ANNUAL REPORT 2016

CGD Reports

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Index

1. BOARD OF DIRECTORS' REPORT

1.1. On this Report

This is the second consecutive year in which CGD is using an integrated reporting model, through the inclusion of relevant sustainability-related information in its annual report. The aim of this comprehensive approach is to implement best practices and reporting evolution trends, including Directive 2014/95/EU on the non-financial reporting of public interest entities.

This Directive is currently being incorporated into domestic legislation and must be applied from the financial year starting 1 January 2017 or during the 2017 calendar year.

With the aim of bringing forward the coming into force of this obligation, CGD has, since the publication of its 2015 report, been progressively integrating financial and sustainability information in a single report, with a concise presentation of strategy, governance model, performance and outlook, providing an overview of the whole company and its sustainability.

This reports therefore aims to submit information on CGD's performance, as related to issues having a material effect on the Bank's value generating capacity over time, for the consideration of the various stakeholder groups.

The sustainability-related issues were appraised in line with the most recent GRI – Global Reporting Initiative Directives (GRI Standards), including the financial supplement for the "comprehensive" option.

To provide for these Directives and select the issues to be included in this report, CGD has formed its conclusions on the results of a materiality analysis based on the results of an internal and external stakeholders' consultation process and internal classification, which took place in 2015, of the impact of the referred to issues.

The sustainability-related information in this report has been independently certified by an external entity – Deloitte & Associados, SROC, SA, – as set out in item 2.5 Certification of Non-Financial Information. This certification analysed the conformity and reliability of the information supplied in accordance with GRI Standards Directives and includes a financial supplement to ensure that it provides an appropriate reflection of CGD's effective circumstances. Although the sustainability-related information particularly refers to CGD's activities in Portugal, information is also provided on the sustainability-related performance of the following CGD Group entities:

- CGD Group companies: Caixa - Banco de Investimento, SA; Caixa Gestão de Activos, SGPS; Agrupamento Complementar de Empresas; Sogrupo Compras e Serviços Partilhados, ACE and Sogrupo Sistema de Informação, ACE;
- Affiliate banks: Banco Interatlântico, SA and Banco Comercial do Atlântico, SA, both from Cape Verde; Banco Caixa Geral Brasil, SA.

Although the scope of the report is, in the case of CGD, SA, aligned with the results of the materiality analysis, the affiliate banks report several indicators in accordance with their monitoring capacity, as identified in the GRI Content Index, available at https://www.cgd.pt/English/Institutional/Sustainability/Reporting-and-performance/Pages/Reporting-and-performance.aspx

CGD continues to be interested in receiving feedback from its readers to enable it continue to make improvements to its corporate report and can be contacted at the following email address: investor.relations@cgd.pt.

1.2. Message from the Chairman of the Board of Directors and the CEO

2016 was an extremely eventful year for Caixa Geral de Depósitos, SA (Caixa/CGD). Special reference should be made to two such events: CGD celebrated its 140th birthday and took several very important steps to prepare its future. This involved the preparation and negotiation of its recapitalization and strategic plans with the European authorities, culminating, in August 2016, with the agreement in principle between the European Commission and the Portuguese state.

This agreement, readjusted, was formally approved on 10 March 2017 and permitted Portugal's largest ever recapitalization of €4,444 million. It should be emphasised that this was not considered to be state aid, having met all of the requirements a private investor would need to comply with to make an investment with such characteristics. This increase in its shareholders' equity will enable CGD to comply with regulatory capital ratios, together with those of Pillar 2 and the own funds reserves established by the supervisors.

This will allow Caixa, across the next 4 years, to implement its strategic plan, with a decisive focus on its activity of backing the national economy, adjusting its value proposal to meeting the financial needs of Portuguese households and corporates, without disregarding the need to simplify processes and optimise structures, as agreed with the European Commission, in its indispensable compliance with the Portuguese state's undertakings.

Caixa's international presence will, at the same time, be rationalised and its governance model improved, focusing endeavours on the main markets having an affinity with Portugal. Trust will continue to be incremented on the basis of a robust risk management model and the organic strengthening of solvency levels.

Although there are many challenges facing Caixa, its success in meeting such challenges will enable it to compete in a highly demanding and competitive banking market, generating adequate profitability to satisfy shareholder returns and providing for future capital requirements, cementing its status as a structuring element of the national financial system and continuing to be a safe harbour for the savings of Portuguese citizens.

This challenge is based on a solid departure point anchored by Caixa's current market shares in Portugal, its extensive, loyal customer base and current capitalisation level. This departure point will enable it to work on improving its margins and adjusting its commissions earnings through quality products and services to meet its customers' needs, making it possible to optimise operational costs and improve its efficiency while also achieving an annual cost of risk in line with best practice.

In implementing its strategic plan, Caixa will simultaneously pursue its Sustainability Strategy, maintaining its commitment to responsible business areas, the community and the environment, based on its status as a subscriber to the Global Compact's 10 Principles and continuing to implement the United Nations' Sustainable Development Objectives.

Achieving the major transformation to be implemented in Caixa will depend upon the contribution of each employee. The road ahead has been clearly set out and everybody knows what they have to do and why. Our unequivocal decision to strengthen CGD's leadership is an opportunity and a liability for us all. Our organisation has the necessary capacity and competence – not only in terms of knowledge but also how to implement it – together with the indispensable commitment of each Caixa employee.

We are therefore confident that we shall safely arrive at the end of the road that lies ahead.

Paulo Moita de Macedo | Emilio Rui Vilar

1.3. Highlights in 2016

The following were the most relevant events that took place in the CGD Group, in 2016:

- The European Commission and the Portuguese state reached heads of agreement on a global recapitalization of €4.9 billion for CGD, without being considered as state aid.
- In the sphere of this agreement CGD valued its assets in line with the valuation principles required of a new private investor, resulting in significantly higher impairment and provisions.
- This increase in impairment and provisions enabled a major reduction of credit at risk and an improvement in the level of impairment cover.
- Change in the governance model which now comprises a Board of Directors (including an Executive Committee and various specialised Committees) and, in the inspection area, a Supervisory Board and a Statutory Audit Company, to ensure effective separation between management and inspection functions.
- In operational terms, core operating income, as the sum of net interest income and commissions, net of operating costs, was up 68.7% over the preceding year to €368 million.
- CGD Group enjoyed a highly comfortable liquidity situation across the year, with low financing requirements of around 3.8% of its total assets from the ECB in December 2016 and continued to benefit from the high levels of trust of its individual customers in their investments.
- Considering the components of the Recapitalization plan subject to the terms of the referred to heads of agreement and implemented in first quarter 2017, the *pro forma* amounts of the phased-in and fully implemented Common Equity Tier 1 (CET 1) ratios, at 1 January 2017, were 12.1% and 11.8%, respectively. In turn, CGD had Tier 1 and fully phased-in ratios of 13.0% and 14.1%, respectively.

RESULTS [1]

While advancing in its Recapitalization plan, CGD has completed a management assessment of its assets following the valuation principles of a new relevant private investor, as agreed with DGComp. This exercise produced €3,016.9 million of new impairment and provisions for 2016.

Following the significant increase of impairment and provisions, together with credit write-offs, CGD reduced its credit at risk to 10.5% of its credit portfolio. Coverage by impairments reached 79% including 100% coverage achieved in the corporate loans segment. Credit more than 90 days overdue coverage reached 123.9% increasing 21.7 p.p. when compared to 2015.

The referred amount of €3,016.9 million recorded as impairment and provisions was decisive for net income of €-1,859.5 million achieved in 2016.

[1] The December 2015 values have been restated, considering Mercantile Bank Holdings, Ltd. as a non-current asset held for sale.

Core operating income, in 2016, comprising the sum of net interest income and commissions, net of operating costs in 2016, was up 68.7% over the preceding year to €368.1 million, having benefited from the performance of net interest income and operating costs.

Net interest income was up 5.5% by €60.2 million over the preceding year to €1,144.9 million.

Total operating income was down €451.7 million to €1,547.2 million, in 2016, in comparison to the preceding year. This decrease resulted essencially from the €266.4 million reduction in income from financial operations, which amounted to €79.5 million, and from other operating losses of €189.0 million (also a consequence of the asset assessment exercise).

Operating costs, in 2016, were down 9.1% over the preceding year, having benefited from containment across all of its component parts. Excluding the recognition of the non-recurring cost of the pre or early retirement programme in progress (Horizonte plan) in 2015 and in 2016, the reduction would have been 5.5%.

BALANCE SHEET

CGD Group's consolidated net assets were down 7.3% over the end of 2015 to €93,547 million at the end of 2016.

Customer resources were down 5.1% over the preceding year to €69,680 million. The reduction in deposits was mainly due to the institutional clients segment, while the individuals segment experienced a slight decrease as a consequence of a strong placement effort of OTRVs (Floating Rate Bonds) throughout the year.

Loans and advances to customers (gross), including loans with repurchase agreements, were down 3.7% over the preceding year to €68,735 million, strongly influenced by write-offs. There was a 5.1% increase in loans and advances to individual customers over December 2015, as opposed to the 10.8% decrease in loans and advances to companies.

Reference should be made to the 13.5% growth of new mortgage loan agreements which, albeit totalling an amount of €1,186.8 million, in 2016, were insufficient to offset portfolio maturities.

Following the above referred to significant increase of impairment and provisions and credit write-offs, CGD's credit at risk ratio, calculated in accordance with Bank of Portugal criteria, was reduced to 10.5% while, at the same time achieving impairment cover of 79.0%, particularly including the 99.9% cover achieved in the corporate loans segment, as opposed to 48.0% for loans and advances to individual customers. The credit at risk ratio not covered by impairment, currently standing at 2.2% of total credit, evidences the increasing financial strength of CGD's credit portfolio.

The loans-to-deposits ratio, in December 2016, was 90.6% against 90.1% in December 2015, reflecting the strong liquidity position of the Group.

LIQUIDITY

CGD Group had total financing of €3,527 million from the ECB at the end of 2016 (up €761 million over December 2015), 3.8% of total assets, clearly showing its comfortable liquidity position.

The LCR (liquidity coverage ratio) of 177.5% was higher than regulatory requirements.

Net Stable Funding Ratio (NSFR) was 134.1% at the end of 2016 (135.9% a year before).

SOLVENCY

The phased-in common equity tier 1 (CET 1) and total ratios calculated under CRD IV/CRR rules were 7.0% and 8.1%, respectively, in December 2016.

Considering the component parts of the Recapitalization plan already implemented in January 2017 (capital increase in kind –Parcaixa shares and CoCo bonds – and the elimination of available negative items), in addition to the components planned for 2017 (capital increase of €2,500 million by the state, as well as the market issuance of €500 million in AT1 (additional tier 1) subordinated debt), the pro forma values of the phased-in and fully implemented Common Equity Tier 1 (CET 1) ratios at 31 December 2016, would amount to 12.1% and 11.8%, respectively. CGD's Tier 1 and Total phased-in ratios will, in turn, be 13.0% and 14.1%, after the conclusion of the Recapitalization Plan.

These ratios decisively increase CGD's financial strength, building the foundation to preserve CGD's leadership position of the Portuguese financial system, and its role supporting families and corporates.

The fully implemented Leverage ratio was 3.3% at the end of 2016. However, considering the above mentioned two stages of the Recapitalization Plan, the ratio would be 7.8%.

