 and 2017, by type of function, was as follows:

	2018-06-30	2017-06-30
Senior management	508	528
Management	2,709	2,907
Technical staff	5,118	5,373
Administrative staff	5,603	6,303
Auxiliary	442	286
	14,380	15,397
Number of employees at the end of the period	14,262	15,295

These numbers, at June 30, 2018 and 2017, did not include employees from the Caixa Geral de Aposentações support department (220 and 219 respectively), employees assigned to CGD's social services (29 and 39, respectively) and other situations i.e. secondments or extended absences (138 in both periods).

33. OTHER ADMINISTRATIVE COSTS

This account comprises the following:

	2018-06-30	2017-06-30
Specialised services		
- IT services	26,749	30,244
- Safety and security services	3,581	4,996
- Cleaning	2,559	3,449
- Information services	2,402	3,151
- Contracts and service fees	1,405	2,204
- Studies and consultancy	874	991
- Other	33,333	37,430
Operating leases	25,936	27,793
Communications and postage	13,106	16,257
Maintenance and repairs	15,692	17,965
Advertising and publications	8,233	7,459
Water, energy and fuel	8,123	9,616
Transport of cash and other values	4,495	4,993
Travel, lodging and representation expenses	2,891	3,373
Standard forms and office supplies	2,241	3,059
Other	5,944	6,302
	157,563	179,284

34. IMPAIRMENT OF ASSETS

Information on impairment movements for the periods June 30, 2018 and 2017 is set out below:

		Adoption of IFRS 9							
	Balances at 31-12-2017	Equity impact (Note 2.3.)	Transfers	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2018	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 12)	4.555.961	63.933	(79.748)	153.290	(406.644)	(11.642)	(93.532)	4.181.618	(40.302)
Impairment of loans and advances to credit institutions (Note 6)	7.125	896	-	1.284	-	(139)	-	9.165	
Impairment of financial assets at fair value through other comprehensive income (Note 8)									
Equity instruments	111.268	-	(111.268)	-	-	-	-	-	
Debt instruments	3.622	-	1.668	805	(1.121)	134	2	5.110	
Other instruments	374.694	-	(374.694)	-	-	-	-	-	
Impairment of financial assets at amortised cost	-	208	-	75	-	(73)	-	210	
Impairment of other tangible assets	13.980	-	-	14.892	-	-	-	28.872	
Impairment of intangible assets	55.919	-	-	5.133	-	-	(3.175)	57.878	
Impairment of non-current assets held-for-sale (Note 13)									
Properties	461.878	-	-	(25.215)	(1.507)	(84)	601	435.673	
Equipment	2.202	-	-	267	(333)	39	690	2.865	
Subsidiaries	408.263	-	-	5.000	-	-	-	413.263	
Impairment of investments in associates and jointly controlled entities (Note 15)	469	-	-	-	-	-	-	469	
Impairment of other assets (Note 17)	287.643	3.508	(28.992)	(1.342)	(24.849)	(50)	(3.105)	232.811	
	1.727.063	4.611	(513.286)	899	(27.810)	(174)	(4.987)	1.186.316	-
	6.283.024	68.544	(593.034)	154.189	(434.455)	(11.816)	(98.519)	5.367.933	(40.302)

	Balances at 31-12-2016	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2017	Credit recovery, interest and expenses
Impairment of loans and advances to customers	5.633.397	96.567	(823.330)	(13.750)	(2.250)	4.890.633	(41.804)
Impairment of loans and advances to credit institutions	7.125	-	-	-	-	7.125	
Impairment of financial assets at fair value through other comprehensive income							
Equity instruments	126.238	1.512	(23.821)	(181)	10.169	113.918	
Debt instruments	9.927	(3.885)	-	698	(1.194)	5.546	
Other instruments	342.711	1.709	(2.788)	(3.329)	(800)	337.504	
Impairment of financial assets with repurchase agreement	688	-	-	-	(108)	580	
Impairment of other tangible assets	16.922	(1.961)	-	-	3.959	18.920	
Impairment of intangible assets	32.297	(2.809)	-	-	-	29.487	
Impairment of non-current assets held for sale							
Properties	502.133	(5.131)	(2.042)	(30)	3.748	498.678	
Equipment	1.966	2	(84)	-	-	1.884	
Subsidiaries	18.000	-	-	-	-	18.000	
Impairment of investments in associates and jointly controlled entities	-	-	-	-	128	128	
Impairment of other assets	402.849	36.494	(133.820)	136	(4.221)	301.439	
	1.460.857	25.931	(162.555)	(2.705)	11.682	1.333.210	-
	7.094.253	122.498	(985.885)	(16.456)	9.432	6.223.843	(41.804)

The following impairment movements were recognised under the transition to IFRS 9 – “Financial instruments”:

– The use of €79,748 thousand in accumulated impairment for operations classified in “Loans and advances to customers”, measured at amortised cost under IAS 39 and reclassified to “Financial assets at fair value through profit or loss” categories;

– The use of €485,962 thousand in accumulated impairment for “Equity instruments” and “Other instruments” which were classified in “Financial assets at fair value through other comprehensive income” categories and whose balance sheet carrying amount was presented net of accumulated impairment, whether remaining in this assets category or having been transferred to “Financial assets at fair value through other comprehensive income”; and,

– A €1,668 thousand increase in impairment on “Debt instruments” classified in “Financial assets at fair value through other comprehensive income” as a charge to the reduction of the respective “Fair value reserves”.

The “Increases, recoveries and cancellations” column of the table of impairment movements for first half 2017 included net costs of €315,365 thousand of which an amount of €6,635 thousand was reclassified to “Income from subsidiaries held-for-sale” in profit and loss and with €322,000 thousand being reclassified from provisions for “Other risks and liabilities” to impairment of “Non-current assets and liabilities held-for-sale”.

Credit disposals, in first half 2018 and 2017 originated the use of €108,239 thousand and €482,197 thousand in impairment, respectively.

35. SEGMENT REPORTING

The Group adopted the following business segments to comply with IFRS 8 − Operating segments" requirements and the assessment of own funds requirements to cover operational risk, using the standard method under the Bank of Portugal's *notice* 9/2007 of 2007/04/18:

- Trading and sales. Trading and sales include banking activity related to the management of the treasury shares portfolio, management of issuances of debt instruments, money and foreign exchange market operations, repo type operations, securities lending operations and wholesale brokerage. Loans and advances to and cash balances at other credit institutions and derivatives are included in this segment;

- Retail banking. Retail banking comprises banking activities for individual customers, the self-employed and micro enterprises. This segment also includes consumer finance, mortgage lending, credit cards and deposits taken from individual customers;

- Commercial banking. Commercial banking includes lending activities and resource-taking from major enterprises and SMEs. The segment includes loans, current accounts, investment project finance, bills discounting operations, venture capital, factoring, equipment and property leasing, syndicated loans underwriting and loans to the public sector;

- Asset management. Asset management includes activities associated with customer portfolio management, open-ended or closed end unit trust and property funds and discretionary wealth management funds;

- Corporate Finance. Corporate finance includes activities related to acquisitions, mergers, restructuring operations, privatisations, subscriptions for and sales of securities (primary market), securitisations, preparation and organisation of syndicated loans (merchant banking – loan sales), investment management, market and corporate financial analyses and advisory services; and

- Other. This includes all operating segments not described in the preceding business areas.

Information on the appropriation of results and principal balance sheet aggregates, by business areas and geographies, at June 30, 2018 and December 31, 2017, is given below:

Business areas

	2018-06-30						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	336,110	209,945	5,519	273	39,424	2,044	593,315
Income from equity instruments	48	-	923	10,793	197	-	11,961
Income from services rendered and commissions	6,052	97,559	33,582	19,969	13,379	126,318	296,859
Cost of services and commissions	(12,654)	(945)	(125)	(3,487)	(1)	(40,489)	(57,701)
Results from financial operations	54,197	234	506	(10,833)	(246)	7,020	50,878
Other net operating income	(6,054)	(9,591)	(4,326)	22,580	12,278	(20,932)	(6,045)
Net operating income from banking	377 699	297 202	36 079	39 295	65 031	73 961	889,267
Other income and expenses							(695,168)
Net income attributable to the shareholder of CGD							194,099
Cash balances and loans and advances to credit institutions (net)	8,110,529	418,863	324	291	-	10,896	8,540,903
Investments in securities and derivatives (net)	15,372,461	-	33	353,068	-	269,089	15,994,651
Loans and advances to customers (net)	-	30,809,588	22,709,420	53	93,422	-	53,612,483
Total net assets	27,250,429	32,132,587	25,025,654	1,572,094	252,181	5,274,966	91,507,911
Resources of central banks and credit institutions	2,233,528	-	85,060	-	-	4,102	2,322,690
Customer resources	53,040	50,850,738	13,396,438	-	-	3,164	64,303,380
Debt securities	3,241,282	-	-	-	-	-	3,241,282

	2017-12-31						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	741,920	312,577	101,023	14	81,949	3,576	1,241,059
Income from equity instruments	5,980	-	6,712	19,953	351	13,387	46,383
Income from services rendered and commissions	18,075	194,073	65,341	36,934	37,816	236,912	589,151
Cost of services and commissions	(32,172)	(1,583)	(214)	(6,788)	(1)	(83,531)	(124,289)
Results from financial operations	224,015	(2,978)	475	(14,297)	1,181	7,383	215,779
Other net operating income	3,171	22,412	4,322	34,784	282	(68,344)	(3,373)
Net operating income from banking	960,989	524,501	177,659	70,600	121,578	109,382	1,964,709
Other income and expenses							(1,912,763)
Net income attributable to the shareholder of CGD							51,946
Cash balances and loans and advances to credit institutions (net)	7,944,104	394,908	325	209	-	8,741	8,348,287
Investments in securities and derivatives (net)	15,181,474	-	31	385,254	-	244,509	15,811,268
Loans and advances to customers (net)	-	29,798,103	25,341,765	80	115,033	-	55,254,981
Total net assets	26,588,712	31,033,155	27,095,619	1,721,535	831,826	5,977,067	93,247,914
Resources of central banks and credit institutions	4,032,630	-	6,652	-	-	3,568	4,042,850
Customer resources	53,117	49,102,414	14,470,102	-	-	5,263	63,630,896
Debt securities	4,051,421	-	-	-	-	-	4,051,421

Geographies

	2018-06-30							
	Portugal	Rest of European Union	North America	Latin America	Asia	Africa	Other	Total
Net interest income	396.456	35.916	440	-	42.289	121.218	(3.004)	593.315
Income from equity instruments	83.417	-	-	5.485	18	10.222	(87.181)	11.961
Income from services rendered and commissions	252.772	18.377	469	-	17.041	26.426	(18.226)	296.859
Cost of services and commissions	58.647	4.226	19	-	8.538	5.011	(134.142)	(57.701)
Results from financial operations	53.904	535	(2)	-	6.277	12.561	(22.397)	50.878
Other net operating income	22.517	(2.828)	681	-	560	(7.096)	(19.879)	(6.045)
Net operating income from banking	867.713	56.227	1.607	5.485	74.721	168.342	(284.829)	889.267
Other income and expenses								(695.168)
Net income attributable to the shareholder of CGD								194.099
Cash balances and loans and advances to credit institutions (net)	11.798.538	732.229	4.953	-	1.966.582	1.321.887	(7.283.285)	8.540.903
Investments in securities and derivatives (net)	19.191.145	23.004	-	-	550.406	948.387	(4.718.290)	15.994.651
Loans and advances to customers (net)	45.982.441	6.518.182	-	-	2.760.422	1.871.801	(3.520.364)	53.612.483
Total net assets	74.839.518	12.657.540	4.953	452.792	6.259.851	5.420.985	(8.127.727)	91.507.911
Resources of central banks and credit institutions	4.039.207	1.530.767	-	-	329.524	106.133	(3.682.942)	2.322.690
Customer resources	54.481.823	2.515.170	-	-	4.343.669	3.340.873	(378.154)	64.303.380
Debt securities	3.184.036	3.711.511	-	-	-	-	(3.654.265)	3.241.282

	31-12-2017							
	Portugal	Rest of European Union	North America	Latin America	Asia	Africa	Other	Total
Net interest income	772.336	105.556	9.355	-	91.591	268.760	(6.539)	1.241.059
Income from equity instruments	102.180	482	-	-	92	17.904	(74.276)	46.383
Income from services rendered and commissions	491.612	38.920	768	-	37.743	52.916	(32.808)	589.151
Cost of services and commissions	124.178	10.743	168	-	17.658	11.192	(288.228)	(124.289)
Results from financial operations	276.331	4.364	104	-	4.395	(27.144)	(42.270)	215.779
Other net operating income	(144.551)	(11.429)	4	-	18.321	10.800	123.481	(3.373)
Net operating income from banking	1.622.086	148.635	10.399	-	169.800	334.428	(320.639)	1.964.709
Other income and expenses								(1.912.763)
Net income attributable to the shareholder of CGD								51.946
Cash balances and loans and advances to credit institutions (net)	10.918.450	854.464	378.210	-	2.604.333	1.260.717	(7.667.888)	8.348.287
Investments in securities and derivatives (net)	19.123.683	16.524	138.729	-	517.985	1.117.056	(5.102.709)	15.811.268
Loans and advances to customers (net)	47.394.005	6.471.135	86.927	-	2.965.130	2.051.794	(3.714.009)	55.254.981
Total net assets	75.147.881	12.689.734	604.130	532.776	6.996.062	5.906.375	(8.629.044)	93.247.914
Resources of central banks and credit institutions	5.599.321	1.461.757	627.886	-	303.683	38.804	(3.988.600)	4.042.850
Customer resources	52.652.810	2.511.383	1.129	-	5.161.298	3.689.103	(384.827)	63.630.896
Debt securities	3.996.735	3.859.257	-	-	-	-	(3.804.571)	4.051.421

The "Other" column includes balances between Group companies eliminated in the consolidation process.

The following is a breakdown of the contribution to the Group's income by business area, based on internal management criteria, for the half years ended June 30, 2018 and 2017:

	2018-06-30					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	743,925	333,798	60,229	-	(101,546)	1,036,405
Interest and similar expenses	(376,301)	(134,404)	(51,275)	-	118,890	(443,090)
Income from equity instruments	104	453	855	-	10,549	11,961
Net interest income	367,728	199,848	9,808	-	27,893	605,276
Income from services rendered and commissions	217,089	62,312	13,942	-	3,515	296,859
Cost of services and commissions	(36,731)	(17,325)	(2,818)	-	(828)	(57,701)
Results from financial operations	1,666	19,372	31,938	-	(2,097)	50,878
Other net operating income	(24,888)	(8,683)	12,555	(34)	15,005	(6,045)
Net operating income	157,135	55,676	55,617	(34)	15,595	283,990
NET OPERATING INCOME FROM BANKING ACTIVITY	524,863	255,524	65,426	(34)	43,488	889,267
Other income and expenses	(493,613)	(180,121)	(20,089)	22,760	(24,105)	(695,168)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	31,250	75,403	45,337	22,726	19,383	194,099

	2017-06-30					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	846,601	428,173	70,660	-	(177,686)	1,167,748
Interest and similar expenses	(498,997)	(191,062)	(60,772)	-	188,847	(561,984)
Income from equity instruments	2,838	975	5,058	-	14,899	23,771
Net interest income	350,442	238,086	14,947	-	26,059	629,535
Income from services rendered and commissions	197,049	62,096	14,900	-	2,228	276,273
Cost of services and commissions	(37,891)	(17,926)	(2,939)	-	688	(58,068)
Results from financial operations	110,341	16,977	86,898	-	3,688	217,904
Other net operating income	(29,877)	(12,734)	(1,143)	4	20,431	(23,320)
Net operating income	239,622	48,413	97,716	4	27,034	412,790
NET OPERATING INCOME FROM BANKING ACTIVITY	590,064	286,499	112,663	4	53,094	1,042,324
Other income and expenses	(839,000)	(166,952)	(74,959)	9,359	(20,698)	(1,092,250)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	(248,936)	119,547	37,704	9,364	32,396	(49,925)

The "Other" column includes balances between Group companies eliminated in the consolidation process. As regards business segments. reference should also be made to the effects of the Group's activities in the property sector.