ECONOMIC PERFORMANCE

(EUR million)

INCOME STATEMENT	2013	2014	2015	2016
Net interest income incl. income equity instrum.	931	1,038	1,188	1,197
Non-interest income	770	700	854	350
Total Operating Income	1,704	1,738	2,042	1,547
Operating costs	1,394	1,328	1,392	1,240
Net Operating Income before Impairments	310	411	650	307
Income before tax and non-controlling interests	-674	-234	-21	-2,652
Net income	-576	-348	-171	-1,860
BALANCE SHEET				
Net assets	112,963	100,152	100,901	93,547
Securities investments(1)	19,502	19,562	19,649	15,581
Loans and advances to customers (gross) (2)	74,587	72,785	71,376	68,735
Customer resources	67,824	71,134	73,426	69,680
Debt securities	8,791	7,174	6,700	4,184
Shareholders' equity	6,821	6,493	6,184	3,883
PROFIT AND EFFICIENCY RATIOS				
Gross return on equity - ROE (3)	-9.4%	-3.2%	-0.3%	-46.5%
Net return on equity - ROE (3)	-7.1%	-3.6%	-1.3%	-32.0%
Gross return on assets - ROA (3)	-0.6%	-0.2%	0.0%	-2.7%
Net return on assets - ROA (3)	-0.4%	-0.3%	-0.1%	-1.8%
Cost-to-income (3)	81.5%	75.5%	66.6%	77.8%
Total Operating Income / Average net assets (3)	1.5%	1.7%	2.1%	1.6%
CREDIT QUALITY AND COVER LEVELS				
Overdue credit / Total credit	6.6%	7.7%	7.6%	7.2%
Credit more than 90 days overdue / Total credit	6.1%	7.1%	7.2%	6.6%
Non-performing credit / Total credit (3)	7.5%	8.9%	9.3%	8.4%
Credit at risk / Total credit (3)	11.3%	12.2%	11.5%	10.5%
Restructured credit / Total credit (3)	n.a.	10.6%	10.0%	9.0%
Restr. crd. not incl. in crd. at risk / Total crd. (3)	n.a.	6.3%	5.6%	4.2%
Credit more than 90 days overdue coverage	99.9%	102.3%	102.2%	123.9%
Crd. Imp. (P&L) / Loans & adv. custom. (aver.)	1.06%	1.18%	0.78%	3.42%

NOTE: Values published in the Annual Report of the respective period, not including any reexpression effects of the the financial statements.
(1) Includes assets with repo agreements not related to loans and advances to customers and trading derivatives.
(2) Includes assets with repo agreements not related to secutity investments.
(3) Ratios defined by the Bank of Portugal.

STRUCTURE RATIOS	2013	2014	2015	2016
Loans & adv. custom. (net) / Custom. dep. (3)	103.6%	94.5%	90.1%	90.6%
SOLVENCY RATIOS (CRD IV/CRR)(4)				
Common equity tier 1 - com DTA *(phased-in)*	n.a.	n.a.	10.9%	7.0%
Tier 1 - considering DTA *(phased-in)*	n.a.	n.a.	10.9%	7.0%
Total - considering DTA *(phased-in)*	n.a.	n.a.	12.3%	8.1%
Common equity tier 1 - *considering DTA (fully implemented)*	n.a.	n.a.	10.0%	5.5%
LEVERAGE AND LIQUIDITY RATIOS (CRD IV/CRR)				
Leverage ratio (fully implemented)	n.a.	6.1%	5.7%	3.3%
Liquidity coverage ratio	n.a.	103.6%	143.1%	177.5%
Net stable funding ratio	n.a.	126.0%	135.9%	134.1%
BRANCH OFFICE NETWORK AND HUMAN RESOURCES				
Number of branches - CGD Group	1,277	1,247	1,253	1,211
Number of branches - CGD Portugal	805	787	764	717
Number of employees - CGD Group (5)	19,608	15,896	16,058	15,452
Number of employees - CGD Portugal (5)	9,049	8,858	8,410	8,113
RATINGS (LONG/SHORT TERM)				
Moody's	Ba3/NP	Ba3/NP	B1/NP	B1/NP
Standard & Poor's	BB-/B	BB-/B	BB-/B	BB-/B
FitchRatings	BB+/B	BB+/B	BB-/B	BB-/B
DBRS	BBB (low) R-2 (mid)	BBB (low) R-2 (mid)	BBB (low) /R-2 (mid)	BBB (low) /R-2 (mid)

NOTE: Values published in the Annual Report of the respective period.
(3) Ratios defined by the Bank of Portugal.
(4) Considering the Special Regime applicable to DTA – Deferred Tax Assets (according to IAS).
(5) Effective staff.

SUSTAINABILITY

CGD remained committed to its sustainability vision, continuing, in 2016, to implement its Sustainability Strategy for the three year period 2015-2017, in 10 operating areas.

CGD joined the Portuguese Coordinating Committee for the Alliance with SDGs – Sustainable Development Goals of the United Nations.

2016 was a year of major investment in the restructuring of services and continuation of the employee complement readjustment process, with a reduction of around 8% in the number of CGD SA employees over the preceding year. The Corporate Operating Model continued to be implemented with the aim of disseminating information on best human resources management practices and strengthening Group culture, in which reference should be made, in terms of structuring projects in this area, to the development of a Leadership Training Programme and a new Table of Functions in order to group knowledge areas and the technical skills required to perform activities.

In addition to maintaining its Placements Programme, Caixa also continued to invest in various thematic areas in the community, namely through the fresh growth of its Financial Literacy Programme in 2016.

The *Fundo Caixagest Investimento Socialmente Responsável – Fundo de Investimento Mobiliário Aberto* ["Caixagest Socially Responsible Investment Fund – Open-ended Investment Fund"], available since the start of 2017, was developed to further the commitment to sustainable investment. This fund provides investors with a diversified range of assets, comprising companies with an above average sustainability performance (Ethibel Sustainability Index ® (ESI) Excellence Europe).

Caixa furthered its *Young VolunTeam* programme for young people which was distinguished in the Volunteering category by the *Recognition of Social Responsibility Practices* organised by APEE (Portuguese Ethical Business Association). Caixa was also extremely gratified to be distinguished by APEE for its bank cards recycling project which aroused great interest from the community and which was selected as an example in the ECO.NOMIA, portal as a Ministry of the Environment initiative for the "Circular Economy".

SOCIAL PERFORMANCE (*)

	2013	2014	2015	2016
No. of employees (1)	9,892	9,649	9,135	8,449
No. of apprenticeships granted	323	307	306	230
Investments in the community (thousand €)	14,467	13,393	13,027	11,368

(*) Refers to the operations of CGD, SA.
(1) CGD employees.

ENVIRONMENTAL PERFORMANCE (*)

	2013	2014	2015	2016
Fuel consumption in buildings and vehicle fleet (GJ)	58,415	57,932	56,149	52,375
Electricity consumption (GJ)	291,643	267,555	275,282	259,833
Costs with energy and water consumption per employee (thousand €/employee)	1.61	1.66	1.68	1.53

(*) Refer to CGD, SA.'s operations in Portugal.
GJ - Gigajoules

In terms of its environmental performance, Caixa continued to reduce its environmental footprint owing to its implementation of energy efficiency measures over the last few years, having achieved a 7% reduction of its energy consumption associated with the burning of fossil fuel in its buildings and vehicle fleet and a 6% reduction of its electricity consumption, in 2016.

1.4. CGD Today

1.4.1. MISSION AND VALUES

MISSION

CGD's mission consists of making a decisive contribution to the development of the national economy in a framework of balanced evolution between profitability, growth and financial strength, accompanied by prudent risk management, to enhance the stability of the national financial system.

As a driving force behind the country's economic development, CGD's mission comprises the following:

- A strengthening of the competitiveness, innovation capacity and internationalisation of Portuguese companies, particularly SMEs, ensuring their respective funding requirements;
- Promoting manufacturing activity, particularly tradable goods and services oriented to export or import substitution;
- Backing the entrepreneurship and recapitalization process of Portuguese companies;
- The provision of solutions to meet the borrowing requirements of Portuguese households at various times in their lifecycles, encouraging savings and national investment.

VALUES

CGD's activity and its employees' conduct are governed by the following fundamental values:

- Rigour, which includes objectivity, professionalism, technical skill and diligence always geared to achieving higher levels of quality and economic, financial, social and environmental efficiency, based on the adoption of best banking and financial practice;
- Transparency of information, namely as regards conditions governing the provision of services and the organisation's performance, operating with truth and clarity;
- Security of investments, with prudent risk management and CGD's stability and strength as a sine qua non;
- Organisational and personal responsibility for own actions, endeavouring to correct eventual negative impacts. This includes socially responsible performance and commitment to sustainable development;
- Integrity, understood to mean scrupulous legal, regulatory and contractual compliance and ethical values and operating principles adopted;
- Respect for interests which have been entrusted, acting with courtesy, discretion and loyalty, in addition to principles of non-discrimination, tolerance and equality of opportunities.

1.4.2. CGD GROUP

SHAREHOLDERS' STRUCTURE

Caixa Geral de Depósitos' capital is owned by the Portuguese State as its sole shareholder. Share capital, at 31 December 2016 totalled €5,900 million.

In 2017, following CGD's two recapitalization process stages described in chapter 1.5.2. Recapitalization Plan, namely following its absorption of retained losses, shareholders' equity amounted to €3,844,143,735, in the form of 768,828,747 shares with a nominal value of €5.00 each.

CGD GROUP STRUCTURE

Caixa Geral de Depósitos Group has direct and indirect equity stakes in a series of domestic and international companies operating in diverse sectors such as commercial banking, investment banking and venture capital, asset management, specialised credit and real estate.

CAIXA GERAL DE DEPÓSITOS GROUP (Percentage of effective participating interest)

	DOMESTIC		INTERNATIONAL	
COMMERCIAL BANKING	Caixa Geral de Depósitos		Banco Caixa Geral (Spain)	99.8%
			Banco Caixa Geral (Brazil)	100.0%
			Banco Nacional Ultramarino (Macau)	100.0%
			B. Comercial do Atlântico (Cape Verde)*	57.9%
			B. Interatlântico (Cape Verde)	70.0%
			Mercantile Bank Hold. (South Africa)	100.0%
			Parbanca, SGPS	100.0%
			B. Com. Invest. (Mozambique)	52.1%
			Partang, SGPS	100.0%
			Banco Caixa Geral (Angola)	51.0%
ASSET MANAGEMENT	Caixa Gestão de Activos, SGPS	100.0%		
	CaixaGest	100.0%		
	CGD Pensões	100.0%		
	Fundger	100.0%		
SPECIALISED CREDIT	Caixa Leasing e Factoring IFIC	51.0%	Promoleasing (Cape Verde)*	57.9%
	Locarent	50.0%		
INVESTMENT BANKING AND VENTURE CAPITAL	Caixa Banco de Investimento	99.8%	A Promotora (Cape Verde)*	45.3%
	Caixa Capital	99.8%	CGD Investimentos CVC (Brazil)	99.9%
	Caixa Desenvolvimento, SGPS	99.8%		
AUXILIARY SERVICES	Caixatec- Tecnologias de Informação	100.0%	Inmobiliaria Caixa Geral (Spain)	100.0%
	Caixanet	80.0%	Imobci (Mozambique)	45.2%
	Imocaixa	100.0%		
	Esegur	50.0%		
	Sogrupo Sistemas Informação ACE	80.0%		
	Sogrupo Compras e Serviços Partilhados ACE	90.0%		
	Sogrupo IV Gestão de Imóveis ACE	82.0%		
	Caixa Imobiliário	100.0%		
OTHER PARTICIPATIONS	Parcaixa, SGPS	51.0%	Banco Internacional São Tomé e Príncipe	27.0%
	Caixa Seguros e Saúde, SGPS	100.0%		
	Caixa Participações, SGPS	100.0%		
	Wolfpart, SGPS	100.0%		
	SIBS	21.6%		
	Cibergradual	100.0%		
	Yunit	33.3%		

(*) Includes percentage equity stake held by entities consolidated by the equity accounting method.

BRANCH OFFICE NETWORK

CGD Group's branch office network, at the end of the year, comprised 1,211 branches (42 fewer than in the preceding year) of which 718 in Portugal and 493 abroad.

CGD continued to streamline its branch office network in Portugal, across 2016, closing 47 branches. It now has 651 branches with face-to-face services, 40 self-service branches and 26 corporate offices.

CGD GROUP BRANCHES

	2015-12	2016-12
CGD (Portugal)	764	717
Physical branches	695	651
Self-service branches	43	40
Corporate offices	26	26
Caixa - Banco de Investimento (Lisbon+Madrid)	2	2
France Branch	48	48
Banco Caixa Geral (Spain)	110	110
Banco Nacional Ultramarino (Macau)	18	20
B. Comercial e de Investimentos (Mozambique)	191	193
Banco Interatlântico (Cape Verde)	9	9
Banco Comercial Atlântico (Cape Verde)	34	34
Mercantile Lisbon Bank Holdings (South Africa)	14	13
Banco Caixa Geral Brasil (Brazil)	1	1
Banco Caixa Geral Angola	40	42
Other CGD branch offices	22	22
Total	**1.253**	**1.211**
Representative offices (*)	**12**	**12**

(*) Includes presence in Algeria, at approval stage.

CGD reforced its international presence with five branches over 2015, having opened two branches in BCI Moçambique, two branches in BNU Macau and two branches in Banco Caixa Geral Angola, in conjunction with the closure of one Mercantile Bank branch.

On January 2017, Banco Nacional Ultramarino in Macau expanded its branch office network to mainland China, opening a branch on Hengqin Island.

INTERNATIONAL BRANCH OFFICE NETWORK

Europe			
Spain		**Germany**	
Banco Caixa Geral	110	CGD – Representative Office	1
Caixa Banco de Investimento	1	**United Kingdom**	
CGD – Spain Branch	1	CGD – London Branch	1
Inmobiliaria Caixa Geral	1	**Luxemburg**	
France		CGD – Luxembourg Branch	2
CGD – France Branch	48	**Switzerland**	
Belgium		CGD – Representative Office	1
CGD – Representative Office	1	BCG – Representative Office	1
América			
United States		**Venezuela**	
CGD – New York Branch	1	CGD – Representative Office	1
Mexico		BCG – Representative Office	1
BCG – Representative Office	1	**Canada**	
Brazil		CGD – Representative Office	1
Banco Caixa Geral Brasil	1	**Cayman Islands**	
CGD Investimentos	1	CGD – Cayman Islands Branch	1
Africa			
Cape Verde		**São Tomé e Príncipe**	
Banco Comercial do Atlântico	34	Banco Intern. S. Tomé e Príncipe	12
Banco Interatlântico	9	**Mozambique**	
A Promotora	1	Banco Comercial e de Investimentos	193
Angola		**Algeria**	
Banco Caixa Geral Totta Angola	42	CGD – Representative Office (*)	1
South Africa			
Mercantile Bank	13		
Asia			
China – Macau		**China**	
Banco Nacional Ultramarino,SA	20	CGD – Zhuhai Branch	1
Macau Offshore Subsidiary	1	CGD – Xangai Representative Office	1
India		**East Timor**	
CGD – Representative Office	2	CGD – East Timor Branch	14

(*) Waiting for approval.

CGD Group continued to lead the domestic market, in 2016, both in terms of deposit-taking as in its lending operations.

CGD had a market share of 21.8% in loans and advances to customers in December 2016, with corporate and individual customer shares of 18.8% and 23.0%, respectively. Its share of the mortgage market was 26.1%.

Its market share of customer deposits was 27.7%. Special reference should be made to the individual customers' segment with 30.9%

CGD Group, through Caixa Banco de Investimento (CaixaBI), was involved in the main investment banking operations in the domestic market, in 2016, obtaining the recognition of its customers and partners and consolidating its leading position in the sector's main rankings, winning several important international distinctions.

The commercial performance of Caixa Leasing e Factoring (CLF) was highly favourable in practically all of the business segments in which it operates, in the financial leasing area. Its market shares of property and equipment leasing sales were 13.7% and 17.2%, respectively and its share of the factoring market increased to 11.6%.

The Group enjoys a leading position in the international sphere, both on account of the major relevance of its market share (Mozambique, Cape Verde, São Tomé and Príncipe and Timor), and the status and recognition of its brand (Macau, Cape Verde, Timor, São Tomé and Príncipe, Mozambique and Angola).

Notwithstanding decelerating economic growth in Mozambique, in 2016, Banco Comercial e de Investimentos (BCI) consolidated its leading position in the domestic banking system with end-of-year market shares of 30.3%, 29.2% and 28.5% in credit, deposits and assets, respectively.

Banco Comercial do Atlântico (BCA) in Cape Verde, continued to lead the market in credit and deposits, with a credit market share of around 36.3% in November, slightly down over December 2015 (37.4%). BCA had a market share of 39.2% of customer resources according to the data available up to September 2016. Banco Interatlântico had market shares of more than 13.5% both in terms of its lending operations as in resources taken from customers.

Communication and Caixa Brand

Owing to its importance and visibility, the financial sector, is, nowadays, particularly subject to greater scrutiny from its customers and society in general. Rigorous, fast, simple and consistent communication with stakeholders is fundamental.

Caixa is not indifferent to the profound transformation of the banking sector, which entails the need to adjust its strategy to market changes. CGD’s communication strategy, in 2016, was characterised as follows:

- Continuity of the inclusion of its communicational approach to the needs and different requirements of its business/marketing plan;
- Alignment with the guidelines defined by the Board of Directors and market trends.

Communication continued to be the hallmark of Caixa’s position, with its focus on the digitalisation of an adequate customer offer in an attitude of permanent readiness for change, its response to the challenges of market globalisation and the further consolidation and oversight of the challenges associated with social and environmental responsibility and ethical business.

Brand

Historically, the Caixa brand has the highest recognition factor of Portuguese banks. According to BrandScore, Caixa achieved a 31% “top-of-mind” score and an attractiveness rate of 28% for non-customers. In both cases, Caixa enjoys a 12 percentage points lead over this ranking’s second placed company.

Caixa embarked upon a debranding process in 2014, which it intensified in 2015, simplifying and enhancing the value of its symbol and respective significance. This began with a phased evolution of the whole of its organisation (including CGD Group companies) as regards processes and procedures to optimise resources and reduce costs, while simultaneously enhancing the value of its brand communication, both on an institutional and commercial level, improving efficiency, comprising a brand sustained by a common symbol of unquestionable nationwide recognisability.

Caixa continued to implement this project on a corporate level, in 2016, based on expansion to its branch offices and other CGD Group structures and continuing the process of changing the image of its branch offices in Portugal.

Institutional Communication – CGD's 140th Birthday

Caixa has celebrated its 140th birthday. The event was commemorated nationwide in an action involving 21 branches from the north to the south of the country and the islands of Madeira and the Azores, involving employees, customers, partners and communities in all of the municipal districts of the country in which we operate. It comprised the promotion of diverse local activities such as exhibitions, musical events, handicrafts, tertulias (gatherings) and story sharing, animations and financial literacy activity games for children et al.

The celebrations included a book-collection (comprising a total of 2,500 books) for children's and old people's charitable institutions.

The digital platform: "Our Caixa - 140 years", was launched under the banner: "Our history is made up of the history of many", to allow all people involved with Caixa, in Portugal and abroad – employees, customers and the community as a whole – to share the stories they have experienced with us across 2016.

Institutional Communication - Culture

Caixa Geral de Depósitos's support for culture, in the most different areas of the arts and letters, has been publically acknowledged. Particular reference should be made to CGD's own or partnership projects in the year in question:

- CGD's Orchestras Project. Caixa has, since 2001, sponsored the continuity of its support for culture through its Orchestras Project, in the form of classical music for younger people, in universities from the north to the south of the country;
- This includes the Northern Orchestra, the Classical Orchestra of Central Portugal, the Beiras Philharmonic Orchestra, the Lisbon Metropolitan Orchestra, the Southern Orchestra and Orchestra XXI;
- 59 concerts, 32 of which bearing the Caixa brand name and more than 31 thousand participants.

Based on a commercial approach, Caixa invited around 6,000 customers to these events.

According to BrandSponsor, Prestige and "Portugality" are the brand attributes customers most closely associate with Caixa's sponsorship of this project.

Commercial Communication

The priority communication objective, in 2016, was to increase Caixa brand's recognition factor based on a communication strategy aimed at strengthening the banner "Caixa. Of course." and improving the effectiveness of communication by a means strategy providing it with a more constant media presence.

In the case of digital communication, emphasis was placed on contents with high recall and engagement potential, with the capacity to generate interaction with Caixa products on the site. Digital platforms therefore continued to be used to drive the growth of its perception as an innovative, modern bank.

“Caixa. Of course” Campaign.

- Most remembered campaign of 2016 and 2015;
- Leadership of spontaneous recall during the campaign period;
- Most effective campaign of 2016;
- Most attractive banking sector campaign of 2016;
- Digital campaign with the best performance indicator ever witnessed in Portugal on YouTube.

Summer and Fado Festivals (Brand Naming)

- Music festivals had the best recognition factor in terms of Caixa’s sponsorship, in 2016, with a recall factor of 53%, up 15 pp over 2015;
- Brand attributes – young, dynamic and friendly – defined as being strategic for Caixa’s presence at festivals, in 2016, were the most appreciated by the public;
- In comparison to 2015, the image of the Caixa brand improved in terms of the assessment related with being young, dynamic, friendly and innovative;
- Caixa’s presence at Fado brand naming festivals promoted greater association between our brand and “Portugality” and was the attribute most appreciated by interviewees in the performance area.

Reference should be made to the major focus on digital communication and the objective of improving the performance of the Caixa brand on social networks. According to BrandScore, as a result of these campaigns Caixa led the “campaign recall index” in the Portuguese banking sector.

Prizes and Distinctions

- Superbrands – Excellence Brand;
- Most Prestigious Banking Brand – Marktest Reputation Index 2016;
- Navegantes XXI Prize – Innovation Prize for Digital Marketing with the “Caixa. Of Course” digital campaign;
- Recognition of Social Responsibility Practices 2016 – APEE (Portuguese Association of Corporate Ethics):
    - Young VolunTeam project, for good social responsibility practice in the volunteering category;
    - Bank card recycling project, for good social responsibility practice in the environmental category: reduction of impacts;
- Communication, means and advertising prize – banking, finance and insurance category – “Caixa. Of Course.” campaign;
- Gold prize from Prémios Eficácia – “Caixa. Of Course” campaign distinguished in the financial services and insurance category.
- Carbon Disclosure Project (CDP) assessment – member of the “Climate A List”, as the only Portuguese financial institution in the TOP 9% of the best worldwide companies in the fight against climate change out of almost 1,900 organisations in the CDP rater.

1.5. Planning the Future

1.5.1. ECONOMIC AND FINANCIAL SITUATION

GLOBAL ECONOMIC EVOLUTION

The world economy posted its seventh consecutive year of expansion in 2016. Taking into consideration the projections announced by the International Monetary Fund (IMF) in April 2017, last year's global economic growth was, once again, low at 3.1%, a moderate growth of 0.3 pp over 2015 and the lowest rate of expansion since the end of the crisis. Also according to the IMF, the slowdown derived from deceleration in the developed economies (down 0.4 pp to 1.7%), as opposed to the emerging and developing economies with marginal reduction (down 0.1 pp to 4.1%) for the sixth consecutive years.

Contributory factors to the deceleration of the developed economies were particularly the European Union and the USA, where the economic climate was subject to considerable uncertainty, with events particularly of political nature having produced unexpected results. The upturn, however, continued and was particularly based on private consumption owing to the recovery of the labour market and real household income, in addition to the improvement and easing of financing conditions and fewer fiscal policy restrictions in the case of the Euro Area. Foreign trade data and particularly fixed investment, once more disappointed.

As regards the performance of the central banks, the leaders of the European Central Bank (ECB), immediately after the first Council of Governors meeting in January, suggested that new monetary stimuli measures could shortly be implemented. In reducing its growth and inflation forecasts, the ECB announced in the following March a strengthening of such measures, which included: (i) a 5 bps cut in the interest rate on the main refinancing operations to 0%, (ii) a reduction of the interest rate on the permanent liquidity injection facility of the same magnitude to 0.25%, (iii) a 10 bps cut in the interest rate on the permanent deposit facility and (iv) a series of changes to the quantitative easing programme.

Notwithstanding the improved indicators, both in activity and confidence in the Euro Area, the ECB did not made any changes to its monetary policy up to December, successively reaffirming that "the balance of the activity-related risks continued to be negatively distorted", as well as the forward guidance on monetary policy, according to which, "the benchmark rates will remain at their present or lower levels, even after the completion of the quantitative easing programme on debt securities."

In the last month of the year the Council of Governors of the ECB extended the duration of its quantitative easing programme on public and private bonds for an additional nine months up to December 2017. It also decided to reduce the monthly acquisition rate, starting April 2017, in addition to approving changes to the eligibility criteria of the securities to be purchased.