36. RELATED ENTITIES

Associates, jointly controlled enterprises, the Group's management bodies and other entities controlled by the Portuguese state are considered to be related entities.

The Group's financial statements, at June 30, 2018 and December 31, 2017 included the following balances and transactions with related entities, excluding management bodies:

	2018-06-30			31-12-2017		
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates	The Portuguese State (Treasury)	Other Portuguese State entities	Associates
Assets:						
Securities and derivatives held-for-trading	7,306,564	285,205	5,546	6,778,065	384,181	5,820
Loans and advances to customers	-	3,570,343	52,900	-	4,005,883	73,242
Other assets	215,038	80,887	366,692	36,793	218,422	493,425
Liabilities:						
Customer resources and other loans	118,041	647,396	1,317,160	31,252	621,516	414,534
Financial liabilities held-for-trading	25,544	35,044	44	65,333	45,238	44
Other liabilities	131,836	69,976	61,298	116,911	68,631	1,294
Guarantees given	1,500	79,926	36,662	1,500	148,279	33,979
Net income:						
Interest and similar income	33,257	51,735	1,896	104,178	135,009	3,271
Interest and similar expenses	6,659	6,027	794	34,914	12,847	2,571
Income from services rendered and commissions	37	2,814	27,661	66	8,848	53,923
Cost of services and commissions	13	423	199	24	1,113	391
Results from financial operations	24,715	4,469	(268)	108,618	(17,054)	(852)
Other operating income	(219)	3	(5)	(45)	(1,385)	238
Other administrative costs	-	-	1,348	-	13	2,460

Transactions with related entities are generally made on the basis of market values on the respective dates.

The "Other Portuguese state entities" column, at June 30, 2018 and December 31, 2017, did not include balances with regional or local government.

37. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Credit risk - Maximum exposure to credit risk

The following is a breakdown of the Group's maximum exposure to credit risk at June 30, 2018 and December 31, 2017:

	2018-06-30	2017-12-31
Trading securities		
Public debt	5,329,588	5,147,032
Private debt	12,252	10,807
	5,341,839	5,157,839
Financial assets at fair value through profit or loss		
Private debt	1	-
Credit and securities	42,585	-
	42,586	-
Financial assets at fair value through other comprehensive income *		
Public debt	3,028,240	3,487,966
Private debt	1,333,672	1,719,935
	4,361,912	5,207,901
Financial assets at amortised cost *		
Public debt	3,224,156	2,626,819
Private debt	44,925	-
	3,269,082	2,626,819
Financial assets with repurchase agreement		
Public debt	166,806	52,849
Credit and securities	150,851	-
	317,656	52,849
	13,333,075	13,045,408
Derivatives	785,022	971,122
Cash balances at other credit institutions	982,806	698,700
Loans and advances to credit institutions*	2,310,028	3,031,103
Loans and advances to customers*	53,667,995	55,316,195
Other debtors*	2,283,245	2,442,173
Other operations pending settlement	376,015	304,442
	60,405,111	62,763,735
Other commitments		
Personal/ Institutional guarantees given:		
Guarantees and sureties	2,782,873	2,957,359
Stand-by letters of credit	48,469	45,028
Open documentary credits	267,024	241,886
Forward deposit agreements	101,218	60,242
Irrevocable lines of credit	707,416	569,331
Securities subscription	731,527	1,340,452
Other irrevocable commitments	95,418	63,220
	4,733,945	5,277,519
Maximum exposure to credit risk	78,472,131	81,086,661

[*] Balances net of impairment

The amount of exposure to derivatives, set out in the above table, does not include the risk mitigation effect deriving from surety accounts (note 23) and netting agreements.

<u>Exposure to the sovereign debt of peripheral eurozone countries</u>

Information on the principal characteristics of these issuances within Caixa Group, at June 30, 2018 and December 31, 2017, is set out below:

	Book value net of impairment at 2018-06-30			Fair value	Revaluation reserve	Rating
	Residual maturities					
	2018	after 2018	Total			
Financial assets at fair value trough profit or loss						
Portugal	1,108,406	2,428,612	3,537,018	3,537,018	-	
Ireland	-	-	-	-	-	
Spain	986,444	403,703	1,390,147	1,390,147	-	
Italy	400,133	-	400,133	400,133	-	
	2,494,984	2,832,315	5,327,298	5,327,298	-	
Financial assets at fair value through other comprehensive income						
Portugal		2,591,888	2,591,888		112,127	
Ireland	-	20,295	20,295	-	147	
Spain		364,365	364,365		411	
Italy	-	-	-	-	-	
	-	2,976,548	2,976,548	-	112,684	
Financial assets at amortised cost						
Portugal	-	619,417	619,417	630,521	-	
Ireland	-	109,099	109,099	109,652	-	
Spain	-	697,755	697,755	704,245	-	
Italy	-	592,446	592,446	594,336	-	
	-	2,018,717	2,018,717	2,038,754	-	
Total						
Portugal	1,108,406	5,639,917	6,748,323	4,167,539	112,127	BB+
Ireland	-	129,393	129,393	109,652	147	BBB+
Spain	986,444	1,465,823	2,452,268	2,094,393	411	BBB+
Italy	400,133	592,446	992,579	994,469	-	BBB
	2,494,984	7,827,580	10,322,563	7,366,053	112,684	

	Book value net of impairment at 2017-12-31			Fair value	Revaluation reserve	Rating
	Residual maturities					
	2018	after 2018	Total			
Financial assets at fair value trough profit or loss						
Portugal	2,810,844	4,843	2,815,686	2,815,686	-	
Ireland	-	-	-	-	-	
Spain	1,475,614	-	1,475,614	1,475,614	-	
Italy	852,927	-	852,927	852,927	-	
	5,139,385	4,843	5,144,227	5,144,227	-	
Financial assets at fair value through other comprehensive income						
Portugal	30,130	2,660,418	2,690,548	2,690,548	158,734	
Ireland	-	-	-	-	-	
Spain	1,224	73,171	74,395	74,395	1,552	
Italy	-	-	-	-	-	
	31,354	2,733,589	2,764,943	2,764,943	160,285	
Financial assets at amortised cost						
Portugal	-	505,343	505,343	508,100	-	
Ireland	-	50,464	50,464	50,781	-	
Spain	-	743,026	743,026	757,931	-	
Italy	-	592,767	592,767	594,676	-	
	-	1,891,600	1,891,600	1,911,487	-	
Total						
Portugal	2,840,974	3,170,604	6,011,577	6,014,334	158,734	BB+
Ireland	-	50,464	50,464	50,781	-	A
Spain	1,476,838	816,198	2,293,036	2,307,940	1,552	BBB
Italy	852,927	592,767	1,445,693	1,447,602	-	BBB
	5,170,738	4,630,032	9,800,770	9,820,657	160,285	

The evolution of these markets reflects the consequences of the serious liquidity crisis and generally high level of insecurity regarding the perception of the risk associated with sovereign debt issuances in this economic space and particularly so in the case of the European Central Bank, International Monetary Fund and European Union bail-out countries (Greece and Ireland in 2010 and Portugal in 2011).

Measurement criteria

The sovereign debt issuances of the peripheral eurozone countries considered in the above table were measured at observable market prices, when applicable, or, in the absence of an active market, prices supplied by external counterparties. At June 30, 2018 and December 31, 2017, these portfolios were segmented into levels 1 and 2 of the fair value ranking. Greater detail on the distinguishing elements of these categories together with their principal premises are provided in the "Fair value" column.

Quality of loans and advances to customers

Information on the disclosures on asset quality and credit risk management required are set out below and are essentially based on the practices of CGD headquarters.

Qualitative

1. Credit risk management policy;

1.1 Credit risk management

In its response to diverse legal and regulatory requirements and with the objective of using best credit risk management practice, Caixa Geral de Depósitos has implemented a credit risk management process based on an organisational structure guaranteeing that the commercial, recovery, decision-making and risk areas are independent from each other.

1.1.1. Lending

Lending activity is aligned with the credit risk management strategy and policy defined by CGD's competent bodies.

DRC (credit risks division) is responsible for decisions on lending to companies, financial institutions and institutionals and, in the new centralised decision-making model, will be responsible for decisions to make loans to individual customers, in conformity with the authority delegated to it by internal regulations. DRC's principal functions also include: (i) the prior, mandatory issuance of a risk opinion on the attribution of internal limits or consideration of operations not covered by the said limits for customers whose exposure (in terms of economic groups), rating or specific operational characteristics (or its proponent), so justifies (in accordance with internal regulations); (ii) to submit the redefinition of credit limits to a more senior level whenever deemed advisable under the circumstances; and, (iii) to approve the constitution/alteration of economic groups.

The credit decision-making process has been successively strengthened, with the expansion of the sphere of operation of DRC's centralised decisions, in pursuit of the final objective of totally centralising the decision.

Credit decisions on the most relevant exposures are the responsibility of the board of directors or the credit risks executive committee or the credit board, depending upon the amounts in question. The other operations are the responsibility of credit risk committees on a DRC basis or the business units' credit committee.

The operations/limits put up for the decision of the board of directors require the advance favourable opinion of the financial risks committee.

DGR (risk management division) is involved in the credit risk control and monitoring process, lending stages and latter oversight, based both on a customer/operation and a credit portfolio approach via: i) the definition, development and maintenance of internal rating and scoring models; ii) the monitoring and global control of CGD Group's credit risk by credit portfolio, products and business units; iii) the identification of customers at greater risk of default based on early warning signs; iv) the assessment and validation of individual impairment; v) assessment of impairment on all credit portfolio segments; vi) assessment of compliance with the limits defined for major risks and, vii) the issue of ratings, based on a qualitative assessment of companies, through the issue of an opinion.

DGR may also submit the approval and revision of policies and guidelines in the sphere of the Group's credit risk to a more senior level.

1.1.2 <u>Credit portfolio oversight</u>

Credit portfolio oversight provides early warnings of potential default situations, enabling decisions for optimising debt recovery to be made.

Work continued to be carried out on the consolidation of the workflow process in first half 2018. this process is transversal to commercial, recovery and credit risk areas based on the oversight and credit recovery policy in force.

The workflow classifies a customer's creditworthiness daily on the basis of pre-defined events and by level of severity regarding the probability of a default situation and automatically identifying customers in financial distress and in default. All portfolio customers are segmented into one of the following categories:

- Regular customers without any additional risks having been identified;
- Regular customers but with early warnings which may indicate a greater probability of customer default;
- Customers registering serious events with a high probability of default who are classified as being in financial distress;
- Customers on a 24 months' probation period following the occurrence of a restructuring operation on the customer owing to financial difficulties;
- Customers classified as being in default; and
- Customers classified as being in quarantine following a default situation.

The workflow process incorporates operational measures which vary in line with the severity of the event and provides the first line of defence with mechanisms designed to actively prevent future potential defaults. An automatic process immediately transfers customers from commercial to recovery areas in situations in which more serious events have been identified, to ensure that potentially more problematic cases are dealt with by specialised credit recovery managers. If these more serious events involve corporate customers with relevant exposures, the decision to transfer them from commercial structures to specialised recovery areas is the responsibility of the credit risks executive committee and credit board, depending on the level of the customers' liabilities in the analysis, based on a specific report to be produced by the risk management division.

In the credit portfolio oversight process, the risk management division diagnoses the process as a whole and makes any necessary changes, in line with its analysis of measurements and indicators, based on monthly monitoring reports on credit portfolio quality for the executive committee.

1.1.3. Credit recovery

As soon as any arrears of payment have been noted, adequate steps are taken to recover the overdue credit to enable a settlement of the situation, in due compliance with the dispositions of decree law 227/2012 ("PARI" and "PERSI") as regards loans and advances to individual customers.

Credit recovery consists of a series of CGD actions on arrears of payment on one or more instalments of a credit operation. It is a fundamental function of CGD Group's credit management and is implemented at the time of the first overdue payment of an instalment and present across the whole of the rest of the loan's lifetime up to settlement. Negotiated credit recoveries comprise three types of action by order of priority in terms of their application:

- Collection of payments in arrears;
- Restructuring solutions; and
- Terminal solutions not involving legal proceedings.

Contacts with customers with a view to the settlement of overdue amounts at the initial credit collection phase are made by the call centre and the commercial area. If the initial contacts are not successful and the customer is in arrears for more than 30 days, the case is re-allocated to a recovery area with the objective of finding the most appropriate credit recovery solution.

In cases in which the negotiating process with the customer fails to produce the desired result for CGD Group and for its customers, credit recovery should move on to pre-legal/legal proceedings. This solution consists of the executing of assets or rights either mortgaged or pledged as loan collateral for the purpose of their judicial sale.

As an alternative credit recovery measure, CGD Group also considers the disposal of credit portfolios or individual loans whenever considered to be the most efficient solution, following a due cost/benefit appraisal.

1.2. Concentration risk management

Credit concentration risk management in CGD is the responsibility of DGR (risk management division) which identifies, measures and controls significant exposures.

For the monitoring of concentration risk, the risk appetite statement defines metrics which permit the evolution of portfolio segments considered to be more critical in terms of credit risk to be controlled on a monthly basis.

Decisions to enter into agreements for operations entailing materially relevant exposures (as defined in internal regulations) require the opinion of DGR. The limit naturally includes the amount of CGD Group's total exposure to a relevant customer and/or group of customers.

2. Loan write-off policy

The decision to write-off a loan, based on the write-off policy formalised in 2017, is taken at a senior level when expectations of credit recovery are nil or highly residual following all of the negotiating and, when applicable, legal proceedings with the parties involved in a loan agreement. Loans eligible for write-offs which must be fully impaired, also include: i) loans in arrears for more than 24 months; ii) loans without a real guarantee.

3. Impairment reversal policy

The quantification of impairment losses is conditioned by the identification of events indicating a deterioration of the counterparty's creditworthiness when having an impact on the loan's future cash flows.

In situations involving the occurrence of significant improvements in a debtor's creditworthiness and/or an adequate strengthening of real guarantees, the previously recognised loss is reduced to the level of the new calculated loss with a direct reversal of impairment.

Impairment is also reversed when loans are sold for a higher amount than their net impairment exposure.

4. Description of the restructuring measures applied and respective associated risks, in addition to their respective control and monitoring mechanisms

A credit restructuring operation is understood to be any change to the conditions in force on operations involving loans and advances to customers in financial distress when resulting in any modification of the parties' rights or duties.

Specialised oversight and recovery areas endeavour to apply the best solutions to protect CGD and its customers' interests in any given situation, pursuant to the terms of the delegated decision and the limits defined in internal regulations.