The performance of the US Federal Reserve (Fed), in 2016, was very similar to 2015. Although the performance of the labour market was, once again, very favourable, continuing low inflation and disappointing growth during the first half year led to the Fed's decision to successively postpone its announcement of a new increase in its benchmark rate, across the course of the year, which decision was taken at the last Council of Governors meeting of 2016, in December. As expected the Fed leadership announced a 25 bps increase in the referred to rate to between 0.50% and 0.75%.

In June and as opposed to the predictions of the opinion polls, the result of the referendum on whether the United Kingdom should remain in the European Union was in favour of its exit. This victory of Brexit immediately translated into higher levels of volatility and risk aversion, on account of fears over economic impacts, through lower investment levels and commercial flows and also because it emphasised the risks of economic and political fragmentation and encouraged nationalist and anti-European integration forces. Notwithstanding the expectable atmosphere of doubt over Brexit, during the summer, an improvement in the risk climate, translated into lower volatility.

To provide for the potential negative effects triggered by Brexit *and* following S&P's and Fitch's downgrade of the United Kingdom's rating from AAA to AA and AA+ to AA, respectively, the Bank of England announced a 25 bps reduction of its benchmark rate to a new all-time low of 0.25%, in August. The central bank also announced an additional series of other measures to stimulate the economy and ensure the sustainable return of inflation to the 2% target.

At the start of November, the Republican candidate's victory in the US presidential elections gave rise to a new period of heightened tension among investors. However, a highly negative initial reaction was followed by a fresh improvement of confidence, as businesspeople, consumers and investors centred their focus on the economic proposals of the President elect, that included (i) a tax cut for households and corporates, a sharp increase in public expenditure, particularly defence and infrastructures and (iii) deregulation in various sectors, such as finance, energy and health.

In the USA, following the lowest first quarter economic growth for the last two years, the economic environment showed gradual improvement in the following quarters, particularly deriving from the favourable performance of private consumption. Reference should be made to the labour market’s average unemployment rate of 4.7% in the last quarter, its lowest since summer 2007. The US economy posted an 1.6% annual GDP increase, 1 pp down over 2015 and a five year low.

China's annual growth rate of 6.7%, in 2016, was within the government's defined objective of between 6.5% and 7.0%. Economic activity cooled for the third consecutive year at a 26 year low.

According to the referred to IMF projections, activity in Latin America, in 2016, contracted by between 0.5% and 1.0%. This negative performance, following marginal growth of 0.1% in 2015, resulted from the sharp fall in domestic demand and the negative impact of the sharp fall in the prices of diverse commodities across the first months of the year of which many such countries are producers or exporters.

There was a marked moderation of GDP growth in Sub-Saharan Africa, in 2016, particularly on account of the 1.5% contraction in Nigeria and marginal expansion in South Africa, following growths of 2.7% and 1.3%, in 2015, according to the IMF. These two economies, in conjunction, account for more than 50% of the region's GDP.

The oil crisis, beginning 2014, once again had a major impact on Angola, in 2016. According to IMF estimates, economic activity stagnated last year, with a 0.4% contraction of the non-oil sector and with the industry, services and construction sectors having been affected by foreign currency shortages and the need to reduce imports of foreign goods. The oil sector posted annual growth of 0.8%.

In terms of inflation, owing to the weakness of the Angolan kwanza, domestic fuel price increases and the effects of the expansionary monetary conditions, up to the start of the year, led to the IMF's estimates of an average annual inflation rate of 33%, in 2016, its highest for more than a decade.

The negative performance of aluminium and coal prices, in reducing export revenue, delays in implementing projects, restrictions on agricultural activity owing to bad weather, public finance consolidation measures in conjunction with the adoption of a restrictive monetary policy were constraints on the annual growth rate of Mozambique's economy which posted a historically low rate of around 3.4%, in 2016, according to the IMF's most recent projections.

Year-on year inflation, in Mozambique, was 25.3% at the end of 2016, having remained at two digit levels across the whole all year. Average annual price growth of 19.9%, was substantially higher than in 2015 (3.6%), owing to the depreciation of the currency, higher food prices and a hike in administrative prices.

ECONOMIC INDICATORS

	GDP (Change rates)		Inflation [b]		Unemployment [b]	
	2015-12	2016-12	2015-12	2016-12	2015-12	2016-12
European Union [a]	**2.2%**	**1.9%**	**0.0%**	**0.3%**	**9.4%**	**8.5%**
Euro area	2.0%	1.7%	0.0%	0.2%	10.9%	10.0%
Germany	1.7%	1.9%	0.1%	0.4%	4.6%	4.0%
France	1.3%	1.2%	0.1%	0.3%	10.4%	10.0%
United Kingdom	2.2%	2.0%	0.0%	0.7%	5.3%	4.9%
Spain	3.2%	3.2%	0.1%	0.3%	22.1%	19.6%
Italy	0.7%	0.9%	0.1%	-0.1%	11.9%	11.7%
USA	**2.6%**	**1.6%**	**0.1%**	**1.4%**	**5.3%**	**4.9%**
Japan	**1.2%**	**1.0%**	**0.8%**	**-0.1%**	**3.4%**	**3.1%**
Russia	**-2.8%**	**-0.2%**	**15.5%**	**7.0%**	**5.6%**	**5.5%**
China	**6.9%**	**6.7%**	**1.4%**	**2.0%**	**4.1%**	**4.0%**
India	**7.6%**	**6.8%**	**4.9%**	**4.9%**	**n.a.**	**n.a.**
Brazil	**-3.8%**	**-3.6%**	**9.0%**	**8.7%**	**8.5%**	**11.3%**

Sources: IMF: World Economic Outlook – April 2017 – non EU members countries.
(a) European Commission: European Economic Forecast – February 2017.
(b) IMF: World Economic Outlook - October 2016 (non EU member countries). The values for EU member countries are the noted in December.
n.a. – not available

According to the European Commission's estimates for Winter 2017 and in line with Eurostat's preliminary data disclosure, economic activity in the Euro Area decelerated in 2016. Following growth of 2.0%, in 2015, the region posted expansion of 1.7% into 2016, particularly on account of the smaller contribution made by domestic demand and the negative contribution of external demand.

Positive growth rates were recorded across all member states, without exception, oscillating between 4.3% in Ireland and 0.3% In Greece. The performance of the other peripheral economies was also positive, particularly the continuation of high growth of more than 3% in Spain, with growth rates of 0.9% and 1.4% in Italy and Portugal, respectively.

Unemployment in the region was, once again, down in 2016. The annual unemployment rate of 10.0%, was down 0.9 percentage points over 2015, falling for a third successive year.

Following a nil result in 2015, annual inflation according to the Harmonised Index of Consumer Prices (HICP) was 0.2%.

The strengthening of the expansionary nature of the ECB's monetary policy included cuts in benchmark rates, an increase in the purchase of debt securities per month, a 9 months extension of the public and private debt securities purchasing programme up to December 2017, the launch of another four long term refinancing auctions and the inclusion of the debt securities of companies headquartered in the Euro Area, as well as issuances by international organisations and development banks.

In concrete terms, regarding the reduction of official and benchmark interest rates, the Council of Governors of the ECB decided to set the rate on its main refinancing operations at 0%, in March, the marginal interest rate on its liquidity injection facility at 0.25% and the rate on the permanent deposit facility at -0.40%, which rate has therefore remained in negative terrain since June 2014.

EUROPEAN UNION AND EURO AREA ECONOMIC INDICATORS

	European Union		Euro Area	
	2015	2016	2015	2016
Gross domestic product (GDP) - Change Rate [a]	**2.2%**	**1.9%**	**2.0%**	**1.7%**
Private consumption	2.1%	2.3%	1.8%	1.9%
Public consumption	1.4%	1.9%	1.4%	2.0%
GFCF	3.6%	2.3%	3.2%	2.8%
Domestic demand	2.0%	2.1%	1.8%	1.9%
Exports	6.4%	2.8%	6.5%	2.7%
Imports	6.2%	3.5%	6.4%	3.3%
Inflation rate (HICP) [a]	**0.0%**	**0.3%**	**0.0%**	**0.2%**
Ratios				(%)
Unemployment rate [a]	9.4%	8.5%	10.9%	10.0%
General government deficit (as a % of GDP)	-2.4%	-1.9%	2.1%	-1.7%

Source: European Commission: Winter Forecasts 2017 – February 2017.
(a) Noted values.

FINANCIAL MARKETS

In spite of the periods of increased volatility at the start of the year as well as the surprising outcome in terms of the political events occurring at the end of June, with Brexit in the United Kingdom and the election of the Republican candidate Donald Trump, at the start of November, capital market performance, in 2016, was characterised by very low volatility across much of the year, reaching its lowest level for two and a half years towards the end of the year.

Fears over the performance of the Chinese economy, following the start of the year were assuaged by the indicators, generating a positive reaction in the markets lasting up until the start of summer. The recovery of the diverse commodity prices, particularly oil, helped to boost activity in various economies producing and exporting raw materials, whether emerging or developed, including the USA, which witnessed a stabilisation of activity in the industrial and latterly in the investment sector.

BOND MARKETS

The trajectory on sovereign bond yields, in 2016, was conditioned by several factors, particularly developments related to the performance of central banks and inflation forecasts, in addition to uncertainty over economic evolution and the political situation.

The Euro Area witnessed the yield on 10 year maturities in Germany dip into negative terrain in June, to an all-time low of -0.189% in July. The German benchmark rate that, in 2016 remained between -0.189% and 0.570%, ended the year at 0.208%, in turn, the yield on 2 year maturities always traded in negative territory, inclusively, in the last few days of the year down to an all-time low of less than -0.80%, in spite of the improvement in the confidence sentiment.

2016 witnessed differentiation in the performance of sovereign debt rates of countries on the periphery of Europe owing to different perceptions of risk that naturally resulted in the different evolution of risk premia (spreads) on such countries.

Accordingly, after four consecutive years of falling rates in Portugal and Italy, the respective yields were up 124.8 bps and 22.0 bps, in 2016, closing at 3.764% and 1.815%, in spite of the ECB's reinforcement of its quantitative easing programme also on such countries' debt. Portuguese and Italian yields on 2 year maturities were down across the year, by -6.5 bps and -15.1 bps, to all-time lows of 0.04% and less than -0.15%.

On the contrary, yields on the 10 year sovereign debt bonds of Spain and Ireland, were down 38.7 bps across the year, following an increase of 16.0 bps in 2015, and a decrease of 40.1 bps respectively. The respective yield in the case of Ireland was down for the fifth consecutive year.

In spite of the uncertainties over the sustainability of the improvement in Greece's public finances, its sovereign debt yield decreased, in 2016, for the second successive year, this time by 117.7 bps, in comparison to -146.1 bps in 2015. For the year as a whole the risk premium relative to Germany fell 75.6 bps to less than 700 bps.

The yield on 10 year sovereign US debt in 2016 oscillated between a minimum of 1.358%, at the start of July, immediately following Brexit, that also corresponded to an all-time low and 2.597% in mid December. As in the other maturities, the rate trended downwards across the first half of the year, followed by a sharp second half increase, particularly in the last quarter. This reflected expectations of an increase in inflationary pressure to which the proposals of the then future Trump administration, if implemented, could lead, through the acceleration of economic growth.

Following a 9.8 bps increase, in 2015, last year's US 10 year maturity rate rose 17.5 bps to 2.44%. An equally upwards movement was also noted in the second half year for the shorter maturities. This also gained dimension over the last three months of the year owing to the distinct possibility that the Fed would, at year end, announce a fresh increase in its benchmark interest rate. The 2 year rate that, in 2016, rose for the fifth successive year, was also up 14.1 bps, in comparison to the Increase of 38.2 bps noted in 2015, having closed at higher than 1.1% for the first time since 2009.

2016 was marked by a significant increase in corporate debt issuances in the private debt market, owing to several factors. Firstly the fact that interest rates remained at very low levels, once again contributing to the attractiveness of market financing.