The application of the recovery solutions always bears in mind a customer's individual circumstances and CGD's best interests, in line with three basic principles.

- Impact on capital and cash flows. The first aspect to be considered should be the impact of the referred to process on CGD Group's invested capital and the cash flows produced by the operation in the future. This impact should be measured by calculating the incremental NPV on the processing operation as opposed to a legally imposed solution (considered to be a last recourse in terms of credit recovery);
- Impact on customer. Secondly, the impact of the processing solution on the customer should be considered, based on two fundamental criteria:
  - Payment capacity. The customer must to be able to meet its financial commitments in the new scenario, based on its expected income.
  - Sustainability. The process must be sustainable over time, i.e. the customer, with a high level of probability, must be able to make all necessary payments and should not relapse into a default situation.
- Impact of complexity. The processing strategy should, lastly, consider several factors which may add to the complexity of default situations, with a different treatment from the one proposed, solely taking the former two principles into account. Even if a solution's financial impact may not be optimal, other parameters such as a customer's specific characteristics,

the impact of the process on CGD Group's public image, reputational risk or a customer's willingness to negotiate are also part of the decision-making rules on the respective treatment.

Most credit which is restructured owing to a customer's financial difficulties is subject to a specific impairment calculation process, across the whole of the minimum application period of 24 months as defined in Commission implementing regulation (EU) 2017/1443 of June 29, 2017.

4. Description of collateral valuation and management process

Property

The following types of property are considered for valuation purposes:

- Constructions:
  - Finished constructions; and
  - Unfinished constructions.
- Land:
  - Land with construction potential as its prime and best use, taking construction potential into account; and
  - Land without construction potential as its prime and best use.

The principal components of CGD Group's property valuation methodology are:

i. Inspection of property. The property is inspected when all new mortgage lending operations are entered into, with the objective of assessing its presumable transaction price in a free market.

   Certification of the value of a property asset is documented and comprises, *inter alia,* copies of the plans, property registration booklet and its description in the land registry, when supplied. These valuations are complemented by direct *in situ* observation.

ii. Revision of the valuation of the property's worth by an expert appraiser. Mortgage lending operations whose contractual terms have been changed usually require a new valuation which is performed as if they were new operations.

   In the case of non-productive credit, the amounts of real guarantees are examined and/or updated in line with the frequency defined in internal regulations; and

iii. Review of indexed amount. This is a review of property prices by an internal CMVM registered property appraiser, who makes use of the information contained in the preceding valuation report and which does not involve a personal visit to the property. This methodology is exclusively used for residential properties, non-productive credit with a debtor balance of less than €300,000 and, in the case of performing credit, a debtor balance of more than €500,000.

Property valuation procedures:

iv. CGD's property valuation area has engineers and architects with significant experience in the valuations area. Those with technical approval functions have complementary training in the form of CMVM certified property valuation courses and are registered with and certified by the CMVM as property appraisers.

v. CGD has a network of external service providers in its property valuation area comprising external corporate and individual appraisers, registered with the CMVM and spread out over the whole of the country based on the area in which they perform their professional activity. There are several appraisers for each municipal district to ensure adequate diversification and rotation.

vi. Valuation requests are received by CGD in digital format together with the essential documentation for property valuation purposes. An internal technical operative is responsible for the approval process by type of valuation and the municipal district in which the property is located, and

vii. Appraisers are set out on a list defining the priority municipal districts for operational purposes, based on criteria of efficiency in terms of travel and in-depth knowledge of the local market. Requests for appraisals are delivered to appraisers via CGD's property portal. The appraiser records the date of the visit and appraisal report in the portal in a standardised format which includes the relevant documents for the valuation and photographs of the property.

Other collateral

In addition to property the following collateral is eligible for mitigating the calculation of credit impairment:

- Pledges over term deposits – assessed on the amount of the pledge;
- Pledges over bonds issued by CGD – assessed on the nominal value of the bonds; and
- Pledges over listed shares – assessed at market value at the calculation's reference date.

6. Type of principal judgments, estimates and hypotheses used to assess impairment

CGD's credit impairment model uses appropriate, applicable methodologies to ensure that the impairment calculation is in conformity with IFRS 9 – "Financial instruments".

There are modelling approaches CGD considers to be more adequate for assessing impairment but which involve judgments in defining the processes, namely:

i. Historical information considered for modelling purposes (PDs, LGDs, collateral haircuts);

ii. Workout period for the calculation of LGDs and multiple default assessment methodologies;

iii. Portfolio segmentation criteria:

    a. Loans to individual customers – type of product e.g. housing, purpose of loan, type of collateral, present and past performance of the operation, length of current performance; and

    b. Loans to companies – type of company, amount of exposure, sector of economic activity, quality and amount of collateral, present and past performance of the operation, length of current performance.

iv. Loan conversion factors applied to off-balance sheet exposures; and,

v. Defined exposure level for individual impairment assessments.

vi. Criteria to assess significant risk increases, from the time of the financial instrument's initial recognition, incorporating prospective information;

vii. The credit loss is assessed on the basis of three probable macroeconomic scenarios (optimistic, pessimistic and basic) which are reviewed every six months and whose respective risk factors are adjusted to each scenario upon which the calculation of the expected losses is based.

7. Description of impairment calculation methodologies, including the way in which portfolios are segmented to reflect different loan characteristics

The credit impairment model used in CGD includes loans to companies and individual customers, including the provision of bank guarantees and irrevocable and revocable lines of credit and assesses each operation's risk profile which it classifies in the credit portfolio sub-segments defined on the basis of the operation's current and past performance.

The following concepts are used to calculate credit impairment:

i. Individual impairment. Individual impairment is based on an assessment of customers with individually significant exposures by filling in an impairment form and schedule of estimated discounted future cash flows at the agreement's original interest rate; and

ii. Collective or parametric impairment. Collective or parametric impairment is automatically assessed by the credit impairment model. The parametric calculation is performed by dividing the portfolio up into risk sub-segments which include assets with similar risk

According to IFRS 9, principles for the recognition of operations and assets in the Bank's portfolio, in accordance with their associated credit risk, should be established

The following three risk stages, depending upon the deterioration of credit quality since the time of its initial recognition, are considered:

- Stage 1: exposures which cannot be classified in stages 2 or 3;
- Stage 2: exposures with an SICR (significant increase in credit risk) since initial recognition with objective criteria governing signs of impairment;
- Stage 3: exposures with objective signs of credit impairment.

Stage 1 classification

Stage 1 includes all credit not meeting stages 2 or 3 classification criteria.

Securities portfolio exposures that, in accordance with the defined estimated credit losses approach are not subject to impairment calculations are also classified in stage 1.

Stage 2 classification

Stage 2 classification is based on a SICR (significant increase in credit risk) since the time of initial recognition. The significant increase is generally measured on the variation of the probability of default associated with the rating between the date of initial recognition and the reporting date. More specifically, a significant increase in credit risk is considered to exist in comparison to the initial recognition when one of the following criteria is noted:

- An absolute variation of the forward-looking lifetime PD since origination, weighted by a residual maturity exceeding a certain threshold;
- Relative variation of the forward-looking lifetime PD since origination in excess of a certain threshold;

Stage 2 classification also considers objective criteria of signs of impairment, classifying an exposure in this stage, whatever the deterioration in credit risk, as follows:

- Credit overdue in CGD with arrears of more than 30 days but not classified as being in default;
- Operations restructured on account of financial difficulties which do not meet stage 3 classification criteria;
- POCI ("purchased or originated credit-impaired") operations which do not meet stage 3 classification criteria;
- Attribution of up to 20% in individual impairment;
- Bank of Portugal indicators (amounts overdue to other credit institutions for more than 90 days and when customers are barred from using cheques);
- Cheques returned to CGD;
- Collectability of less than 90%, assessed in the quarterly survey sent to commercial areas. This process is performed for companies with an exposure of more than €250 thousand which are not included in the individual analysis;
- Identification of debts to the tax authorities or social security services, on the basis of a quarterly survey sent to customer account managers and information taken from the workflow for loan oversight purposes;
- A 20% decline in the value of real guarantees when resulting in an LTV of more than 80% (applicable to property projects);
- Interim grace periods; and,
- Insolvency processes other than a declaration of insolvency and *PER* ("Special Revitalisation Programme") processes.
- A rating on the lowest level of the rating scale; and
- Three months' quarantine in stage 2.

<u>Stage 3 classification</u>

- For securities and investment portfolios in other credit institutions, the definition of stage 3 is in alignment with the ratings issued by external rating agencies and considers all exposures with a D rating.
- The definition of stage 3 for the credit portfolio is in alignment with CGD's definition of default. The following events are considered:
  - Contractual defaults to CGD Group, particularly credit materially overdue for more than 90 consecutive days;
  - Existence of a material impairment provision resulting from an individual analysis on customers with individually significant exposures;
  - Declaration of insolvency;
  - An insolvency application (including *PERs*) submitted by the debtor or CGD;
  - Operations at a pre-legal/legal stage in CGD;

- Contamination of loans, based on the identification of loss events on other operations involving the same customer. In the case of loans and advances to individual customers, if the amount in default represents more than 20% of a customer's total exposure, the other operations are also classified as being in default;
- Restructured operations owing to the financial difficulties of customers in a probation period, with new restructuring operations during the surveillance period of 2 years, when classified as a non-performing exposure prior to the start of the probation period;
- Restructured operations owing to the financial difficulties of customers in a probation period, with arrears of more than 30 days, when classified as a non-performing exposure prior to the start of the probation period;
- Restructuring operations owing to the financial difficulties of customers in the event of loss events (in accordance with the defined materiality); and
- Existence of amounts written-off from assets or cancelled interest.

Although IFRS 9 does not define the concept of default, CGD applies the same definition of default as used for management purposes, incorporating the EBA's recommendations in its "Final Report on Guidelines on Default Definition (EBA-GL-2016-07)" published on September 28, 2016. Past events for modelling purposes reflect the definition of default up to the present time.

The following risk factors must be assessed for calculating impairment losses in the collective analysis:

1. Probability of default within 12 months (PD_{12m}). This is the probability of a performing loan registering a default event over the next 12 months. The impairment model incorporates PDs on a portfolio scoring and rating basis and PDs by sub segment (purpose of loans and advances to individual customers, CAE (classification of economic activity) segment for loans to companies and type of card for credit cards) applicable to unrated portfolios;
2. Lifetime default probability (PD_{LT}). This is the probability of a loan defaulting prior to the maturity of an agreement. Lifetime PDs are different for rated and unrated portfolios. In the case of rated portfolios, lifetime PDs are distinguished by a customer's or operation's ratings. Lifetime PDs on unrated portfolios are different for customers or operations with (i) external signs accompanied by arrears of less than 30 days (ii) arrears of between 30 and 90 days and (iii) restructuring operations owing to financial difficulties with arrears of up to 30 days.
3. LGD (loss given default). A loss when an operation or customer defaults. LGD assessments involve observations of recoveries of operations or customers who default within the defined historical period, assessed in accordance with the length of default on each operation and each month of the historical period. The fact that LGDs are differentiated in line with the length of time the loan has been in default enables impairment losses to be differentiated by length of default. Some LGDs are differentiated on the basis of the type of collateral existing when impairment is assessed, and
4. EAD (exposure at default). EAD is the amount of the exposure of each operation upon the date of default and comprises the sum of the equity and off-balance sheet exposures following the CCF. The CCF is a credit conversion factor that measures the proportion of the off-balance sheet exposure which is converted into an equity exposure up to the date of default.

Estimations of risk factors, namely probabilities of default, should include a forward-looking component.

8. Indication of thresholds defined for individual analyses

The limits on individual impairment assessments within CGD, as defined in an internal standard, take the specific characteristics of the diverse credit portfolios of each unit into account, with the objective of assessing all exposures considered to be individually significant in each unit and the Group. In the case of CGD headquarters, with reference to June 30, 2018, an individual analysis is performed on customers with an overall balance sheet exposure of €3,000 thousand or more.

9. Policy relating to internal risk levels, specifying the treatment afforded to a borrower classified as being in default

Pursuant to internal regulations, defaulting customers are allocated to specialised credit oversight and recovery areas. The allocation decision may be made by the credit board or credit risks executive committee.

Owing to the innovation introduced by the customer oversight workflow process (item 1.1.2, above) as most defaulting customers had previously been allocated to recovery area managers, there were no breaks in the negotiating process at the time of the transfer of customers from the commercial to the recovery areas.

The recovery solution considered most adequate to customers' and CGD's interests is applied, on the basis of an analysis, with legal action for credit recovery purposes being taken as a last resort.

10. General description of the form of calculating the present value of future cash flows for individual and collective impairment loss assessments

Individual assessment

The assessment of estimations of future cash flows on loans considers the extent to which a customer will generate free cash flows for debt payment purposes. A loan's recoverable amount is the sum of the expected future cash flows, estimated in accordance with the contractual terms in force (maturity, interest rate, repayment method, etc.), discounted at the agreement's original effective interest rate in accordance with the underlying expectations of its collectability.

An assessment is made as to whether the estimations of the future cash flows of customers with signs of loss are less than the contractual cash flows. The amount of the impairment, in such cases, is consequently adjusted.

One of the following approaches is used to assess a company's future cash flows:

i. A going concern approach which considers the continuation of a company's activity based on operating cash flow projections to assess whether they are sufficient to ensure the payment of the debt to all creditors. The sale or execution of collateral to offset the debt may also be considered provided that they do not have any influence and impact on a company's estimations of its future cash flows (i.e. provided that they are non-operating assets). This going concern approach is used if:

   - The company's future cash flows are material and can be adequately estimated; and
   - The repayment of the debt does not involve the execution of collateral which is decisive for the company's normal operation.

An independent valuation of the assets portfolio was followed by a deterioration of the former scenarios of analyses on going concern customers on which the sensitivity analysis of several business plans was based, including, by way of example, estimations of cash flows from emerging markets. In the case of several customers, impairment was also assessed on the basis of indicative market bids in a credit disposal scenario.

ii. A gone concern approach associated with a scenario of the ending of a company's activity in which the collateral is executed and the company's operating cash flows cease to exist. The application of this approach is considered on the basis of the occurrence of at least one of the following situations:

   - When the customer's exposure has been overdue for a considerable length of time with the presumption that the gone concern approach should be applied when the loan has been overdue for more than 18 months;
   - When estimations of future operating cash flows are residual or negative or less than the estimated amount of the collateral and clearly insufficient to enable the customer to service its debt;
   - When the exposure is highly collateralised and the collateral is essential for producing cash flow;
   - When the application of a going concern approach would have a material, negative impact on the recoverable amount in comparison to a gone concern approach;
   - When there is a high level of uncertainty over estimations of future cash flows, namely when EBITDA over the last few years has been negative; and
   - When the available information is insufficient for a going concern analysis.

A mixed approach can be taken in several situations in consideration of the cash flows produced by a company's activity, which may be complemented by cash flows originating from disposals of the company's assets, assuming that the company will continue to operate as a going concern. If the disposal of the assets has an impact on the company's future operating cash flows the respective adjustment will be made to assess the recoverable amounts.

<u>Collective impairment</u>

The expected loss calculation for stage 1 operations comprises a period of 12 months.

Lifetime credit losses are assessed for stage 2 and 3 operations.

Credit losses should also be the result of the losses calculated on the basis of three possible macroeconomic scenarios (central, pessimistic and optimistic), weighted by the probabilities of each scenario's occurrence.

Quantitative

The following tables provide information on the loans and advances to customers portfolio and property received in kind or repossessed, based on the contents applicable to the Group's activity:

The breakdown of loans and advances to customers by credit risk, at June 30, 2018 was as follows:

	Exposure at 2018-06-30				Impairment at 2018-06-30			
	Assets without significant increase in credit risk since initial recognition (Stage 1)	Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Credit-impaired assets (Stage 3)	Total	Assets without significant increase in credit risk since initial recognition (Stage 1)	Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Credit-impaired assets (Stage 3)	Total
Segment								
General governments	6,309,464	75,672	59,403	**6,444,538**	682	777	6,932	**8,391**
Other financial corporations	210,413	22,959	263,057	**496,430**	4,010	364	124,849	**129,223**
Non-financial corporations	14,200,378	2,328,341	4,138,202	**20,666,921**	343,574	95,732	2,609,284	**3,048,591**
Small and Medium-sized Enterprises	6,435,688	1,464,645	2,642,330	10,542,663	113,119	64,937	1,502,582	1,680,639
Commercial immovable property	1,887,361	348,616	1,473,893	3,709,870	37,759	15,389	861,611	914,759
Other	4,548,327	1,116,029	1,168,437	6,832,793	75,360	49,549	640,971	765,880
Other	7,760,322	863,696	1,495,653	10,119,671	229,934	30,795	1,106,606	1,367,335
Commercial immovable property	1,246,106	141,028	611,124	1,998,258	9,809	14,529	466,171	490,509
Other	6,514,216	722,668	884,529	8,121,413	220,124	16,266	640,436	876,826
Households	25,873,426	2,095,024	2,217,762	**30,186,212**	5,845	51,301	938,268	**995,414**
Loans collateralised by residential immovable property	24,088,591	1,827,952	1,495,083	27,411,626	(3,208)	41,890	415,242	453,923
Credit for consumption	1,163,205	157,753	86,480	1,407,438	6,235	5,395	36,981	48,611
Other	621,631	109,319	636,199	1,367,149	2,818	4,016	486,045	492,879
	46,593,681	**4,521,996**	**6,678,424**	**57,794,101**	**354,112**	**148,173**	**3,679,333**	**4,181,618**

The breakdown of loans and advances to customers between performing and non-performing operations at June 30, 2018 and December 31, 2017 was as follows:

	Exposure 2018-06-30										Impairment at 2018-06-30							
	Performing loans			Non-performing loans							Performing loans	Non-performing loans						
	Not past due or past due <= 30	Past due > 30 days <= 90		Not past due or past due <= 90	Past due > 90 days <= 180	Past due > 180 days <= 1 year	Past due > 1 year <= 5 years	Past due > 5 years				Not past due or past due <= 90	Past due > 90 days <= 180	Past due > 180 days <= 1 year	Past due > 1 year <= 5 years	Past due > 5 years		
Segment																		
General governments	6,355,647	32,375	**6,388,021**	33,017	656	0	6,679	16,165	**56,517**	**6,444,538**	1,459	0	-	-	1,872	**5,060**	**6,931**	**8,391**
Other financial corporations	232,418	954	**233,372**	1,036	226	379	221,646	39,770	**263,057**	**496,430**	4,374	258	20	140	96,055	**28,376**	**124,849**	**129,223**
Non-financial corporations	16,156,596	288,671	**16,445,267**	1,525,194	194,897	189,017	1,355,804	956,743	**4,221,654**	**20,666,921**	410,753	831,534	120,668	104,716	965,327	**615,594**	**2,637,838**	**3,048,591**
Small and Medium-sized Enterprises	7,697,829	160,754	7,858,583	922,076	140,047	162,044	959,161	500,752	2,684,080	10,542,663	169,965	452,999	61,872	81,895	629,885	284,022	1,510,673	1,680,639
Commercial immovable property	2,182,947	51,951	2,234,898	450,346	54,347	42,690	565,669	361,919	1,474,971	3,709,870	53,057	218,960	25,329	28,227	376,369	212,817	861,702	914,759
Other	5,514,882	108,803	5,623,684	471,730	85,700	119,354	393,492	138,833	1,209,109	6,832,793	116,908	234,039	36,543	53,668	253,516	71,205	648,972	765,880
Other	8,455,544	127,917	8,583,462	602,576	54,850	26,369	396,424	455,990	1,536,209	10,119,671	240,787	378,291	58,796	22,544	335,345	331,572	1,126,547	1,367,335
Commercial immovable property	1,380,097	7,037	1,387,134	103,064	11	3,041	219,018	285,989	611,124	1,998,258	24,339	60,970	10	2,978	184,846	217,367	466,171	490,509
Other	7,075,447	120,880	7,196,328	499,512	54,839	23,328	177,406	170,001	925,086	8,121,413	216,449	317,321	58,786	19,566	150,499	114,205	660,377	876,825
Households	27,796,167	177,613	**27,973,780**	482,976	77,449	72,137	867,618	712,254	**2,212,432**	**30,186,212**	50,499	122,503	13,350	18,725	474,199	**316,138**	**944,915**	**995,414**
Loans collateralised by residential immovable property	25,764,204	158,204	25,922,408	345,115	62,184	44,218	432,060	605,641	1,489,217	27,411,626	34,085	51,903	8,096	5,886	101,244	252,708	419,838	453,923
Credit for consumption	1,311,011	11,653	1,322,664	24,396	6,346	16,428	31,849	5,756	84,774	1,407,438	9,778	9,965	2,808	8,609	13,213	4,239	38,833	48,611
Other	720,952	7,756	728,708	113,465	8,920	11,491	403,708	100,857	638,441	1,367,149	6,635	60,635	2,445	4,230	359,742	59,191	486,244	492,879
	50,540,828	**499,613**	**51,040,441**	**2,042,222**	**273,227**	**261,532**	**2,451,747**	**1,724,932**	**6,753,660**	**57,794,101**	**467,084**	**954,295**	**134,038**	**123,581**	**1,537,452**	**965,167**	**3,714,533**	**4,181,618**

	Exposure at 2017-12-31										Impairment at 2017-12-31							
	Performing loans			Non-performing loans							Performing loans	Non-performing loans						
	Not past due or past due <= 30	Past due > 30 days <= 90		Not past due or past due <= 90	Past due > 90 days <= 180	Past due > 180 days <= 1 year	Past due > 1 year <= 5 years	Past due > 5 years				Not past due or past due <= 90	Past due > 90 days <= 180	Past due > 180 days <= 1 year	Past due > 1 year <= 5 years	Past due > 5 years		
Segment																		
General governments	6,988,351	27,451	**7,015,802**	39,446	0	0	16,701	21,168	**77,315**	**7,093,117**	1,144	645	-	-	942	**7,506**	**9,094**	**10,238**
Other financial corporations	289,374	1,224	**290,598**	34,308	67	427	222,734	40,078	**297,615**	**588,212**	3,508	7,760	17	217	84,666	**28,994**	**121,654**	**125,162**
Non-financial corporations	16,067,917	197,284	**16,265,201**	1,961,013	149,466	246,720	1,463,495	1,253,397	**5,074,091**	**21,339,292**	214,865	1,158,026	46,786	98,995	1,021,706	**794,718**	**3,120,232**	**3,335,096**
Small and Medium-sized Enterprises	7,783,555	149,418	7,932,973	1,106,020	134,841	185,084	906,508	807,635	3,140,087	11,073,060	144,018	564,024	33,872	78,174	568,348	465,544	1,709,961	1,853,979
Commercial immovable property	2,260,702	38,925	2,299,627	519,881	55,556	78,730	530,160	662,374	1,846,701	4,146,328	71,696	259,740	9,448	39,152	338,377	387,379	1,034,096	1,105,792
Other	5,522,852	110,493	5,633,346	586,139	79,285	106,354	376,347	145,260	1,293,386	6,926,732	72,322	304,284	24,424	39,022	229,971	78,165	675,865	748,187
Other	8,281,084	47,866	8,328,950	854,452	14,624	61,033	556,765	445,762	1,932,636	10,261,586	70,847	593,759	12,915	20,544	453,262	329,174	1,409,653	1,480,500
Commercial immovable property	1,446,632	1,156	1,447,788	118,521	2,178	40,127	352,742	279,731	793,299	2,241,087	17,886	67,983	773	6,441	311,913	210,100	597,210	615,096
Other	6,834,452	46,710	6,881,162	735,931	12,446	20,906	204,022	166,031	1,139,336	8,020,499	52,961	525,776	12,142	14,102	141,348	119,074	812,443	865,404
Households	28,179,625	186,723	**28,366,348**	485,826	83,427	78,865	989,467	786,386	**2,423,972**	**30,790,320**	74,811	120,571	13,695	19,727	499,603	**357,057**	**1,010,654**	**1,085,465**
Loans collateralised by residential immovable property	26,090,620	167,779	26,258,399	381,687	67,339	56,277	557,623	671,401	1,734,327	27,992,726	47,101	64,286	8,643	8,231	132,143	284,014	497,317	544,418
Credit for consumption	1,364,374	10,395	1,374,769	21,501	9,203	13,605	35,303	7,206	86,817	1,461,586	20,412	5,895	3,223	7,726	13,846	5,564	36,254	56,666
Other	724,631	8,549	733,180	82,638	6,885	8,984	396,542	107,778	602,827	1,336,008	7,298	50,390	1,829	3,770	353,614	67,480	477,082	484,380
	51,525,268	**412,682**	**51,937,950**	**2,520,593**	**232,960**	**326,013**	**2,692,398**	**2,101,028**	**7,872,992**	**59,810,942**	**294,327**	**1,287,003**	**60,499**	**118,939**	**1,606,917**	**1,188,276**	**4,261,634**	**4,555,961**

Details on the credit portfolio, by segment and year of production at June 30, 2018, were as follows:

	General government			Other financial corporations			Non-financial corporations			Non-financial corporations, of which: Commercial immovable property			Households, of which: Loans collateralised by residential immovable property			Households, of which: Credit for consumption and other			Total		
	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Production year																					
2004 and before	1,240	494,552	21	11	11,757	159	2,954	917,007	253,102	727	311,211	148,961	268,137	6,847,856	133,317	26,454	187,981	33,593	298,796	8,459,154	420,192
2005	206	64,266	2,445	8	4,537	38	593	263,187	97,445	163	120,210	43,657	41,537	2,109,894	45,172	29,379	96,182	32,380	71,723	2,538,065	177,479
2006	160	69,201	1,872	9	37,447	1,928	1,960	742,920	315,564	518	298,390	210,467	38,156	2,188,347	49,378	107,247	139,498	8,180	147,532	3,177,412	376,922
2007	127	475,849	2,021	37	275,527	123,735	3,133	1,149,759	666,501	848	627,555	323,558	45,493	2,522,018	75,608	28,797	423,193	335,424	77,587	4,846,345	1,203,289
2008	99	552,903	127	37	6,308	124	2,849	1,303,490	402,495	819	558,003	179,295	39,195	2,218,637	48,863	29,262	98,203	15,446	71,442	4,179,541	467,055
2009	77	112,009	548	28	2,418	75	2,703	1,508,098	228,589	668	679,518	135,316	34,989	2,261,770	38,907	35,690	101,609	15,761	73,487	3,985,903	283,880
2010	73	3,144,972	493	30	710	16	2,985	621,677	119,284	627	295,994	54,132	26,363	1,932,338	28,495	38,797	133,170	17,804	68,248	5,832,867	166,091
2011	29	112,044	0	55	510	57	2,824	600,966	97,890	507	144,905	43,472	12,499	886,341	9,330	29,899	93,377	14,869	45,306	1,693,238	122,147
2012	40	30,990	0	28	17,630	154	3,062	456,654	72,586	534	112,217	33,403	5,828	406,051	4,693	27,820	72,660	11,166	36,778	983,985	88,599
2013	41	82,969	185	30	7,360	487	5,704	856,977	157,166	828	154,280	57,865	6,002	485,795	4,094	92,335	115,233	6,585	104,112	1,548,334	168,517
2014	58	275,028	11	62	3,736	74	10,423	1,176,233	182,808	1,506	241,572	36,913	7,335	709,333	3,563	54,974	169,367	11,346	72,852	2,333,697	197,802
2015	91	302,191	538	82	30,924	1,544	15,261	3,138,360	153,843	2,202	368,529	28,188	12,336	1,176,560	4,300	77,716	294,835	13,861	105,486	4,942,870	174,086
2016	138	512,181	26	81	45,083	523	15,536	2,812,124	159,581	2,148	478,359	49,118	13,863	1,346,981	3,667	79,506	265,194	11,244	109,124	4,981,563	175,042
2017	106	134,389	26	63	38,379	233	18,836	2,405,657	101,818	2,418	854,698	53,118	14,660	1,482,538	3,568	83,602	323,150	8,517	117,267	4,384,113	114,161
2018	84	80,994	78	43	14,104	77	21,649	2,713,814	39,919	2,547	462,688	7,806	8,518	837,167	967	129,372	260,934	5,315	159,666	3,907,013	46,356
	2,569	**6,444,538**	**8,391**	**604**	**496,430**	**129,223**	**110,472**	**20,666,921**	**3,048,591**	**17,060**	**5,708,127**	**1,405,268**	**574,911**	**27,411,626**	**453,923**	**870,850**	**2,774,587**	**541,490**	**1,559,406**	**57,794,101**	**4,181,618**

Details on the credit portfolio by segment, at June 30, 2018 and December 31 2017, were as follows:

	General Government		Other financial corporations		Non-financial corporations		Non-financial corporations, of which: Commercial immovable property		Households, of which: Loans collateralised by residential immovable property		Households, of which: Credit for consumption and other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Analysis														
Individual	22,493	6,374	259,786	123,596	2,688,412	1,846,565	1,251,188	939,833	8,808	2,029	451,516	389,638	3,431,015	2,368,203
Collective	6,422,045	2,016	236,643	5,627	17,978,509	1,202,026	4,456,940	465,435	27,402,818	451,894	2,323,070	151,852	54,363,086	1,813,415
	6,444,538	**8,391**	**496,430**	**129,223**	**20,666,921**	**3,048,591**	**5,708,127**	**1,405,268**	**27,411,626**	**453,923**	**2,774,587**	**541,490**	**57,794,101**	**4,181,618**

	2017-12-31													
	General Government		Other financial corporations		Non-financial corporations		Non-financial corporations, of which: Commercial immovable property		Households, of which: Loans collateralised by residential immovable property		Households, of which: Credit for consumption and other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Analysis														
Individual	19,344	7,585	187,020	110,357	3,410,259	2,298,058	1,795,150	1,263,183	87,662	3,957	412,832	373,464	4,117,117	2,793,422
Collective	7,073,773	2,653	401,193	14,805	17,929,034	1,037,038	4,592,266	457,705	27,905,064	540,462	2,384,762	167,583	55,693,825	1,762,539
	7,093,117	**10,238**	**588,212**	**125,162**	**21,339,292**	**3,335,096**	**6,387,416**	**1,720,888**	**27,992,726**	**544,418**	**2,797,594**	**541,046**	**59,810,942**	**4,555,961**

Details on the credit portfolio by sector of activity, at June 30, 2018 and December 31 2017, were as follows:

	2018-06-30			
	Exposure			
	Gross book value	Of which: forborne	Of which non:-performing	Accumulated impairment
Activity sector				
Agriculture, forestry and fishing	385,335	20,758	43,844	27,211
Mining and quarrying	94,545	9,538	11,303	7,296
Manufacturing	2,950,428	180,331	384,213	461,739
Electricity, gas, steam and air conditioning supply	551,019	20,776	10,514	4,224
Water supply	324,857	60,641	65,383	39,814
Construction	3,837,110	935,923	1,476,217	1,060,002
Wholesale and retail trade	2,302,677	140,003	343,901	216,700
Transport and storage	1,227,615	297,168	166,656	76,337
Accommodation and food service activities	1,199,660	180,817	217,743	92,512
Information and communication	182,426	13,055	20,667	18,296
Real Estate	2,354,549	530,827	758,210	448,781
Professional, scientific and technical activities	3,324,609	325,111	485,703	424,735
Administrative and support service activities	422,282	16,118	41,939	31,920
Public administration and defence, compulsory social security	29,031	13,938	137	242
Education	166,082	35,239	69,555	21,244
Human health services and social work activities	274,333	22,457	31,168	15,876
Arts, entertainment and recreation	180,272	44,627	22,829	19,069
Other services	860,088	53,318	71,672	82,595
General Government	6,444,538	618,783	56,517	8,391
Other financial corporations	496,430	74,499	263,057	129,223
Households, of which: Loans collateralised by residential immovable property	27,411,626	1,425,367	1,489,217	453,923
Households, of which: Credit for consumption	1,407,438	67,165	84,774	48,611
Households, of which: Other	1,367,149	501,852	638,441	492,879
	57,794,101	**5,588,312**	**6,753,660**	**4,181,618**

	2017-12-31		
	Exposure		
	Gross book value	Of which non:-performing	Accumulated impairment
Activity sector			
Agriculture, forestry and fishing	417,630	45,185	26,002
Mining and quarrying	87,237	12,584	6,272
Manufacturing	2,954,829	418,276	307,129
Electricity, gas, steam and air conditioning supply	688,395	16,562	9,726
Water supply	321,707	67,204	35,837
Construction	4,220,868	1,782,106	1,255,371
Wholesale and retail trade	2,409,640	414,774	232,590
Transport and storage	1,226,432	196,698	94,041
Accommodation and food service activities	1,332,729	227,188	101,818
Information and communication	229,380	35,066	19,326
Real Estate	2,682,531	1,074,755	632,031
Professional, scientific and technical activities	3,181,723	549,876	466,934
Administrative and support service activities	385,309	66,106	40,706
Public administration and defence, compulsory social security	1,181	55	78
Education	145,137	54,155	16,952
Human health services and social work activities	359,398	50,107	25,811
Arts, entertainment and recreation	189,471	23,787	10,826
Other services	505,696	39,607	53,646
General Government	7,093,117	77,315	10,238
Other financial corporations	588,212	297,615	125,162
Households, of which: Loans collateralised by residential immovable property	27,992,726	1,734,327	544,418
Households, of which: Credit for consumption	1,461,586	86,817	56,666
Households, of which: Other	1,336,008	602,827	484,380
	59,810,942	**7,872,992**	**4,555,961**

Details on the fair value of the collateral underpinning the credit portfolio in the non-financial corporations and household segments (comprising mortgage loans with a pledge over the property, at June 30, 2018, were as follows:

	2018-06-30													
	<0.5 M€		≥ 0.5 M€ e < 1 M€		≥ 1 M€ e < 5 M€		≥ 5 M€ e < 10 M€		≥ 10 M€ e < 20 M€		≥ 20 M€ e < 50 M€		>= 50 M€	
	Property	Other collaterals	Property	Other collaterals	Property	Other collaterals	Property	Other collaterals	Property	Other collaterals	Property	Other collaterals	Property	Other collaterals
Fair value														
Non-financial corporations	872,747	631,253	710,376	439,413	2,517,241	1,485,613	1,063,842	568,446	820,921	502,504	1,103,404	567,351	909,965	266,673
Non-financial corporations, of which: Commercial immovable property	316,259	284,396	266,685	177,155	1,108,881	670,640	428,761	229,467	455,677	335,705	552,835	263,997	576,665	261,505
Households, of which: Loans collateralised by residential immovable property	51,928,315	39,583,795	1,343,159	792,211	422,542	187,547	197,643	2,186	248,417	5,363	180,997	742	78,339	44
	53,117,320	**40,499,443**	**2,320,221**	**1,408,779**	**4,048,664**	**2,343,801**	**1,690,247**	**800,099**	**1,525,015**	**843,572**	**1,837,236**	**832,091**	**1,564,969**	**528,221**

Details on the restructured loan portfolio by the application of the deferral method (Forborne) at June 30, 2018 and December 31, 2017, were as follows:

	2018-06-30											
	Performing loans				Non-performing loans				Total			
	Number of operations	Exposure	Individual impairment analysis	Collective impairment analysis	Number of operations	Exposure	Individual impairment analysis	Collective impairment analysis	Number of operations	Exposure	Individual impairment analysis	Collective impairment analysis
Measure												
Credit term extension	1,880	391,459	-	8,240	4,190	724,388	235,292	109,414	6,070	1,115,847	235,292	117,654
Grace period	330	192,169	-	2,000	891	148,670	16,855	30,584	1,221	340,839	16,855	32,584
Interest rate change	201	462,001	-	5,753	861	1,073,610	643,565	65,896	1,062	1,535,611	643,565	71,649
Other	3,843	1,313,343	-	447,641	8,438	1,282,672	384,538	265,135	12,281	2,596,015	384,538	712,775
	6,254	**2,358,971**	**-**	**463,633**	**14,380**	**3,229,341**	**1,280,250**	**471,029**	**20,634**	**5,588,312**	**1,280,250**	**934,662**

	2017-12-31											
	Performing loans				Non-performing loans				Total			
	Number of operations	Exposure	Individual impairment analysis	Collective impairment analysis	Number of operations	Exposure	Individual impairment analysis	Collective impairment analysis	Number of operations	Exposure	Individual impairment analysis	Collective impairment analysis
Measure												
Credit term extension	2,216	396,863	-	10,133	3,974	781,307	263,252	106,289	6,190	1,178,170	263,252	116,422
Grace period	335	281,486	-	24,140	923	195,032	21,726	29,538	1,258	476,518	21,726	53,678
Interest rate change	199	325,718	-	5,943	857	1,288,240	803,090	78,029	1,056	1,613,958	803,090	83,972
Other	2,732	1,557,979	-	40,672	5,610	1,378,792	492,202	210,641	8,342	2,936,772	492,202	251,312
	5,482	**2,562,047**	**-**	**80,889**	**11,364**	**3,643,371**	**1,580,271**	**424,496**	**16,846**	**6,205,417**	**1,580,271**	**505,385**

Information on inclusions in and exits from the deferred credit portfolio (Forborne) for the half year ended June 30, 2018, is given below:

Balance of forborne loans at 2017-12-31	**6,205,417**
New forborne loans	293,641
Accrued interest of the forborne loans	9,875
Forborne loans liquidation (partial or total)	(793,063)
Reclassifyed loans from "forborne" to "normal"	(77,685)
Other	(49,874)
Balance of forborne loans at 2018-06-30	**5,588,312**

Details on the credit portfolio by LTV ratio at June 30, 2018 and December 31, 2017, are set out below:

	2018-06-30					
	Exposure			Impairment		
Segment / Ratio	Performing loans	Non-performing loans		Performing loans	Non-performing loans	
Non-financial corporations	**12,865,013**	**3,649,634**	**16,514,646**	**314,923**	**2,362,315**	**2,677,238**
With no associated collateral	5,975,540	505,162	6,480,702	216,395	456,577	672,972
< 60%	5,311,804	2,525,018	7,836,822	72,973	1,500,820	1,573,793
>= 60% and < 80%	440,134	213,624	653,759	9,175	139,603	148,778
>= 80% and < 100%	524,139	191,668	715,806	7,413	125,815	133,228
>= 100%	613,396	214,162	827,558	8,968	139,499	148,467
of which, commercial immovable property	**3,622,032**	**2,086,095**	**5,708,127**	**77,396**	**1,327,872**	**1,405,268**
With no associated collateral	876,540	73,033	949,573	13,186	120,624	133,810
< 60%	1,810,967	1,523,580	3,334,548	31,441	904,671	936,111
>= 60% and < 80%	154,155	136,587	290,742	2,911	87,561	90,472
>= 80% and < 100%	224,125	81,809	305,935	2,408	47,905	50,314
>= 100%	242,115	145,559	387,674	3,079	101,857	104,936
Households, of which: Loans collateralised by residential immovable property	**24,355,817**	**1,457,148**	**25,812,965**	**45,591**	**410,010**	**455,600**
With no associated collateral	86,936	19,671	106,607	568	11,762	12,330
< 60%	11,600,534	502,517	12,103,051	19,283	125,853	145,136
>= 60% and < 80%	5,017,228	183,152	5,200,380	5,152	29,888	35,040
>= 80% and < 100%	7,292,037	390,187	7,682,224	17,023	88,796	105,818
>= 100%	359,082	361,621	720,703	3,565	153,710	157,276
Households, of which: Credit for consumption and other	**1,436,300**	**661,441**	**2,097,741**	**9,543**	**501,032**	**510,576**
With no associated collateral	665,681	91,612	757,293	4,705	60,998	65,703
< 60%	383,132	426,832	809,964	3,046	365,403	368,450
>= 60% and < 80%	133,650	42,436	176,085	678	23,282	23,959
>= 80% and < 100%	161,060	46,858	207,917	829	20,569	21,398
>= 100%	92,778	53,704	146,481	286	30,781	31,066
Other financial corporations	**288,357**	**309,520**	**597,877**	**4,339**	**148,114**	**152,453**
With no associated collateral	52,533	121,821	174,354	352	78,133	78,485
< 60%	77,358	21,889	99,248	1,847	10,603	12,450
>= 60% and < 80%	30,767	145,005	175,771	118	51,249	51,368
>= 80% and < 100%	116,751	12,047	128,798	2,020	6,028	8,049
>= 100%	10,948	8,758	19,706	2	2,100	2,102
General Government	**5,819,952**	**128,281**	**5,948,233**	**1,452**	**79,700**	**81,152**
With no associated collateral	3,498,199	2,546	3,500,746	186	11	197
< 60%	771,767	9,006	780,773	207	67	274
>= 60% and < 80%	242,255	9,928	252,184	191	1,564	1,755
>= 80% and < 100%	715,794	95,712	811,506	867	73,624	74,490
>= 100%	591,937	11,088	603,024	1	4,435	4,436
	44,765,438	6,206,024	50,971,462	375,849	3,501,171	3,877,020

Segment / Ratio	2017-12-31					
	Exposure			Impairment		
	Performing loans	Non-performing loans		Performing loans	Non-performing loans	
Non-financial corporations	**16,265,201**	**5,074,091**	**21,339,292**	**214,865**	**3,120,232**	**3,335,096**
With no associated collateral	7,481,244	1,113,384	8,594,628	127,548	822,568	950,115
< 60%	6,405,585	2,733,555	9,139,140	67,943	1,580,567	1,648,510
>= 60% and < 80%	549,566	449,962	999,528	4,228	274,503	278,731
>= 80% and < 100%	761,986	393,261	1,155,247	6,256	270,694	276,951
>= 100%	1,066,821	383,929	1,450,750	8,890	171,899	180,789
of which, commercial immovable property	**3,747,415**	**2,640,001**	**6,387,416**	**89,581**	**1,631,306**	**1,720,888**
With no associated collateral	1,108,468	210,185	1,318,653	54,232	169,456	223,688
< 60%	2,009,795	1,631,370	3,641,165	27,960	961,112	989,071
>= 60% and < 80%	171,595	347,537	519,133	1,985	214,716	216,702
>= 80% and < 100%	245,540	228,428	473,968	2,740	174,216	176,956
>= 100%	212,016	222,481	434,497	2,664	111,807	114,471
Households, of which: Loans collateralised by residential immovable property	**26,258,399**	**1,734,327**	**27,992,726**	**47,101**	**497,317**	**544,418**
With no associated collateral	111,836	21,793	133,629	966	17,814	18,780
< 60%	12,555,756	584,992	13,140,748	19,468	150,354	169,822
>= 60% and < 80%	5,410,987	204,824	5,615,811	7,926	33,456	41,381
>= 80% and < 100%	7,762,303	477,873	8,240,176	14,521	109,414	123,935
>= 100%	417,517	444,845	862,362	4,221	186,279	190,500
Households, of which: Credit for consumption and other	**2,107,949**	**689,645**	**2,797,594**	**27,710**	**513,336**	**541,046**
With no associated collateral	911,456	112,641	1,024,097	11,293	85,083	96,376
< 60%	523,551	415,569	939,120	6,992	354,615	361,607
>= 60% and < 80%	163,305	36,507	199,812	1,369	16,420	17,789
>= 80% and < 100%	271,531	66,077	337,608	2,684	28,368	31,051
>= 100%	238,107	58,850	296,957	5,372	28,851	34,222
Other financial corporations	**290,598**	**297,615**	**588,212**	**3,508**	**121,654**	**125,162**
With no associated collateral	98,616	133,758	232,373	1,213	79,573	80,785
< 60%	53,833	(1,283)	52,550	1,648	10,191	11,839
>= 60% and < 80%	80,744	128,353	209,097	205	19,896	20,101
>= 80% and < 100%	18,884	21,724	40,608	346	8,990	9,336
>= 100%	38,520	15,064	53,584	96	3,004	3,101
General Government	**7,015,802**	**77,315**	**7,093,117**	**1,144**	**9,094**	**10,238**
With no associated collateral	4,354,161	3,584	4,357,745	327	864	1,191
< 60%	808,102	17,420	825,522	240	27	267
>= 60% and < 80%	285,679	23,881	309,560	344	626	970
>= 80% and < 100%	641,140	16,350	657,489	227	645	873
>= 100%	926,721	16,081	942,802	6	6,932	6,938
	51,937,950	7,872,992	59,810,942	294,327	4,261,634	4,555,961

h) Details on the fair value and net accounting value of property received in kind or repossessed by type of assets and seniority are set out below:

Asset	2018-06-30		
	Number	Fair value	Book value
Land			
Urban	812	133,803	83,194
Rural	109	12,264	2,695
Buildings under construction			
Commercial	3	2,290	2,142
Housing	479	58,242	37,618
Other	151	13,744	10,744
Concluded buildings			
Commercial	567	241,350	114,031
Housing	3,403	325,115	203,383
Other	2,122	189,229	89,916
	7,646	976,037	543,723

Time elapsed since the initial recognition / repossesssion	2018-06-30				
	< 1 year	≥ 1 year and < 2,5 years	≥ 2,5 years and < 5 years	≥ 5 years	Total
Land					
Urban	15,578	9,016	24,396	34,204	83,194
Rural	548	728	546	873	2,695
Buildings under construction					
Commercial	-	-	2,118	24	2,142
Housing	10,517	12,045	9,035	6,021	37,618
Other	1,206	5,521	2,644	1,373	10,744
Concluded buildings					
Commercial	49,092	10,311	28,197	26,431	114,031
Housing	68,507	58,512	57,442	18,922	203,383
Other	39,498	15,633	33,449	1,336	89,916
	184,946	111,766	157,827	89,184	543,723

Asset	2017-12-31 Number	Fair value	Book value
Land			
Urban	733	141,159	80,127
Rural	112	12,664	2,409
Buildings under construction			
Commercial	4	2,690	2,292
Housing	557	74,648	41,879
Other	164	17,705	11,179
Concluded buildings			
Commercial	606	163,535	125,738
Housing	3,453	326,600	197,639
Other	1,960	163,546	96,218
	7,589	902,547	557,481

Time elapsed since the initial recognition / reposssession	2017-12-31 < 1 year	>= 1 year e < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Land					
Urban	21,377	10,051	38,999	9,700	80,127
Rural	564	727	546	572	2,409
Buildings under construction					
Commercial	-	-	2,268	24	2,291
Housing	13,006	13,512	9,938	5,422	41,877
Other	6,416	1,939	1,018	1,806	11,179
Concluded buildings					
Commercial	71,033	9,604	27,227	17,875	125,739
Housing	74,283	57,149	51,267	14,941	197,641
Other	35,759	29,214	23,461	7,783	96,217
	222,438	122,195	154,723	58,124	557,481

Explanatory notes on filling in the quantitative credit risk disclosures:

. Common definitions

Segmentation. The segments used are based on the FINREP report sent to the ECB:

i. "Local and central government" – include institutional units whose principal activity consists of the production of non-mercantile goods and services for individual or collective consumption and/or the redistribution of income and national wealth;

ii. "Non-financial corporations" – comprise institutional units with their own legal personality whose principal activity consists of producing non-financial goods and services;

iii. Households sector – includes individuals or groups, in their capacity as consumers, producers of goods and services for their own end use or producers of financial or non-financial goods and services, provided that such activities are not performed by quasi-companies.