The 14.4 bps increase on spreads on European credit derivatives, in 2015, closing at 77.3 bps, its highest level since the end of 2012, was followed in 2016 by a decrease of 5.0 bps, or 6.4% to an end of year total of 72.3 bps. The spreads on financial companies, on the other hand, expanded by an annual 16.6 bps or 21.6% to 93.4 bps.

EQUITY MARKETS

Following losses of 4.3%, in 2015, the world equities markets as measured by the Morgan Stanley index, were up 5.6% in 2016.

The start of the year was particularly negative for world equity markets which were affected by fears over global growth, especially in China, falling commodity prices, particularly oil and the increase in the climate of political instability in diverse regions of the globe at a time when the US Federal Reserve, in the last month of 2015, increased its benchmark rates for the first time in nine years.

Easing risk aversion felt since the start of the second half of February derived from a recovery in oil prices, the announcement of more positive indicators in the USA, assuaging fears of low growth and the stabilising of the price of the Chinese currency. The ECB's decision, in March, to strengthen monetary stimuli with reductions in benchmark rates, extension of the quantitative easing programme and launch of more long term refinancing operations further cemented the gradual improvement of investor sentiment.

2016 saw the occurrence of two high-risk events. In June, the Yes victory in respect of the

United Kingdom's exit from the European Union, and, in November, the election of Republican candidate Donald Trump, in the US presidential elections which had a substantially negative, albeit short term, impact over the following days.

The main equity indices in the Euro Area, Japan, USA and United Kingdom, posted substantially better performance in the second half of the year in comparison to the first half. Following falls of 9.8% and 18.2%, in the first two cases and gains of 2.7% and 4.2% in the other two, in the first half year, the referred to indices made second half gains of 9.6%, 22.7%, 6.7% and 9.8%, respectively.

With the exception of the European Eurostoxx600 (down 1.2%), which was down for the first time in five years, all of the main equity indices were up in 2016, particularly the UK's Footsie which, after two consecutive years of losses, was up 14.4% last year, to successive all-time highs close to the end of December.

In 2016, on a negative note, in addition to the European market, the performance of the Japanese indices was also very modest. Although the Nikkei225 was up for the fifth year, it appreciated by no more than 0.4%, following accumulated gains of 125.1% in the preceding four years. Japan's industrial index – Topix – posted its first annual fall in five years (1.9%), following accumulated gains of 112.3% in the preceding four years.

All of the main US indices, S&P500, Dow Jones, NASDAQ and Russell2000 achieved successive all-time highs in the year's last trading sessions to annual gains of 9.5%, 13.4%, 7.5% and 19.5%, respectively, benefiting from expectations of a more expansionary fiscal policy from the new US administration, the resilience of economic growth, particularly domestic activity and the announcement of highly positive fourth quarter corporate earnings.

The two main indices in the Euro Area – Germany’s DAX and France's CAC – made gains of 6.9% and 4.9%, respectively. In turn, share markets in the "peripheral" countries were down across the year, particularly Portugal's PSI20 and Italy's FootsieMIB with losses of 11.9% and 10.2%, respectively, followed by losses of 4.0% by Ireland's ISEQ and 2.0% by Spain's IBEX.

Following three years of losses, 2016 was a positive year for the emerging region. The respective Morgan Stanley index was up 8.6%, following accumulated losses of 24.7% in the preceding two years.

There was a considerable difference in performance between BRIC country indices. On the positive side a first reference should be made to Brazil, where, after three years of losses during which the Bovespa index was down 28.9%, the index was up 38.9% in 2016. Secondly Russia's Micex whose gains of 26.7% were in line with those of the preceding year. Both benefited from the environment of economic stability and a less restrictive monetary policy. In a year in which India's Sensex achieved a marginal positive change of only 1.9%, a negative reference goes to China's Shanghai index, that, after making losses of more than 24% at the end of February, closed with losses of 12.3%, following two successive years of increases.

STOCK MARKET INDEXES

	2015		2016	
	Index	Change	Index	Change
Dow Jones (New York)	17,425.0	-2.2%	19,762.6	13.4%
Nasdaq (New York)	5,007.4	5.7%	5,383.1	7.5%
FTSE (London)	6,242.3	-4.9%	7,142.8	14.4%
NIKKEI (Tokyo)	19,033.7	9.1%	19,114.4	0.4%
CAC (Paris)	4,637.1	8.5%	4,862.3	4.9%
DAX (Frankfurt)	10,743.0	9.6%	11,481.1	6.9%
IBEX (Madrid)	9,544.2	-7.2%	9,352.1	-2.0%
PSI-20 (Lisbon)	5,313.2	10.7%	4,679.2	-11.9%

FOREIGN EXCHANGE MARKETS

Performance on the foreign exchange markets, in 2016, was characterised by the highly significant movements of diverse currencies, particularly deriving from political events and expectations of the divergence of US monetary policy, in this case at the end of the year.

Reference should, herein, be made to sterling in which the victory of the Yes vote in favour of the United Kingdom leaving the European Union (Brexit), in June, was followed by sharp depreciation against the main world currencies. Sterling lost more than 17% against the dollar up to the end of the year, having, in October, sunk to its lowest level since May 1985. The UK currency sank against the euro to its minimum since March 2010, depreciating by more than 10% between Brexit and the end of December. For 2016 as a whole, sterling depreciated 16.3% against the dollar and 13.6% against the euro, closing at less than $1.23 and €1.18, respectively.

The euro performed erratically against the dollar, in 2016. In spite of the fact that, at the start of the year, the ECB vented the possibility of strengthening monetary stimuli, the edicts of the US Federal Reserve proved more decisive in strengthening the gradual nature of the normalisation process of benchmark interest rates. The euro, which was also fuelled by the relatively more favourable performance of European economic indicators, appreciated up to the end of April. Notwithstanding, a third successive year of the depreciation of the euro against the dollar was witnessed in 2016, this time by 3.2%, following two years of falls of more than 10%, to less than $1.06 in the year's last trading session.

The performance of the Japanese yen was also highly erratic in 2016. The Japanese currency, across much of the year, benefited from factors of uncertainty and higher risk with not even the strengthening of monetary policy having succeeded in counteracting the appreciation trend both against the dollar and the euro up to the end of the third quarter.

In the foreign exchange market and in Asia, the Central Bank of China once again reduced its daily benchmark rate against the dollar at the start of the year, resulting, at the time, in a depreciation of the yuan to new minimums since February 2011, and, as in August 2015, helped to fuel investors' risk aversion. The yuan appreciated 3.5% against the euro, following two successive years of depreciation.

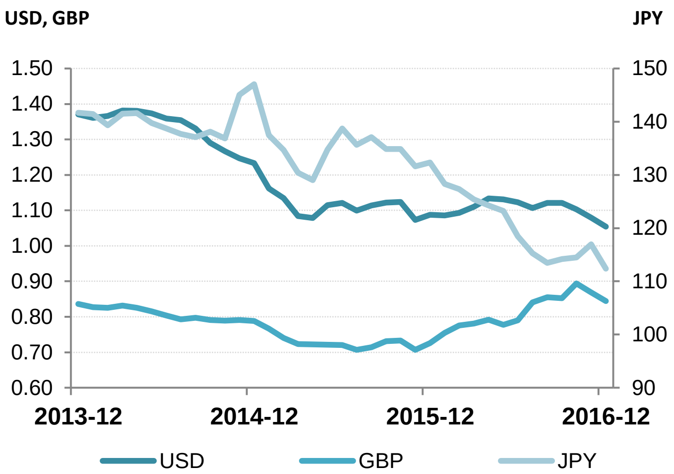
As regards the other currencies of BRIC countries, the euro depreciated by 20.3% against the Brazilian *real*, following sharp appreciation of 33.7% in 2015, to an end of year rate of less than 3.5 *reais* to the euro. Depreciation of 17.9% against the Russian currency, was the first in four years, valuing the euro, at the end of 2016, at less than 65 roubles or its lowest level for one and a half years.

In a year once again marked by an adverse economic climate, Angola's kwanza depreciated against the euro for the second consecutive year, this time by 18.7% in comparison to 18.0% in 2015, closing at 174.34 kwanzas to the euro. At the start of the year the National Bank of Angola announced a devaluation of its currency against the dollar, as in June and September 2015. This decision contributed towards a situation in which the currency sank in May to a new all-time low against the euro. The stability witnessed in the second half of the year is explained by the 400 bps increase in the Central Bank's benchmark rate during the course of the first half year.

Mozambique's metical depreciated for the fifth consecutive year against the euro and was the second year in which it exceeded 47%. The currency of the said African country at the end of December was valued at 71.38 meticais to the euro and remained under pressure up to the end of the summer at which time it also sank to an all-time low against the dollar, in spite of the Central Bank of Mozambique's announcement of several increases to its benchmark rate (totalling 1,500 bps), to 23.25% last December.

EURO EXCHANGE RATES

Monthly averages (%)



EURO EXCHANGE RATES

Monthly averages

	USD	GBP	JPY
December 2013	1.370	0.836	141.68
December 2014	1.233	0.788	147.06
December 2015	1.088	0.726	132.33
December 2016	1.054	0.845	112.40

PORTUGUESE ECONOMY

OVERVIEW

The Portuguese economy expanded for the third consecutive year in 2016, by 1.4% in comparison to 1.6% in 2015, according to the INE's flash estimate. According to the Statistics Institute, domestic demand was down, as a reflection of lower investment and decelerating private consumption. These account headings recorded changes of 4.5% and 2.6% in 2015 and -0.3% and 2.3% in 2016. The contribution made by external demand was much less negative than in the preceding year from -1.0 pp to -0.1 pp.

According to the INE, Portuguese goods exports slowed considerably, in 2016, although a new record was still achieved. Growth of 0.9% to €50.3 billion followed the 3.7% expansion noted in 2015. This was, notwithstanding, the seventh successive year of an increase of exports, during which period they were up 58.4%. For the year as a whole, exports to non EU countries were down 8.2%, in comparison to a fall of 3.1% in 2015. Although the growth of intra-EU exports remained in positive terrain, the change was more moderate, from 6.5% in 2015 to last year's 4.3%.

Portugal maintained its external financing capacity in 2016. The balance on the current and capital account, as a percentage of GDP, continued to run a surplus for the fifth successive year, this time by 1.5%, up 0.2 pp over 2015.

PORTUGUESE ECONOMIC INDICATORS

	2014	2015	2016 (a)
Gross domestic product (GDP) - Change Rate [(a)]	**0.9%**	**1.6%**	**1.4%**
Private consumption	2.3%	2.6%	2.3%
Public consumption	-0.5%	0.8%	0.8%
GFCF	2.3%	4.5%	-0.3%
Domestic demand [(b)]	2.2%	2.5%	1.5%
Exports	4.3%	6.1%	4.4%
Imports	7.8%	8.2%	4.4%
Inflation rate (HICP)	**-0.2%**	**0.5%**	**0.6%**
Ratios			(%)
Unemployment rate	13.9%	12.4%	11.1%
General government deficit (as a % of GDP)	-7.2%	-4.4%	-2.0% (*)
Public debt (as a % of GDP)	130.6%	129.0%	130.4% (*)

Source: INE

(a) Revision of 2017 1st notification in the context of Excessive Deficit Procedure, when marked (*).

(b) Contribution to GDP growth (percentage points).

As regards inflation, the Portuguese HICP recorded an average annual rate of change of 0.6% in 2016 against 0.5% in 2015.

The marginal increase in the index's rate of change essentially derived from the evolution of energy components. The change in the aggregate was less negative in 2016, from -3.6% in 2015 to last year's -1.8%.

The unemployment rate was down 1.3 pp over 2015 to 11.1% in 2016. The year closed at 10.5%, for the fourth quarter, equivalent to 543.2 thousand individuals without jobs, down 14.3% over the same quarter 2015, or 90.7 thousand fewer unemployed.

CREDIT AND DEPOSITS

December 2016 witnessed a year-on-year change of 9.4% in the M3 liquidity aggregate, excluding currency in circulation, up 5.2 pp over the end of 2015.

The 4.5% increase in total deposits represented an acceleration over the 1.3% growth posted at the end of the preceding year. A contributory factor was the growth of the deposits of non financial corporations which were up 8.4% following a drop of 0.4% in 2015, as opposed to individual customers' and emigrants' deposits which were up 1.0%, in comparison to 3.8% in 2015.