Also included are the self-employed who are members of individual companies and companies of persons not having a legal personality which are mercantile producers.

iii.1 – "Households" – mortgage loans with a pledge over the property – household sector comprising loans for housing purposes with a pledge over the property in alignment with the considerations set out in the FINREP report;

iii.2 – "Households" – credit consumption" – households sector, for consumer credit; and

iii.3 – "Households – other" – loans in which the borrower is classified as a household and which do not meet the allocation criteria of the preceding items.

iv. "Other financial corporations" – financial institutions sector, including institutional units with their own legal personality which are mercantile producers and whose principal activity consists of the production of financial services, except for financial brokerage and other institutions or individuals.

Liquidity risk

Liquidity risk derives from the possibility of difficulties (i) in obtaining resources to finance assets, normally leading to higher borrowing costs but which may also imply a restriction on asset growth, and (ii) the prompt settlement of obligations to third parties caused by significant mismatches between the periods to maturity of an institution's financial assets and liabilities. Liquidity risk may be reflected in the impossibility of achieving a quick sale of a financial asset at close to its fair value.

Under IFRS 7 – "Financial instruments: disclosures", the contractual periods to maturity of financial instruments, at June 30, 2018 and December 31, 2017 were as follows:

	2018-06-30									
	Residual term to contractual maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	5,248,799	-	-	-	-	-	-	-	-	5,248,799
Cash balances at other credit institutions	981,957	-	-	-	-	-	-	-	12	981,969
Loans and advances to credit institutions	1,462,406	547,826	138,922	91,111	3,370	2,619	6,581	41,566	37,497	2,331,898
Securities										
Trading	2,774	1,065,695	1,423,861	2,817,094	2,924	4,212	14,231	6,289	809,376	6,146,455
Other	119,654	251,967	323,575	432,784	1,337,615	2,416,349	3,354,170	392,290	2,020,032	10,648,435
Loans and advances to customers (gross)	2,571,316	2,271,233	4,457,505	3,451,722	11,271,146	7,736,797	12,449,475	21,541,641	274,327	66,025,164
Assets with repurchase agreement	-	-	4,099	600	10,477	159,868	63,134	102,126	17,554	357,858
Hedging derivatives	-	-	-	-	-	-	-	-	5,724	5,724
	10,386,905	4,136,721	6,347,962	6,793,311	12,625,532	10,319,845	15,887,592	22,083,912	3,164,522	91,746,301
Liabilities										
Resources of central banks and credit institutions	(1,325,440)	(209,126)	(148,247)	(97,613)	(166,915)	(449,691)	-	-	(3,818)	(2,400,849)
Customer resources and other loans	(33,130,714)	(8,970,319)	(12,728,612)	(4,801,575)	(3,727,095)	(566,687)	(575,606)	(4,160)	(30,231)	(64,535,000)
Debt securities	(209)	(1,355)	(21,537)	(824,249)	(1,153,898)	(1,332,167)	(17,624)	(20,050)	3,139	(3,367,952)
Hedging derivatives	-	-	-	-	-	-	-	-	(4,478)	(4,478)
Subordinated liabilities	(7,711)	(737)	(373,312)	(583,091)	(70,740)	(70,425)	(776,255)	-	(27)	(1,882,298)
Consigned resources	(739)	(39,843)	(13,921)	(21,994)	(144,001)	(435,084)	(377,058)	(20,842)	(45,796)	(1,099,277)
	(34,464,814)	(9,221,380)	(13,285,629)	(6,328,521)	(5,262,650)	(2,854,054)	(1,746,543)	(45,053)	(81,211)	(73,289,854)
Derivatives	(3,354)	8,465	(1,533)	8,549	14,110	43,374	130,653	387,824	-	588,088
Difference	(24,081,263)	(5,076,194)	(6,939,201)	473,339	7,376,993	7,509,165	14,271,702	22,426,683	3,083,311	19,044,536

	2017-12-31									
	Residual term to contractual maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	4,620,844	-	-	-	-	-	-	-	-	4,620,844
Cash balances at other credit institutions	697,092	-	-	-	-	-	-	-	-	697,092
Loans and advances to credit institutions	2,140,206	172,403	157,426	465,225	4,432	6,508	6,684	43,541	54,663	3,051,087
Securities										
Trading	41	426,573	466,482	4,233,349	3,710	3,226	9,326	3,817	997,402	6,143,926
Other	80,603	232,450	392,373	626,985	999,704	2,944,022	3,094,868	495,942	1,965,426	10,832,373
Loans and advances to customers (gross)	2,764,836	2,647,184	3,846,822	3,279,205	12,153,896	9,561,868	12,889,322	22,267,206	191,836	69,602,175
Assets with repurchase agreement	-	-	81	669	1,503	51,501	-	-	2,849	56,602
Hedging derivatives	-	-	-	-	-	-	-	-	7,413	7,413
	10,303,622	3,478,610	4,863,184	8,605,433	13,163,244	12,567,126	16,000,199	22,810,506	3,219,588	95,011,513
Liabilities										
Resources of central banks and credit institutions	(1,091,068)	(116,378)	(72,459)	(213,349)	(2,139,886)	(450,000)	-	-	(10,933)	(4,094,073)
Customer resources and other loans	(31,333,683)	(7,480,336)	(11,012,214)	(6,853,464)	(5,888,763)	(680,624)	(559,224)	(4,082)	(152,244)	(63,964,635)
Debt securities	(851,807)	(73)	(427)	(23,386)	(1,955,016)	(1,331,436)	(17,110)	(20,050)	3,039	(4,196,267)
Hedging derivatives	-	-	-	-	-	-	-	-	(5,459)	(5,459)
Subordinated liabilities	(35)	(6,835)	(8,401)	(384,393)	(560,511)	(30,543)	(30,332)	(106,080)	256	(1,126,872)
Consigned resources	(751)	(882)	(19,542)	(53,677)	(145,760)	(130,761)	(538,839)	(20,842)	(689)	(911,744)
	(33,277,343)	(7,604,503)	(11,113,043)	(7,528,270)	(10,689,936)	(2,623,365)	(1,145,505)	(151,054)	(166,030)	(74,299,049)
Derivatives	(2,424)	875	428	19,439	30,892	47,274	120,966	209,130	-	426,581
Difference	(22,976,144)	(4,125,018)	(6,249,431)	1,096,602	2,504,200	9,991,036	14,975,660	22,868,582	3,053,557	21,139,045

The above tables also include cash flow projections on capital and interest and are not therefore directly comparable to the accounting balances at June 30, 2018 and December 31, 2017. Interest projections on variable-rate operations incorporate the forward rates implicit in the yield curve in force on the respective reference dates.

In the special case of mortgage loans, the distribution of capital and interest flows took into consideration expectations of early repayment rates assessed on an analysis of the historic performance of operations and the present macroeconomic context.

The following tables, which provide information on CGD Group's structural (as opposed to contractual) periods to maturity, at June 30, 2018 and December 31, 2017, differ from the former tables in their use of the following assumptions:

– Debt and equity securities: reallocation of amounts with adequate liquidity to the "up to 1 month" bucket, except for collateralised debt securities which are allocated to buckets corresponding to the maturity of operations they are collateralising;

– Customers' sight deposits: reallocation of the balance of core deposits (i.e. deposits comprising a stable funding source for lending operations) from the "up to 1 month" bucket to the "up to 6 years" buckets based on a uniform distribution of balances. This approach endeavours to comply with BCBS (Basel Committee on Banking Supervision) recommendations regarding the average and maximum maturity of core deposits; and

– Term deposits and savings accounts (CGD headquarters): reallocation of balances by buckets in accordance with an estimation model on their expected useful average lives.

The amounts presented also correspond to outstanding capital balances and do not include interest or accrued interest projections.

	2018-06-30									
	Remaining maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	5,248,799	-	-	-	-	-	-	-	-	5,248,799
Cash balances at other credit institutions	981,404	-	-	-	-	-	-	-	565	981,969
Loans and advances to credit institutions	1,457,334	547,003	138,102	89,769	757	3	17	38,388	37,497	2,308,869
Securities										
Trading	3,585,226	156,309	208,844	413,132	213	425	1,877	2,024,530	(250,114)	6,140,442
Other (net of impairment)	2,961,666	186,480	175,924	169,166	421,917	1,191,735	1,525,294	1,701,517	1,156,258	9,489,956
Loans and advances to customers (gross)	2,492,506	2,097,449	4,144,680	2,988,657	9,579,574	6,239,769	9,338,469	16,412,907	274,327	53,568,337
Assets with repurchase agreement	300,000	-	-	-	-	-	-	-	17,554	317,554
	17,026,935	2,987,242	4,667,549	3,660,725	10,002,461	7,431,931	10,865,656	20,177,342	1,236,087	78,055,927
Liabilities										
Resources of central banks and credit institutions	(1,324,776)	(198,838)	(142,571)	(86,326)	(130,274)	(425,095)	-	-	(3,818)	(2,311,697)
Customer resources and other loans	(16,670,809)	(9,459,292)	(13,362,680)	(6,116,725)	(9,151,762)	(6,019,022)	(3,297,432)	(2,385)	(129,202)	(64,209,309)
Debt securities	-	-	(20,000)	(749,000)	(1,086,672)	(1,319,600)	(17,624)	(20,050)	3,139	(3,209,808)
Subordinated liabilities	(7,711)	(731)	(368,522)	(539,645)	(209)	-	(600,000)	-	(27)	(1,516,846)
Consigned resources	-	(37,066)	(13,218)	(19,705)	(131,362)	(423,006)	(366,021)	(20,000)	(45,796)	(1,056,173)
	(18,003,296)	(9,695,928)	(13,906,991)	(7,511,401)	(10,500,278)	(8,186,722)	(4,281,077)	(42,435)	(175,703)	(72,303,833)
Difference	(976,361)	(6,708,686)	(9,239,442)	(3,850,677)	(497,817)	(754,792)	6,584,578	20,134,907	1,060,384	5,752,095

	2017-12-31									
	Remaining maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	4,620,844	-	-		-	-	-	-	-	4,620,844
Cash balances at other credit institutions	696,886	-	-	-	-	-	-	-	206	697,092
Loans and advances to credit institutions	2,137,210	171,229	155,453	464,505	1,769	2	17	38,997	54,663	3,023,847
Securities										
Trading	2,233,833	62,470	68,304	620,079	1,008,586	371	1,219	1,852,552	292,242	6,139,656
Other (net of impairment)	2,197,564	40,495	158,091	264,968	1,200,148	1,246,055	1,291,180	1,882,244	1,293,400	9,574,145
Loans and advances to customers (gross)	2,634,233	2,470,663	3,560,200	2,757,989	10,283,746	6,769,308	9,695,235	16,827,827	191,836	55,191,037
Assets with repurchase agreement	50,000	-	-	-	-	-	-	-	2,849	52,849
	14,570,571	2,744,856	3,942,048	4,107,541	12,494,249	8,015,738	10,987,650	20,601,621	1,835,195	79,299,469
Liabilities										
Resources of central banks and credit institutions	(1,090,177)	(106,476)	(71,488)	(202,010)	(2,101,188)	(450,000)	-	-	(10,933)	(4,032,271)
Customer resources and other loans	(16,412,169)	(7,848,758)	(11,591,643)	(8,031,670)	(10,808,520)	(5,655,655)	(3,037,129)	(2,405)	(156,755)	(63,544,704)
Debt securities	(749,000)	-	-	(20,000)	(1,822,429)	(1,331,092)	(17,110)	(20,050)	3,039	(3,956,643)
Subordinated liabilities	-	(766)	-	(376,145)	(539,576)	(209)	-	(100,000)	256	(1,016,439)
Consigned resources	-	(864)	(18,841)	(50,284)	(136,004)	(123,006)	(531,083)	(20,000)	(689)	(880,771)
	(18,251,345)	(7,956,865)	(11,681,972)	(8,680,108)	(15,407,718)	(7,559,961)	(3,585,323)	(142,455)	(165,082)	(73,430,829)
Difference	(3,680,775)	(5,212,008)	(7,739,924)	(4,572,566)	(2,913,470)	455,777	7,402,327	20,459,166	1,670,114	5,868,640

Interest rate risk

Interest rate risk derives from the possibility that the cash flows associated with a certain financial instrument, or its fair value, may change as the result of a change in market interest rates.

Long term or economic perspective – fair value

The following tables set out information on the balance sheet and fair values of the principal financial assets and liabilities, at amortised cost, at June 30, 2018 and 31 December, 2017.