The 0.6% growth of total domestic credit was down in comparison to the 2.1% of 2015. This derived, however from loans and advances to general government, net of liabilities to central government, with a strong moderation of 31.5 pp to 22.7%, and the larger contraction of loans to non-financial companies which were down 1.9% by more 0.3 pp over the preceding year. Whereas mortgage loans to individual customers were down 2.9% they were up 6.2% in the case of the consumer and other credit by more 6 pp over the end of 2015.

MONETARY AGGREGATES IN PORTUGAL [a]

Rates of change (%)

	2014	2015	2016
M3, excluding currency in circulation	**0.7%**	**4.2%**	**9.4%**
Total deposits	1.2%	1.3%	4.5%
Deposits made by non-financial companies	2.9%	-0.4%	8.4%
Individual customers' and emigrants' deposits	0.4%	3.8%	1.0%
Total domestic credit	**-6.5%**	**2.1%**	**0.6%**
Loans and adv. to central and local govern. [b]	-16.5%	54.2%	22.7%
Loans and adv. to non-financial companies	-6.1%	-1.6%	-1.9%
Mortgage loans	-4.0%	-3.3%	-2.9%
Consumer and other credit	-2.6%	0.2%	6.2%

Source: Bank of Portugal – Statistics Bulletin, February 2017
(a) Rates of change based on end-of-month balances. Deposit aggregates do not include NMFI (non-monetary financial institutions) deposits. Credit aggregates include securitised loans.
(b) Net of liabilities to central government.

INTEREST RATES

Although the Euro Area economy achieved higher than potential growth, in 2016, low and negative inflation in the course of the first few months of the year increased fears of the possibility of deflation, making a decisive contribution to the ECB's decision to reduce the interest rate on its permanent deposit facility by 10 bps to -0.40%, in March and setting it at a new all time low. The benchmark rate was reduced by 5 bps to 0%, also a new all-time low.

Once again, with the aim of accelerating the growth of lending and strengthening deflationary prevention measures, in conjunction with the reduction of its benchmark interest rates, the ECB strengthened the implementation of its former non-conventional measures in addition to having passed new resolutions, particularly for the purchase of corporate debt securities.

INTEREST RATES [a]

	2014	2015	2016			
	Dec	Dec	Mar	Jun	Sep	Dec
Fed funds rate	**0%-0.25%**	**0.25%-0.50%**	**0.25%-0.50%**	**0.25%-0.50%**	**0.25%-0.50%**	**0.50%-0.75%**
ECB reference rate	**0.05%**	**0.05%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Euribor						
Overnight	0.144%	-0.127%	-0.303%	-0.293%	-0.329%	-0.329%
1 month	0.018%	-0.205%	-0.334%	-0.364%	-0.371%	-0.368%
3 months	0.078%	-0.131%	-0.244%	-0.286%	-0.301%	-0.319%
6 months	-0.171%	-0.040%	-0.132%	-0.179%	-0.203%	-0.221%
12 months	0.325%	0.060%	-0.005%	-0.051%	-0.064%	-0.082%
New credit operations						
Non-financial companies [b]	3.48%	2.39%	2.44%	2.35%	2.49%	2.23%
Individual customers - mortgage loans	3.01%	2.13%	1.99%	1.86%	1.76%	1.77%
Term deposits and savings accounts [c]						
Non-financial companies	1.20%	0.69%	0.54%	0.48%	0.42%	0.40%
Individual customers	1.63%	0.75%	0.62%	0.53%	0.45%	0.40%

Source: Bank of Portugal - Statistics Bulletin for February 2017.
(a) Rates relative to last day of month.
(b) Operations involving more than €1 million.
(c) Deposits with an agreed maturity period of up to 2 years.

The ECB's approach helped to continue to keep Euribor rates under downwards pressure, across the year as a whole, albeit more sharply so during the first half of the year. As a reflection of the gradual and continuous increase of surplus liquidity in the system, owing to the increase in the central bank's balance, these interest rates, frequently used as indexers for banking intermediation operations were, once again, down to all-time successive lows. Whereas the one month rate dipped to an all-time low at the start of November, the 3, 6 and 12 month rates closed the year at all-time lows.

For the year as a whole, Euribor rates for 1, 3, 6 and 12 month maturities were down 16.3 bps, 31.9 bps, 22.1 bps and 8.2 bps, respectively.

Interest rates on new operations, whether deposits or credit, were down again in 2016, in line with the performance of the market reference rate, i.e. Euribor. The decrease was sharper in the individual customers segment both in terms of deposits and lending.

1.5.2. RECAPITALIZATION PLAN

In the sphere of the principle of understanding between the Portuguese state and the European Commission, and in order for Caixa Geral de Depósitos, S.A.'s capital increase not to be considered state aid, an assessment of CGD's assets was established as a condition for the purpose. In this context, CGD's executive committee decided to undertake a revision of the assets portfolio ("Management Assessment of Asset Value", hereinafter "MAAV"), with reference to 30 June 2016, employing the criteria and assumptions that a private investor would use if intending to make a major investment in CGD. The criteria used also reflect the objective of reducing NPL (non-performing loans) levels, in order to increase the pace of deleveraging on such asset types. Work started on this revision on 5 September 2016 and it was completed on 12 December 2016.

This change of perspective led to the review of some impairment measurement criteria that were in effect until the date of 30 June 2016. Asset classes of customer loans, real estate, securities portfolio and other assets and contingencies were evaluated.

For the purposes of the 2016 end of year accounts, an exhaustive review of the criteria and methodologies used in the assets valuation exercise was undertaken, with a revaluation of the main customers subject to separate impairment assessments, backed by proposals issued by the Commercial Divisions and revised by the Risk Management Division, in addition to proposals of reassessment of the impairment on real estate by the Real Estate Business Division, whose recommendations were received by CGD's Executive Committee

On 4 January 2017, pursuant to the referred to agreement, the authorisation to perform CGD's recapitalization operations from the Bank of Portugal and the European Central Bank, the Industrial Plan approved by CGD's sole shareholder and the relevant report produced by the Statutory Auditors on the operations, the following resolution was passed by the Portuguese state as CGD's sole shareholder and the operations subsequently carried-out:

1. The use of the free reserves and legal reserve for an overall amount of € 1,412,460,251 to cover the same amount of retained losses carried forwards from past years.
2. An increase in CGD's share capital from € 5,900,000,000 to € 7,344,143,735, through the issuance of 288,828,747 new ordinary shares with a nominal value of € 5.00 each to be fully subscribed for and paid up by the Portuguese state, as follows:
    i. € 945,148,185 through the transfer of contingent convertible bonds (CoCos) subscribed for by the state, with a nominal value of € 900,000,000 plus accrued, unpaid interest since the last coupon up to 4 January 2017 for the amount of € 45,148,185.

ii. € 498,995,550, corresponding to the book value of the Portuguese state's equity stake in Parcaixa, SGPS, S.A., through the transfer in kind of 490,000,000 of the said company's equity shares.

3. A reduction of Caixa Geral de Depósitos, S.A.'s share capital for the amount of € 6,000,000,000, to € 1,344,143,735, through the extinguishing of 1,200,000,000 shares with a nominal value of € 5.00 each, to cover the retained losses of € 1,404,506,311 and to set up a free reserve for the amount of € 4,595,493,689.

In addition to the above mentioned operations the recapitalization process also provides for: (a) a cash increase in share capital for an amount of up to €2,700,000,000.00 to be subscribed for and paid up by the Portuguese State and (b) the issuance of additional tier 1 capital instruments or other hybrid capital instruments for the amount of, in the first instance, €500,000,000.00, to be subscribed for by private investors, both to take place after the closure of Caixa Geral de Depósitos, S.A.'s accounts at 31 December 2016.

Under the Recapitalization plan agreed upon conditions, Caixa will also issue Additional Tier 1 for the amount of €430,000 thousand within a period of 18 months from the date of the issuance before mentioned.

So, after the closure of the referred to accounts, on 23 March CGD has placed in the market securities representing additional tier 1 own funds for an amount of €500 million with more than 160 institutional investors. The cash settlement of the referred to securities took place on 30 March. Also at the same date, Caixa's sole shareholder (the Portuguese State) carried out the planned share capital increase of € 2,500,000,000 in cash, to € 3,844,143,735, through the issuance of 500,000,000 new ordinary shares with a nominal value of € 5.00 each.

The conclusion of this important phase of the plan, which resulted in a total recapitalization amount of € 4,444 million and subsequent solvency reinforcement, allows Caixa to focus now on the execution of its strategic plan 2017-2020.

1.5.3. STRATEGIC PLAN

STRATEGIC PLAN 2017 – 2020

CGD's capitalisation was designed on the basis of a robust Strategic Plan which has defined the Bank's strategy up to 2020 and which evidences the rationality and sustainability of CGD's sole shareholder's investment decision.

The Portuguese state and CGD are strong believers in the viability of the Strategic Plan, mainly on account of the following:

- The plan is based on a prudent macroeconomic scenario, namely with negative interest rates up to 2020;
- The plan assumes no fundamental changes in market share or launches of new lines of activity, so there is little dependence on growth assumptions which may be less in control of the management team;
- There is significant restructuring of the operational platform, which corresponds to levers under control of the management team;
- The restructuring of the international footprint, based on criteria of economic and strategic rationale, will simplify and de-risk CGD's subsidiary portfolio;
- The plan includes an enhancement of the Group's risk management practices, aimed at aligning CGD with market best practices;
- The evaluation of the loan and securities book will allow for the operation of normalised cost of risk; and

- Governance and remuneration conditions have been reviewed to allow for CGD to compete as a market player.

The Strategic Plan includes (i) the macroeconomic context, (ii) a viable restructuring plan that includes major disposals of non-strategic operations, (iii) a detailed profit and loss analysis accompanied by an overview of CGD’s balance sheet with projections of net interest income following the capital increase (iv) an indication of expected returns and (v) the definition of periods for the referred to expected returns.

The goal of the measures contained in the Strategic Plan is to improve the overall performance of CGD in order to ensure its long-term sustainability and the creation of value for its shareholder. As such, it builds on the following principles:

- Maintaining CGD's current leading position in the Portuguese market without fundamentally changing its current business model as a global bank;
- Increasing the operational efficiency of its domestic operations, combining it with the simplification of the group structure and the restructuring of the international portfolio;
- Targeting attractive returns for the shareholder (greater than 9 per cent. as of 2020);
- Strengthening the Group's solvency levels to aim to accomplish the requirements defined by the supervisors and market expectations (CET1 above 12.5 per cent.)
- Maintaining an independent and accountable governance and management model.

The Strategic Plan builds upon four strategic pillars:

CGD Strategic Plan 2020: 4 pillars

Pillar 1

The first pillar of the Strategic Plan is based on the restructuring of CGD's asset portfolio and on the strengthening of its risk management model with the aim of improving the solvency and resilience of the balance sheet.

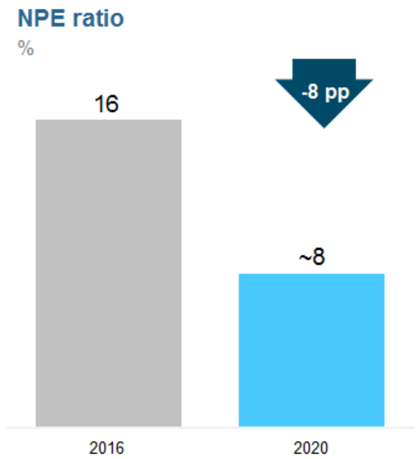
Pillar 1 of the Strategic Plan is to be carried out through a set of initiatives aimed at ensuring that the risk management of CGD corresponds to the highest international and regulatory standards and that a cost efficient risk business model is put in place. For these purposes, the following measures shall be implemented:

- Integrating finance and business priorities with risk management, including in the context of strategy/risk appetite, budgeting and performance management;
- Implementing a full "three-lines-of-defence" risk management model;

- Upgrading the compliance and audit infrastructure;
- Revising all the risk management processes;
- Improving the quality of capital measurement models;
- Improving the legacy assets management; and
- Strengthening credit monitoring and recovery.

The process of turning these initiatives into short and medium-term actions has already been started. In particular, a detailed set of underwriting and NPL operational plans have been drawn up.

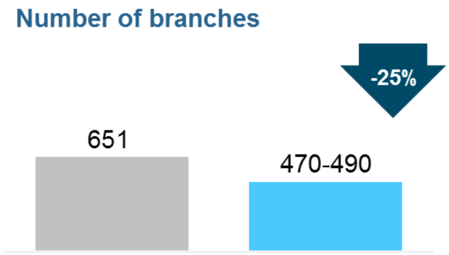
Furthermore, CGD will explore the creation of a separate unit with dedicated management to oversee legacy real estate assets; if progressed, it should lead to a more efficient recovery process and allow CGD's management team to focus on the bank's ongoing strategy and operations.

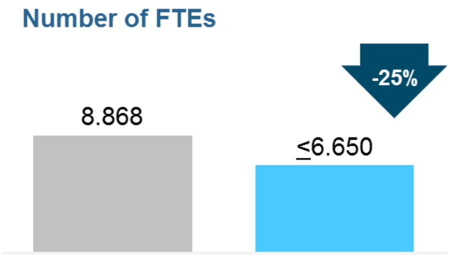


Pillar 2

The second pillar of the Strategic Plan focuses on the adjustment of CGD’s domestic operational infrastructure to increase efficiency. The key initiatives to be implemented focus on:

- Adjusting the branch network by reducing the number of branches by 180;
- Reducing headcount by 2,200 (additionally to the leaving contracts in 2016 in the context of the early retirement program - Plano Horizonte);
- Improving the management of Human Resources, including training; and
- Improving service levels and customer service through digitalisation process.

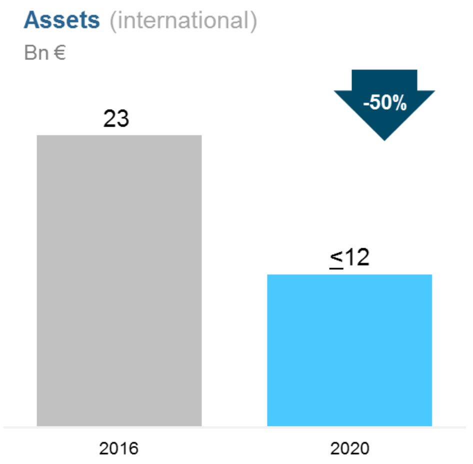


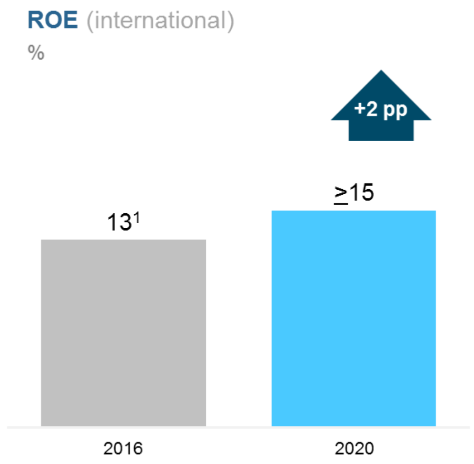


Pillar 3

Pillar 3 is centered on the restructuring of the international portfolio with the aim of focusing on selected geographies.

CGD's international portfolio has been mainly composed of nine subsidiaries and nine branches. Within the overarching principle of reducing international risk and focusing on core geographies with business affinity to Portugal, CGD will carry out a focused approach, ensuring a review of the business and governance models of assets to keep and sell and divest assets in non-core geographies.





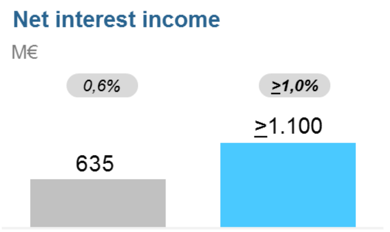
Note: Excludes non recurrent results and portfolios to be transferred to domestic perimeter

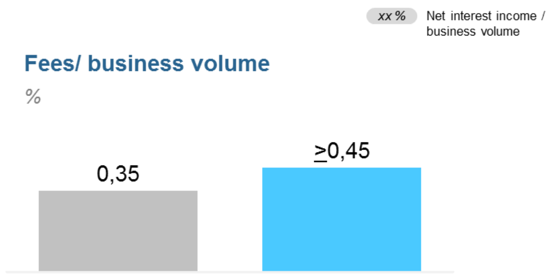
Pillar 4

Pillar 4 of the Strategic Plan focuses on the modernisation of the commercial franchise of domestic operations to ensure sustainability.

The key initiatives of this pillar include:

- The revision of the segmentation and upgrade of the retail offer;
- Digitalisation of the customer experience;
- Revision of bancassurance and asset management models to support retail value propositions and the penetration of off-balance sheet products;
- The definition of a plan to improve share of wallet in small and medium sized enterprises, capturing treasury and/or cash-management fees;
- The introduction of a risk- and capital- adjusted performance management system; and
- Credit process optimisation.





1.5.4. MAIN RISKS AND UNCERTAINTIES IN 2017

Starting 2017, the world economy and environment in the financial markets was considerably more optimistic than between the end of 2015 and over a large part of last year. This dynamic cannot be disassociated from the improvement in economic sentiment which led to an increase in the value of risk assets across the last few months of the preceding year, particularly in the developed markets and more so following the victory of the Republican candidate, Donald Trump, in November's US presidential elections and expectations that this could represent an expansionary US fiscal policy.

The outlook for 2017, however, remains subject to diverse, considerable risks, both strictly economic as well as political, giving rise to the appearance of periods of risk aversion and financial market volatility.

In its most recent update report on the global economic environment, published this January, the IMF (International Monetary Fund) considered that the risks involved in global growth continued to be distorted downwards. The possibility of a fresh disappointment in economic growth, as over the last few years, should, therefore, be considered. On the other hand, one of the main identifiable economic risks, at the start of 2017, is associated with potentially higher inflation which could lead the central banks to adopt a more conservative approach.

A period of price acceleration, starting in the second half of last year, was witnessed, following several years in which the concerns of monetary policy strategists and investors were dominated by fears of inflation at too low a level or, in some cases, deflation. For the time being, this derives from the base effect associated with oil prices, that fell to their lowest values since 2003, at the start of 2016. Labour market recovery, the increase in companies' ability to raise prices, depreciation of the major currencies against the dollar and implementation of protectionist measures contributing towards higher production costs, may raise questions over those projections which indicate continuing low inflation rates in 2017.

An acceleration of underlying inflation on the consumer would have major implications, not only economic but also on the performance of financial assets, based on the responses of the main central banks, forthwith by, in the first instance, being able to justify a change of discourse, abandoning indications of a gradual rise in interest rates or maintenance of *stimuli* and, latterly, the eventual posture of the monetary authorities in signalling a faster normalisation of monetary policy.

The risk could be higher in the US given its current economic cycle and the US administration's eventual adoption of a more expansionary fiscal policy. Confirmation of the fiscal *stimuli* announced by the recently appointed president raises the possibility that the Fed may be forced to adjust its benchmark reference rate at a faster pace than suggested by the members of the council of governors last December.

In the case of the ECB (European Central Bank) although last December's decision to reduce the monthly rate of bond purchases could be interpreted as a consequence of the easing of deflationary pressure and an improvement of the economic environment, more evident signs, in 2017, of the effective end of the quantitative easing programme, scheduled for December, have the potential to contribute towards a period of instability and uncertainty, by fuelling fears of a deterioration of the financing conditions of the economy of Economic and Monetary Union.

Japan witnessed lower uncertainty levels in respect of the performance of the respective central bank (BoJ). Notwithstanding the monetary authority's recent upwards revision of the rate of expansion for the next two years, the BoJ, in January, reaffirmed its commitment not to curtail the quantitative easing programme, in 2017, while also considering the elimination of negative interest rates on deposits, in 2018, to be highly unlikely.

As stated, in 2017, political considerations will also be a factor of uncertainty. They will originate from many sources and will probably represent one of the greatest risks to activity and the direction taken by markets across the year.

Several such events will, forthwith, particularly include the elections schedule in the European Union with particular reference to the March general elections in Holland, the presidential and general elections, in France in May and June and, lastly, the federal elections in Germany, in September, in addition to the possibility of elections in Italy. Gains made by populist and/or anti establishment political forces, would once again fuel fears, not only of investors but also businesspeople, regarding the cohesion and sustainability of the European project, in addition to contributing towards the freezing or rejection of proposals and measures which may help to strengthen and reinforce it.

Reference should also be made, in the case of Europe, to the no less relevant uncertainties associated with the difficult “Brexit" negotiations between the United Kingdom and the European Union and the risk that they could result in the United Kingdom’s exit without any agreement. The negative effects of such an event would involve a greater drop in investment and commercial flows, a further deterioration in the stability of financial markets and a strengthening of levels of protectionism. It could also give rise to fresh political upheaval.

Reference should be made, in turn, in the US, to the risks involved in the new US administration’s decisions associated with international relations which have the potential to create flashpoints, not only economic but also geopolitical.

In this context and following the lowest rate of growth of the current expansionary period, in 2016, the IMF’s most recent projections point towards a modest acceleration of global economic growth in 2017, owing to the acceleration of the US economy and positive results achieved in Latin America and Eastern Europe, as opposed to the main European countries and China, in which a slight moderation of the rate of expansion is expected.

In the US, although the election of the Republican candidate in the November elections led to a positive reaction from investors, businesspeople and consumers, in anticipation of higher economic growth owing to expansionary fiscal plans, the uncertainty over the successful implementation of such polices however, prevails. Other factors of uncertainty are, firstly, associated with the consequences of an eventual increase of protectionism and, secondly, a less positive export performance owing to the possibility of the dollar’s appreciation following a faster reversal of monetary policy.

Although economic activity in the euro area is expected to return to expansion, in 2017, the forecast is for a slight moderation of annual growth. European growth will have to contend with various risks, in 2017, several of which originating last year. In addition to the referred to risks associated with the evolution of the negotiations to prepare the United Kingdom’s exit from the European Union, reference should also be made to the nefarious consequences for European growth deceleration in several of the most relevant economies for the region’s foreign trade with China. Reference should also, on the other hand, be made to the fact that this year is expected to see an attenuation of the main factors upon which growth was based, in 2016, namely, a slightly expansionary fiscal policy and fall in oil prices. Other potential flashpoints which may create instability should also be noted and include the refugee crisis or intensifying security concerns.

For the emerging economies, in addition to the direct impact deriving from the expected moderation of the Chinese economy, more positive performance from the US puts their economic performance, in 2017, at greater risk, owing to the possibility that the Fed could consider it necessary to speed up the normalisation of interest rates. This would increase pressure on the appreciation of the dollar and accentuate capital outflows from various emerging countries, accompanied by the consequent devaluation of their respective currencies. In many of these countries, monetary policy would then have to remain restrictive, in order to stem the effects of the depreciation of their respective currencies on price evolution and prejudicing economic growth.

Growth in the Portuguese economy, in 2016, was slightly down over 2015 and was particularly visible in the first half year, owing to the performance of international trade, in addition to lower levels of private and public investment.

Although projections point to a slight increase in activity owing to the attenuation of several factors restricting economic growth, in 2016, it is possible to identify the likelihood of several challenges which could appear across the year. The main uncertainty is associated with the effects of a possible reduction of the ECB's monetary *stimuli*, with negative effects on financing, not only in the private but also the public sector.

Another potential risk is associated with the possibility of a resumption of investment not being confirmed, particularly in the case of a deterioration of the external economic environment, mostly in countries to which the Portuguese economy is more exposed, both in terms of international trade and direct investment.

On a level of the Portuguese financial system, net interest income has increased and continues to trend in line with events since 2014, once again deriving from a more significant fall of interest rates on borrowing as opposed to lending operations. In light of the economic outlook, as well as the performance of the central banks, in terms of monetary policy, there may be a fresh increase in levels of return, in 2017.

The main risks identified regarding a recovery scenario for banking sector activity are related with the possibility of an extension or deterioration of the situation with regard to low interest rates, with the risk of a deterioration of the economic situation both in Portugal and internationally, as well as an increase in risk *premia* deriving from the risk of disturbances in international financial markets.