	2018-06-30					
	Balances analysed				Balances not analysed	Total book value
	Book value	Fair value		Difference	Book value	
		Level 1	Level 3			
Assets						
Cash and cash equivalents at central banks	5,248,799	-	5,248,799	-	-	5,248,799
Cash balances at other credit institutions	982,806	-	982,806	-	-	982,806
Loans and advances to credit institutions	2,273,923	-	2,286,030	12,107	35,375	2,309,298
Assets with repurchase agreement	312,915	316,595	-	3,680	4,741	317,656
Investments at amortised cost	3,223,622	-	3,068,156	(155,466)	45,459	3,269,082
Loans and advances to customers	53,359,146	-	52,674,040	(685,106)	253,337	53,612,483
	65,401,212	316,595	64,259,832	(824,785)	338,912	65,740,124
Liabilities						
Resources of central banks and other credit institutions	(2,285,437)	-	(2,290,402)	(4,965)	(37,253)	(2,322,690)
Customer resources and other loans	(63,995,181)	-	(64,080,169)	(84,987)	(308,199)	(64,303,380)
Debt securities	(3,240,678)	(2,877,348)	(448,636)	(85,306)	(604)	(3,241,282)
Subordinated liabilities	(1,521,206)	(1,041,689)	(507,262)	(27,745)	(628)	(1,521,834)
Consigned resources	(1,056,109)	-	(1,066,427)	(10,318)	(63)	(1,056,173)
	(72,098,611)	(3,919,037)	(68,392,895)	(213,321)	(346,747)	(72,445,358)

	2017-12-31					
	Balances analysed				Balances not analysed	Total book value
	Book value	Fair value		Difference	Book value	
		Level 1	Level 3			
Assets						
Cash and cash equivalents at central banks	4,620,893	-	4,620,893	-	-	4,620,893
Cash balances at other credit institutions	698,700	-	698,700	-	-	698,700
Loans and advances to credit institutions	2,961,982	-	2,977,940	15,958	66,711	3,028,694
Investments at amortised cost	2,661,199	-	2,517,614	(143,585)	(34,380)	2,626,819
Loans and advances to customers	55,072,661	-	54,319,364	(753,297)	182,320	55,254,981
	66,015,436	-	65,134,512	(880,924)	214,651	66,230,087
Liabilities						
Resources of central banks and other credit institutions	(4,013,287)	-	(4,028,409)	(15,122)	(29,563)	(4,042,850)
Customer resources and other loans	(63,318,533)	-	(63,429,228)	(110,695)	(312,363)	(63,630,896)
Debt securities	(4,051,175)	(3,720,882)	(443,555)	(113,263)	(246)	(4,051,421)
Subordinated liabilities	(1,027,719)	(373,643)	(692,134)	(38,058)	(23)	(1,027,741)
Consigned resources	(880,708)	-	(891,269)	(10,561)	(63)	(880,771)
	(73,291,421)	(4,094,525)	(69,484,595)	(287,699)	(342,258)	(73,633,679)

Fair value was assessed on the following assumptions:

- The book value of balances payable on demand corresponds to their fair value;
- The fair value of Caixa's listed debt issuances (net), corresponds to their respective market price;
- The fair value of the remaining financial instruments is assessed on the basis of discounted cash flow models up to the maturity of the operations for both fixed and variable interest rate instruments. The contractual conditions of the operations as well as, for the estimated variable-rate instruments, future cash flows, incorporating the forward rates

implicit in the yield curve in force on the respective reference dates were considered for the purpose in question together with the use of discount curves appropriate to the type of instrument, including:

→ Market interest rates, incorporating average spreads on new investment operations and credit institutions' resources; and

→ Market interest rates incorporating average spreads on new lending operations and customer deposits on like-for-like loans and deposits;

- The "Balances not analysed" column essentially includes:

→ Overdue credit, net of impairment; and

→ The balances of several branches not included in Caixa's centralised calculation.

The form of measuring the fair value of financial instruments recognised in the condensed financial statements, at fair value, at June 30, 2018 and December 31, 2017, may be summarised as follows:

	2018-06-30			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Financial assets held-for-trading	5,360,137	203	804	5,361,144
Financial assets at fair value through profit or loss	216,063	1	1,396,250	1,612,314
Financial assets at fair value through other comprehensive income	4,110,466	298,192	198,190	4,606,848
Assets with repurchase agreement	166,805	-	-	166,805
Trading derivatives	-	(401,085)	321,196	(79,889)
Hedging derivatives	-	1,246	-	1,246
	9,853,471	(101,444)	1,916,440	11,668,468

	2017-12-31			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Financial assets held-for-trading	5,175,534	413	-	5,175,946
Financial assets at fair value through profit or loss	229,756	-	423,412	653,168
Financial assets at fair value through other comprehensive income	3,966,454	780,441	1,415,183	6,162,078
Assets with repurchase agreement	52,849	-	-	52,849
Trading derivatives	-	(511,163)	414,533	(96,630)
Hedging derivatives	-	1,954	-	1,954
	9,424,593	271,645	2,253,128	11,949,365

The preparation of the above table was based on the following criteria:

. **Level 1** – Market prices – this column includes financial instruments measured on the basis of prices in active markets;

. **Level 2** – Measurement techniques – observable market input – this column includes financial instruments whose value is measured on the basis of internal models using observable market input (interest rates, exchange rates, ratings of external entities, other). It also includes financial instruments measured on the bid prices supplied by external counterparties; and

. **Level 3** – <u>Other measurement techniques</u> – this column includes financial instruments whose value is measured on the basis of internal models, prices supplied by external entities including non-observable market parameters or NAV (net asset value) supplied by restructuring or closed-end fund management companies.

Movements in financial instruments, classified in the "Other measurement techniques" column, in first half 2018, were as follows:

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income				Derivatives financial instruments	Total
	Equity instruments	Debt instruments	Subtotal	Equity instruments	Debt instruments		Subtotal		
		Corporate bonds			Asset-backed securities	Corporate bonds			
Net book value at 31-12-2017	423.412	-	423.412	842.982	141.911	430.289	1.415.183	414.533	2.253.128
Adoption of IFRS 9	962.317	-	962.317	(704.514)	(85)	(344.894)	(1.049.493)	-	(87.176)
Changes in the consolidation perimeter		-	-	-	-	-	-	706	706
Acquisitions	34.107	804	34.911	1.669	-	9.756	11.425	-	46.336
Amortisations	-	-	-	-	(2.416)	-	(2.416)	(98.600)	(101.016)
Sales	(57.196)	-	(57.196)	-	(141.001)	(18.413)	(159.414)	-	(216.610)
Gains / (losses) recognised as a charge to net income - alienated instruments	20.667	-	20.667	-	4.355	23	4.378	4.557	29.602
Gains / (losses) recognised as a charge to net income - portfolio instruments [*]	12.942	-	12.942		3	4.154	4.157		17.099
Impairment for the period	-	-	-	-	-	-	-	-	-
Gains / (losses) recognised as a charge to other comprehensive income	-	-	-	1.451	(2.767)	4.242	2.926	-	2.926
Transfers from / (to) other levels (Levels 1 and 2)	-	-	-	-	-	(29.956)	(29.956)	-	(29.956)
Exchange differences	-	-		370	-	1.032	1.402	-	1.402
Net book value at 30-06-2018	1.396.250	804	1.397.054	141.958	-	56.233	198.190	321.196	1.916.440

[*] Includes values of equity redemption units

At June 30, 2018 and December 31, 2017, a positive shift of 100 BP on the interest rate curve used to discount expected future flows on debt instruments measured by internal models, would result in decreases of around €1 thousand and €73 thousand in fair value in the balance sheet and fair value reserves and profit and loss, respectively.

At June 30, 2018, equity instruments measured using other measurement techniques (Level 3) essentially included investment structures measured on the basis of data on the net value of the underlying assets (net asset value) supplied by the management bodies or other information services providers.

<u>Derivatives</u>

Derivatives are traded in organised and OTC markets.

Listed derivatives operations are measured on prices taken from financial information systems (Reuters/Bloomberg).

OTC derivatives are measured using commonly accepted theoretical, reasonably complex theoretical models, in line with the characteristics of the product in question:

- Discounted future cash flows based on an adequate yield curve; and
- Valuations based on statistical models, accepted in the market, such as Black & Scholes.

The type of input necessary for the measurement also depends upon the characteristics of the operations, but generally include yield curves, volatility curves, equity/indices prices, exchange rates and dividend yields.

Yield curves are produced on deposit rates and swap prices taken from Reuters/Bloomberg. An adjustment based on interest rate futures or FRAs is applied to currencies with the highest exposure levels. Different future yield curves are available on future cash flows, depending on the period of the operation's indexer.

Volatility curves are produced on the basis of implicit volatilities in the prices of listed options on underlying assets. Historic volatility is calculated on the basis of the historical price series of its component parts if there are no listed options for an underlying asset.

Prices of shares/indices, exchange rates and dividend yields are taken from Reuters/Bloomberg.

According to IFRS 13 – "Fair value measurement" requirements, Caixa incorporated add-ons to its measurement of the said financial instruments to reflect its own credit risk based on a market discount curve considered to reflect the associated risk profile. Simultaneously, based on its current exposure, the Group has adopted a similar methodology to reflect counterparty credit risk on derivatives with positive fair value. The fair value thus obtained comprises the risk-free measurement affected by this addition.

CVAs/DVAs are assessed on the basis of a methodology implemented on a Caixa Geral de Depósitos Group level. This methodology is based on the estimation of exposure at the time of default – EAD ("exposure at default") on each operation and the application of risk parameters on EAD estimates in order to assess CGD's (CVA) and the counterparty's (DVA) expected loss. In the case of interest rate swaps, EAD is estimated for various future dates by modelling swaptions, thus enabling the incorporation of the future potential exposure of the operations. For the remaining products, EAD usually corresponds to the instrument's fair value on the reference date.

The risk parameters consist of PDs (probabilities of default) or LGDs (loss given defaults) and are centrally assessed by the Group on the basis of the following criteria:

- For counterparties or projects with listed debt or available credit default swap prices, the Group infers the prices' underlying risk parameters and uses them in the calculation; and
- The remaining counterparties or projects are classified on the basis of their creditworthiness based on a set of quantitative and qualitative criteria, resulting in an internal rating the Group matches to a historical PD.

CVAs (credit value adjustments) recognised In the "Financial assets held-for-trading" account and DVAs (debit value adjustments) recognised in the "Financial liabilities held-for-trading" account, at June 30, 2018, totalled €8,061 thousand and €571 thousand respectively (€32,192 thousand and €441 thousand, respectively, at December 31, 2017).

Debt instruments of financial and non-financial entities

Whenever possible, these securities are measured at market prices, based on an internally developed algorithm. This algorithm endeavours to obtain the most appropriate price for each security in accordance with a ranking of contributions defined internally by CGD. Price changes are analysed daily with the aim of ensuring the quality of the prices used.

In general the input used for internal valuations is obtained from Bloomberg and Reuters systems.

There are several securities for which market prices cannot be obtained: assets classified at levels 2 and 3. These securities are priced by the use of internal/external measurement techniques which are generally based on discounted cash flow projections. They may be forecast by a reasonably complex model ranging from simple discounted cash flows resulting from forward rates (obtained from the most adequate yield curve, which, in turn, is produced on the basis of money market rates and swap prices, whose money market component is adjusted by FRAs (interest rate futures) to a CLO (collateralised loan obligation) cascade payment on the basis of information disclosed in investor reports).

For discount purposes, internal measurements use a listed credit curve complying with the issuance's currency/sector/rating trinomial to consider the risk attached to each issuance. Segmentation between levels 2 and 3 is essentially associated with the viability of the direct observation of input sources for measurement purposes. The valuations provided by structurers, issuing entities or counterparties (external measurements) are, generally, also allocated to level 3 as are securitisations with reduced liquidity.

Yield curves are calculated on money market rates and swap prices. Euro, GBP and USD yield curves are adjusted by interest rate futures and/or FRA (forward rate agreements).

The values of the curves of the currencies with the highest exposure, at June 30, 2018 and December 31, 2017, were as follows:

	30-06-2018			31-12-2017		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	-0,4300	1,9100	0,5450	-0,4300	1,4300	0,4450
1 month	-0,4200	2,1700	0,5500	-0,4200	1,6300	0,4900
2 months	-0,3965	2,2500	0,6700	-0,3999	1,6600	0,5300
3 months	-0,3743	2,3014	0,7155	-0,3796	1,7354	0,5680
6 months	-0,3070	2,3988	0,7695	-0,3170	1,7637	0,5723
9 months	-0,2889	2,4949	0,8074	-0,3006	1,8326	0,6098
1 year	-0,2682	2,5785	0,8443	-0,2755	1,8993	0,6485
2 years	-0,1826	2,7733	0,9724	-0,1634	2,0798	0,7705
3 years	-0,0356	2,8270	1,1351	0,0074	2,1580	0,8933
5 years	0,2610	2,8620	1,3007	0,3144	2,2390	1,0440
7 years	0,5346	2,8700	1,4075	0,5630	2,3040	1,1535
10 years	0,8741	2,8930	1,5219	0,8837	2,3870	1,2853
15 years	1,2291	2,9240	1,6155	1,2447	2,4745	1,4184
20 years	1,3881	2,9220	1,6438	1,4107	2,5170	1,4664
25 years	1,4391	2,9070	1,6360	1,4717	2,5250	1,4592
30 years	1,4541	2,8870	1,6180	1,4937	2,5180	1,4402

Credit curve values are obtained from the Bloomberg/Thomson Reuters Eikon system and assessed on the prices of a series of securities complying with the currency/sector/rating trinomial.

The values of the credit curve of the Portuguese and German governments, at June 30, 2018 and December 31, 2017, were as follows:

	2018-06-30		2017-12-31	
	Portuguese Government	German Government	Portuguese Government	German Government
3 months	-0.4066	-0.6390	-0.4590	-0.8280
6 months	-0.3800	-0.6350	-0.3933	-0.8070
9 months	-0.3373	-0.6965	-0.3699	-0.7290
1 year	-0.2933	-0.6710	-0.3369	-0.7285
2 years	-0.1319	-0.6967	-0.1162	-0.6195
3 years	0.0990	-0.6010	-0.0060	-0.4919
5 years	0.5761	-0.3030	0.5092	-0.2100
7 years	1.1964	-0.0656	1.3192	0.0287
10 years	1.7678	0.3030	2.0591	0.4215
15 years	2.2607	0.6298	2.5701	0.6406
20 years	2.6527	0.7279	2.8890	0.9304
25 years	2.8421	0.8751	3.0939	1.0836
30 years	2.9171	1.0225	3.1897	1.2365

Exchange rates are assessed on the prices set by the central bank. The following table provides information on the exchange rate pairings of several relevant currencies, at June 30, 2018 and December 31, 2017:

	2018-06-30	2017-12-31
EUR/USD	1.1658	1.1993
EUR/GBP	0.8861	0.8872
EUR/CHF	1.1569	1.1702
EUR/AUD	1.5787	1.5346
EUR/JPY	129.0400	135.0100
EUR/BRL	4.4876	3.9729

Equity instruments held as part of a venture capital activity

The value of unlisted shareholders' equity instruments held as part of a venture capital activity is measured on the basis of the following criteria:

i) Prices of materially relevant transactions made by independent entities over the last six months;

ii) Multiples of comparable companies in terms of sector of activity, size and profitability;

iii) Discounted cash flows; and

iv) Settlement price comprising a subsidiary company's net equity;

Market risk

Market risk comprises the risk of a change in fair value or cash flows of financial instruments based on changes in market prices, including foreign exchange, interest rate and price risks.

Market risk is assessed on the basis of the following methodologies:

. Value at Risk (VaR) on the following portfolios:

  . Held-for-trading portfolio – perimeter of positions and held-for-trading transactions originating in CGD Group;

  . Trading portfolio – includes securities and derivatives traded with the objective of detecting business opportunities over the short term;

  . Own portfolio – securities acquired for investment purposes upon which deleveraging operations are currently being performed;

  . Investment portfolio – with the aim of setting up a value and liquidity reserve including the remaining securities in Caixa's own portfolio and associated hedges, except for equity stakes and securitised credit;

  . Treasury management activity – comprising money market funding, derivatives associated with this activity and debt issuances exposed to market risk;

  . Branches – CGD New York; and,

  . Subsidiaries – Caixa BI, BCG Spain, BCG Brasil and BNU Macau.

. Sensitivity analysis on all financial instruments sensitive to interest rate risk recognised in Caixa's and the following Group business units' individual financial statements;

  . Caixa - Banco de Investimento;

  . BCG Spain; and

  . BNU Macau.

. Sensitivity analysis on all financial instruments with optionality; and

. Stress tests.

VaR (value-at-risk) analysis – market risk

VaR (value-at risk) is an estimate of the maximum unrealised loss on a specific assets portfolio over a given timeframe, considering a given confidence level based on normal market patterns.

The calculation methodology is based on historical simulation, i.e. future events are totally explained by past events, based on the following assumptions:

- holding period: 10 days (investment and own portfolios, branches and subsidiaries) and 1 day (trading portfolio and treasury management activity);

- confidence level: 99% (investment and own portfolios, branches and subsidiaries) and 95% (trading portfolio and treasury management activity);

price sample period: 730 calendar days; and

decay factor =1, i.e. all past observations carry the same weight.

The theoretical price for options is calculated by the use of adequate models and implied volatility. Given the methodology used, correlations are not calculated but empirical.

The following is a breakdown of VaR, at June 30, 2018 and December 31, 2017:

Activity of Caixa Geral de Depósitos

Held-for-Trading portfolio (VaR 99%, 10 days)

	2018-06-30	Maximum	Minimum	2017-12-31
VaR	20,412	21,990	14,329	21,889

Held-for-Trading portfolio (VaR 95%, 1 day)

	2018-06-30	Maximum	Minimum	2017-12-31
VaR by type of risk				
Interest rate	463	517	320	413
Foreign exchange rate	64	4,642	21	97
Price	35	45	22	26
Volatility	21	30	13	28
Diversification effect	(111)			(169)
	473			395

Treasury management (VaR 95%, 1 day)

	2018-06-30	Maximum	Minimum	2017-12-31
VaR by type of risk				
Interest rate	141	976	141	976
Foreign exchange rate	2,626	5,889	1,427	4,444
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	(203)			(766)
	2,564			4,654

Own portfolio (VaR 99%, 10 days)

	2018-06-30	Maximum	Minimum	2017-12-31
VaR by type of risk				
Interest rate	1,786	1,786	12	106
Foreign exchange rate	59	71	0	72
Price	1,597	9,710	1,129	9,635
Volatility	-	-	-	-
Diversification effect	(1,685)			(153)
	1,757			9,660

Investment portfolio (VaR 99%, 10 days)

	2018-06-30	Maximum	Minimum	2017-12-31
VaR by type of risk				
Interest rate	60,862	105,463	59,026	101,491
Foreign exchange rate	-	-	-	-
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	-			-
	60,862			101,491

Investment banking activity

Caixa - Banco de Investimento (VaR 99%, 10 days)

	2018-06-30	Maximum	Minimum	2017-12-31
VaR by type of risk				
Interest rate	8,658	12,518	8,438	11,160
Foreign exchange rate	1,038	1,671	973	1,664
Price	140	165	126	130
Volatility	4	212	2	203
Diversification effect	(2,725)			(1,540)
	7,113			11,616

The diversification effect is calculated implicitly. Total VaR refers to the combined effect of interest rate, price, exchange rates and volatility risks.

38. SUBSEQUENT EVENTS

Following the implementation of the deleveraging plan on its non-performing assets, agreed with DG Comp (Directorate General for Competition of the European Commission) and submitted to the supervisor, in August 2018, Caixa Group disposed of several buildings received as payment in kind and investment properties for a balance sheet carrying amount of €85,720 thousand, net of impairment, on the date of sale.

Caixa Geral de Depósitos’s board of directors is also putting the final touches to an agreement for the disposal of corporate segment loans for a nominal outstanding amount of €854,000 thousand at the transaction’s cut off date of March 2018. This portfolio includes operations for the amount of €214,000 which, at June 30, 2018 had already been written-off from assets.

The book value of operations remaining in the balance sheet at June 30, 2018, net of impairment, totalled approximately €124,000 thousand.

The nature of the contractual aspects which are still being discussed between the parties, including the possibility of an adjustment to the operations’ perimeter, makes it impossible, at the present time, to assess the transaction’s accounting impacts although they are estimated to be positive.

2.2. Information transparency and asset valuation

ADOPTION OF RECOMMENDATIONS RELATED TO INFORMATION TRANSPARENCY AND ASSET VALUATION, ACCORDING TO THE BANK OF PORTUGAL'S CIRCULAR LETTER NO. 97/2008/DSB, OF 3 DECEMBER AND CIRCULAR LETTER NO. 58/2009/DSB OF 5 DECEMBER.

I.	**Business Model**	
1.	Description of business model (i.e. reasons for the development of activities/businesses and their respective contribution to the value creation process) and, if applicable, the changes made (e.g. as a result of the period of turmoil);	Board of Directors' Report 2017: • Message from the Chairman and CEO of Board of Directors • The year 2017 • Activity and financial information Corporate Governance Report 2017.
2.	Description of strategies and objectives (including strategies and objectives specifically related with securitisation operations and structured products);	See I.1 above. Board of Directors' Report 1st half 2018: • Activity and financial information • Notes 12, 20 and 22 of Annex to the Consolidated FS-Financial Statements (Securitisation operations & Structured products).
3	Description of the importance of the activities performed and their respective contribution to the business (including a quantitative approach);	Board of Director's Report 2017: • The year 2017 • Activity and financial information Board of Director's Report – 1st half 2018: • Activity and financial information • Notes 25 and 35 of Annex to the Consolidated FS.
4.	Description of the type of activities performed, including a description of the instruments used, their operation and qualification criteria with which the products/investments must comply;	See items I.1 to I.3 above. Board of Directors' Report 2017: • Risk management Board of Director's Report – 1st half 2018: • Note 2 of Annex to the Consolidated FS.
5.	Description of the objective and amplitude of the institution's involvement (i.e. commitments and obligations assumed) for each activity performed;	See items I.1 to I.3 above.
II.	**Risks and Risk Management**	
6.	Description of the nature and amplitude of the risks incurred on activities performed and instruments used;	Board of Directors' Report 2017: • Risk management • Note 41 (description of the financial risk management policies inherent to the group's activity, the monitoring thereof, maximum exposure to credit risk, credit quality, liquidity risk, interest rate risk, foreign exchange risk, market risk and VaR analyses and sensitivity to interest rate) of Annex to the Consolidated FS. Board of Director's Report – 1st half 2018: • Note 37 of Annex to the Consolidated FS.
7.	Description of risk management practices relevant to the activities (particularly including liquidity risk in the present context), description of any fragilities/ weaknesses identified and the corrective measures taken;	See II.6 above.
III.	**Impact of period of financial turmoil on results**	
8.	A qualitative and quantitative description of the results, particularly losses (when applicable) and impact of write-downs on results;	Board of Director's Report – 1st half 2018: • Activity and financial information • Notes 6, 8, 17 and 34 of Annex to the Consolidated FS.

III.	**Impact of period of financial turmoil on results (cont.)**	
9.	Breakdown of write-downs/losses by types of products and instruments affected by the period of turmoil, namely: commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised debt obligations (CDO), asset-backed securities (ABS);	Board of Director's Report – 1st half 2018: • Note 37 (types of products and instruments affected by the period of turmoil) of Annex to the Consolidated FS.
10.	Description of the reasons and factors responsible for the impact;	Board of Director's Report – 1st half 2018: • Economic and Financial Situation • Activity and financial information See items III. 8 and III.9 above.
11.	Comparison of: i) Impacts between (relevant) periods; ii) Financial statements before and after the impact of the period of turmoil;	See items III.8 to III.10 aboves.
12.	Breakdown of "write-downs" between realised and unrealised amounts;	Board of Director's Report – 1st half 2018: • Note 37 of Annex to the Consolidated FS See items III.8 to III.10 above.
13.	Description of the influence of the financial turmoil on the entity's share prices;	N.A.
14.	Disclosure of maximum loss risk and description of how the institution's situation could be affected by the prolongation or worsening of the period of turmoil or market recovery;	Board of Director's Report – 1st half 2018: • Main risks and uncertainties in second half 2018 See item III.10 above.
15.	Disclosure of impact of the evolution of the spreads associated with the institution's own liabilities on results in addition to the methods used to determine this impact;	Board of Director's Report – 1st half 2018: • Activity and financial information Liabilities issued by CGD Group are recognised at amortised cost.
IV.	**Levels and types of exposures affected by the period of turmoil**	
16.	Nominal (or amortised cost) and fair value of "live" exposures;	Board of Directors' Report 2017: • Risk management Board of Director's Report – 1st half 2018: • Note 2 and Note 37 (comparison between the fair and book value of assets and liabilities recognised at amortised cost) of Annex to the Consolidated FS.
17.	Information on credit risk mitigating factors (e.g. credit default swaps) and respective effect on present exposures;	Board of Director's Report – 1st half 2018: • Note 2 (describes the accounting policies for derivatives and hedge accounting), Note 10 and Note 37 of Annex to the Consolidated FS.
18.	Detailed disclosure of exposures, broken down by: -Level of seniority of exposures/tranches held; -Level of credit quality (e.g. ratings, vintages); -Geographic areas of origin; -Sector of activity; -Origin of exposures (issued, retained or acquired); -Product characteristics: e.g. ratings, weight/proportion of associated sub-prime assets, discount rates, spreads, finance; -Characteristics of underlying assets: e.g. vintages, loan-to-value ratio, credit rights; weighted average life of underlying asset, presuppositions on the evolution of prepayment situations, expected losses;	Board of Director's Report – 1st half 2018: • Note 37 of Annex to the Consolidated FS.

IV.	Levels and types of exposures affected by the period of turmoil (cont.)	
19.	Movements occurring in exposures between relevant reporting periods and reasons underlying such changes (sales, write-downs, purchases, etc.);	See items III.8 to III.15 above.
20.	Explanations of exposures (including “vehicles” and, in this case, respective activities) which have not been consolidated (or which have been recognised during the crisis) and associated reasons;	N.A.
21.	Exposure to monoline type insurance companies and quality of insured assets: -Nominal amount (or amortised cost) of insured exposures in addition to the amount of credit protection acquired; -Fair value of "live” exposures and respective credit protection; -Value of write-downs and losses, split up between realised and unrealised amounts; -Breakdown of exposures by rating or counterparty;	CGD does not have any exposure to monoline type insurance companies.
V.	Accounting policies and valuation methods	
22.	Classification of transactions and structured products for accounting and respective processing purposes;	Board of Director’s Report – 1st half 2018: • Note 2 (description of the financial instruments and how they are processed in the accounts) of Annex to the Consolidated FS.
23.	Consolidation of Special Purpose Entities (SPEs) and other "vehicles" and their reconciliation with the structured products affected by the period of turmoil;	N.A.
24.	Detailed disclosure of the fair value of financial instruments: -Financial instruments at fair value; -Fair value ranking (breakdown of all exposures measured at fair value in the fair value ranking and breakdown between liquid assets and derivative instruments in addition to disclosure of information on migration between ranking levels); -Processing of “day 1 profits” (including quantitative information); -Use of fair value option (including conditions of use) and respective amounts (with an adequate breakdown);	Board of Director’s Report – 1st half 2018: • Notes 7, 8 and 37 of Annex to the Consolidated FS. See item IV.16 above.
25.	Description of modelling techniques used to value financial instruments, including information on: -Modelling techniques and instruments on which they are applied; -Valuation processes (particularly including the assumptions and inputs upon which the models are based); -Types of adjustment applied to reflect the modelling risk and other valuation uncertainties; -Sensitivity of fair value (namely changes to assumptions and key inputs); -Stress Scenarios;	Board of Directors’ Report 2017: • Note 41 of Annex to the Consolidated FS; Board of Director’s Report – 1st half 2018: • Note 2 and 37 of Annex to the Consolidated FS (information and processes applied by CGD in the valuation of financial instruments).
VI.	Other relevant disclosure aspects	
26.	Description of disclosure policies and principles used for reporting disclosures and financial reporting.	Board of Director’s Report – 1st half 2018: • Note 2 of Annex to the Consolidated FS.

2.3. Report on Limited Review of Condensed Consolidated Financial Statements

Ernst & Young
Audit & Associados - SROC, S.A.
Avenida da República, 90-6º
1600-206 Lisboa
Portugal

Tel: +351 217 912 000
Fax: +351 217 957 586
www.ey.com

(This report is a free translation of the Portuguese version in case of any doubt or misinterpretation the Portuguese version will prevail)

Report on Limited Review of Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying condensed consolidated financial statements of Caixa Geral de Depósitos, S.A. (" Group" or " CGD") which comprise the condensed consolidated balance sheet as at June 30, 2018 (which shows a total of 91.507.911 thousands euros and total shareholder equity attributable to CGD of 7,816,959 thousand euros, including a net income attributable to the shareholder of CGD of 194.099 thousand euros), the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and accompanying notes thereto, including a summary of significant accounting policies.

Responsibilities of management

Management is responsible for the preparation of these condensed consolidated financial statement s in accordance with International Financial Reporting Standards as endorsed by the European Union, for Interim Financial Reporting purposes (IAS 34), and designing and maintaining an appropriate system of internal control to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express a conclusion on these condensed consolidated financial statements. We conducted our limited review in accordance with International Standard on Review Engagement s 2410, " Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and further technical and ethical guidelines from Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). These Standards require that our work be conducted for the purpose of expressing a conclusion about whether anything has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards as endorsed by the European Union, for Interim Financial Reporting (IAS 34) purposes.

A limited review of interim financial statements consist s of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of Caixa Geral de Depósitos, S.A. as at June 30, 2018 have not been prepared, in all material respects, in accordance with International Financial Reporting Standards as endorsed by the European Union, for Interim Financial Reporting (IAS 34) purposes.

Emphasis of Matter

Without modifying our conclusion, we draw attention to the following situations:

1. As described in Note 16 "Income Tax" to the condensed consolidated financial statements, for the purposes of calculating deferred tax assets as of June 30, 2018, and in the absence of a tax regime applicable to impairment losses for credit risk, the Group considered the regime applicable in 2017, as defined in Regulatory Decree no. 11/2017 of December 28, which aimed to reproduce the tax regime that was in force until December 31, 2016. This Regulatory Decree No. 11/2017 states that, in 2018, a definitive tax regime will be approved in respect of this matter. However, this has not yet occurred, such that uncertainties remain about the final wording. Any amendments to t he tax legislation that differ to the assumptions made by the Board of Directors may have an impact on the assessment of the Group's ability to generate future taxable income and, therefore, the amount of deferred tax assets recorded.

2. The consolidated financial statements as at December 31, 2017 were prepared in accordance with the requirements set out in the International Accounting Standard 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), which was superseded by the International Financial Reporting Standard 9 - Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 establishes new requirements for the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules and do not envisage the mandatory restatement of the prior year consolidated financial statements. Therefore the condensed consolidated financial statements as of June 30, 2018, which were prepared in accordance with the requirements of IFRS 9, are not comparable with the financial statements presented for comparative purposes.

Lisbon 28th September 2018

Ernst & Young Audit & Associados – SROC, S.A. Sociedade de Revisores Oficiais de Contas Represented by:

(Signed)

Ana Rosa Ribeiro Salcedas Montes Pinto - ROC nº 1230 Registered at CMVM with No. 20160841