In summary, the main risks that CGD faces are the following:

- **CGD's performance is influenced by the economic activity in Portugal and in other markets where it operates**

  The business activities of the Group are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economy and market interest rates. As the Group currently conducts the majority of its business in Portugal, its performance is influenced by the level and cyclical nature of business activity in Portugal, which is in turn affected by both domestic and international economic and political events. The Group's business activities are also influenced by the economy in markets outside Portugal, where it operates.

- **Strong competition is faced by CGD across all of the markets in which it operates**

  The Group faces strong competition across all of the markets in which it operates, from local and international financial institutions. While CGD believes it is positioned to compete effectively with these competitors, there can be no assurance that existing or increased competition will not adversely affect CGD in one or more of the markets in which it operates.

- **CGD's Strategic Plan includes targets that may not be achieved**

  The Strategic Plan's feasibility, including the targets proposed by CGD, was validated by DGComp. CGD will work to achieve the proposed targets by implementing a set of initiatives described under each pillar. The targets are based on certain assumptions to revenues and costs associated with those initiatives. However, there are no assurances that these assumptions are correct or that CGD will be able to achieve the proposed targets within the proposed timeframe, including for reasons beyond CGD's control.

- **The Group is exposed to IT, data protection, management of confidential/personal information and cybercrime risks**

  The Group's ability to remain competitive depends in part on its ability to upgrade the Group's information technology on a timely and cost-effective basis. The Group must continually make significant investments and improvements in its information technology infrastructure in order to remain competitive. Any failure to effectively improve or upgrade the Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Group.

- **The Group's business is significantly affected by credit risk**

  Risks arising from changes in credit quality and the repayment of loans and amounts due from borrowers and counterparties are inherent in a wide range of the Group's business. Adverse changes in the credit quality of the Group's borrowers and counterparties, a general deterioration in Portuguese or global economic conditions, or increased systemic risks in financial systems, could affect the recovery and value of the Group's assets and require an increase in impairments for bad and doubtful debts and other impairments. Accordingly, the Group is subject to credit risk, i.e. the risk that the Group's clients and other counterparties are unable to fulfil their payment obligations.

- **The Group is exposed to risks associated with changes in interest rates, exchange rates, commodity prices and equity prices and other market risks**

  The most significant market risks the Group faces are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin. Changes in exchange rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios. The Group has implemented risk management methods to mitigate and control these and other market risks to which the Group is exposed and exposures are constantly measured and monitored. However, it is difficult to predict changes in economic or market conditions with accuracy and to anticipate the effects that such changes could have on the Group's financial condition and results of operations.

- **Portugal may be subject to further rating reviews by the rating agencies, with implications on the funding of the economy and on CGD's activity**

  There might be further downgrades of the long term rating assigned to Portugal in the future, namely in the case of, a deterioration of the public finance situation arising from weaker performance of the economic activity, caused by the austerity measures adopted internally or induced by contagion as a consequence of the slowdown in the economic activity of the main trading partners of the Portuguese economy. Under these circumstances, the perceived credit risk of Portugal will increase, with negative effects on the credit risk of Portuguese banks (including

CGD) and, consequently, on their profit levels.

- **Regulation of the financial sector**

  The Group operates in a highly regulated industry. The banking activities of the Group are subject to extensive regulation by, among others, the ECB, the Bank of Portugal, the European Banking Authority ("EBA"), the European and Securities Markets Authority ("ESMA") and the Comissão do Mercado de Valores Mobiliários ("CMVM"), as well as other supervisory authorities from the EU and the countries in which the Group conducts its activities. Such regulations relate to liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, securities (including debt instruments) issuance and offering/placement, financial intermediation issues, record-keeping, marketing and selling practices. Those regulations are complex and its fulfilment implies high costs in respect of time and other resources. Additionally, non-fulfilment of the applicable regulations may cause damages to CGD's reputation, application of penalties and even loss of authorisation to carry out its activities.

- **Capital requirements as set out by the European Commission, the European Counsel and the European Parliament (together the "European Authorities") and by the Bank of Portugal and the ECB**

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

- **Changes to tax legislation and to other laws or regulation**

  CGD might be adversely affected by changes in the tax legislation and other laws or regulations applicable in Portugal, the EU or those countries in which it operates or may operate in the future, as well as by changes of interpretation by the competent tax authorities of legislation and regulation. Eventual changes to the Portuguese fiscal regime could affect negatively the protected DTA (that would eventually be converted into DTA related to temporary mismatches that depend on future profitability). However, at this point, there are no expected changes in the fiscal regime that could affect negatively the calculation of DTA on capital ratios.

- **Minimum Requirement for own funds and Eligible Liabilities risks**

  The European Commission has proposed that other banks in a member state, like CGD, be subject to a firm-specific minimum requirement for own funds and eligible liabilities ("MREL") regime under which they be required to issue a sufficient amount of eligible instruments to absorb expected losses in resolution and to recapitalise the institution or the surviving part thereof. These issuances will have a funding cost that might contribute negatively to CGD’s profitability.

- **The impact on the Group of the recent resolution measures in Portugal**

  The Resolution Fund is ultimately financed by the banking system, and thus the outcome of any disposals to be made by or on behalf of the Resolution Fund will ultimately be borne by the institutions which are required to fund the Resolution Fund, including CGD. However, given the agreement between the State and the Resolution Fund referred to above, CGD and the other institutions participating in the Resolution Fund are not expected to be required to make special contributions to the Resolution Fund as a result of any actual or potential liabilities incurred or to be incurred by the Resolution Fund.

1.5.5. GOVERNANCE MODEL

In 2016 CGD had two governance models, one of which, up to 31 August, and the other, starting from this date, both of which ensuring effective separation between management and inspection functions. The former comprised a board of directors, made up of an audit committee and a statutory audit company.

A Unanimous Written Resolution was passed, under article 36 of Decree Law 133/2013 of 03 October, on 31 August 2016, to amend the articles of association of CGD, S.A., approved at the General Meeting of Shareholders of 22 July 2011 and latterly amended by the Unanimous Written Resolution of 27 June 2012. The members of the statutory bodies of CGD, S.A. were also elected for the 2016-2019 term of office which began in accordance with the new structural administration and inspection model.

This latter governance model comprises a board of directors, supervisory board and statutory audit company. All members of the board of directors and supervisory board were elected in that date and took up office on 31 August 2016.

1.6. CGD Business Model

1.6.1. DOMESTIC ACTIVITY

Net losses from CGD Group's domestic activity, in 2016, totalled €1,915.2 million against the preceding year's losses of €310.8 million. This essentially translated the €2,722.3 million increase in provisions and impairment, in the sphere of a reassessment of the amount of its previously referred to assets. Income from financial operations and other operating income were also down by €254.7 million and €206.4 million, respectively. This was offset by the favourable evolution of operating costs of €124.7 million (down 12.0%) and tax headings, (down €849.0 million).

CONTRIBUTION TO CONSOLIDATED P&L (*)

DOMESTIC ACTIVITY

(EUR million)

	2015-12	2016-12
Net interest inc. incl. inc. from eq. investm.	636.0	658.5
Commissions (net)	366.9	349.9
Income from financial operations	229.1	-25.5
Other operating income	70.6	-135.8
Total operating income	**1,302.7**	**847.0**
Employee costs	585.7	497.4
Other administrative expenses	388.3	355.4
Depreciation and amortisation	69.4	65.8
Operating costs	**1,043.4**	**918.6**
Net operating income before impairments	259.3	-71.6
Provisions and impairments	579.3	2,722.3
Income from associated companies	46.7	46.7
Income from subsidiaries held for sale	-1.6	0.0
Net Inc. before tax and non-controlling interest	-275.0	-2,747.2
Tax	18.7	-830.3
Non-controlling interest	17.2	-1.7
Net income	**-310.8**	**-1,915.2**

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

CGD PORTUGAL

Caixa's activity, in 2016, continued to be characterised by the transformation of its structure which was aimed at adapting to the market context and improving its efficiency levels to allow it to optimise its commercial dynamic, centred on strengthening actions associated with the strategic pillars of customers, channels, products and commercial optimisation segments, improving its mission of backing the economy.

A strategic approach to backing SMEs was developed across the year, strengthening Caixa's guidelines in line with those of a "Corporate Bank", based on a broad, competitive offer as well as strengthening its dynamics and commercial relationships.

Caixa furthered its transformation by further improving its relational management, providing more means and functionalities on a level of its digital and mobile banking channels and endeavouring to improve the customer experience.

Its commercial approach remained geared to the pillars of loyalty, profitability, use, knowledge and customer satisfaction.

Face-to-face service models

Commercial reinvigoration endeavours, in 2016, based on an increasingly specialised and dedicated branch office network were essentially geared across 3 structuring actions:

- Securing customers;
- Retaining customer loyalty (geared to strengthening current customer relationships);
- Adding value (geared to customer profitability).

The corporate segment with dedicated management is spread across 26 corporate offices, providing assistance to SMEs, 651 branches for oversight of the self-employed and business areas, in addition to exclusive, dedicated account managers for the corporate and public entities segment.

Individual customer management focuses on the following five segments:

- Affluent: 745 customer accounts responsible for around 229,000 Caixazul customers at 651 branches
- Mass Affluent: 658,000 customers managed by 1,324 commercial assistants at 611 branches and distance oversight of approximately 18,500 customers by 17 commercial assistants
- Residents abroad: 7 customer account managers, managing 2,500 customers (Caixazul Internacional) and 12 commercial assistants overseeing 22,600 customers (Caixadirecta Internacional)
- Caixadirecta Mais: 6 commercial assistants managing 14,500 customers.
- Universal: Transversal to the branch office network, having a year end total of 651 offices with face-to-face services.

Caixazul customers are able to rely upon the virtual presence of their Caixadirecta account managers. Using the Caixadirecta service, they can request call-backs, exchange secure messages with their account managers, ask for assistance in carrying out transactions and schedule meetings, through their online manager, available 24/7.

Mass affluent customers can also rely upon the presence of their respective commercial assistant or contact centre via the Caixadirecta service. Customers can use the assistant-on-line service to request help by pressing the call-back button or by sending secure messages.

Branch office network

Caixa continued to adjust its presence, in 2016, in terms of its geographical domestic retail network to 651 “universal” (i.e. general) branches (44 fewer than at the end of 2015) and 26 Caixa Empresas corporate offices to a total of 677 business units, at 31 December.

94.2% of the total number of 651 branches open for business, in 2016, had full access facilities.

Notwithstanding this reduction, Caixa continued to focus on positive differentiation as viewed by its customers and its commercial dynamics by expanding its dedicated management services which currently deal with around 1 million individual and 41.7 thousand corporate customers.

Deriving from its strategic commitments to improve its levels of operating efficiency and rationalise its sales costs, Caixa furthered its branch office network capillarity optimisation programme as part of its sustained development of an integrated multichannel offer.

Caixa continues to innovate and incentivise its customers to use digital forms of interaction with the Bank, based on the provision of its alternative Caixautomática and Caixadireta services as increasingly popular alternatives (further information in Distance Banking).

Multibanco and Caixautomática networks

The 4,260 equipment installations at the end of the year registered 259.8 million operations amounting to €17.8 billion. The private in-house Caixautomática (ATS) network has 2,202 items of equipment, 1,346 ATS in-house machines (down 47 over the end of 2015) and 856 bank passbook updaters (down 45) and was responsible for 121.7 million operations amounting to around €9.3 billion, down 3.9% by 5 million operations and equivalent to a 0.02% reduction of €2.2 million over the same period 2015, respectively.

The Multibanco network, operated by Caixa, with 2,058 ATMs (down 178 over 2015), processed 138 million operations for around €8.5 billion. This was down 0.4% by 617 thousand operations and 0.6% by €53 million, over 2015.

Distance banking

Caixa took a first step with its launch of the Caixadirecta telephone hotline, in 1996. Always at the forefront of evolution, Caixa has consistently expanded its alternative bank access channels via internet, mobile, SMS, app and smartwatch, with the objective of facilitating its customers' user-friendly access to the bank.

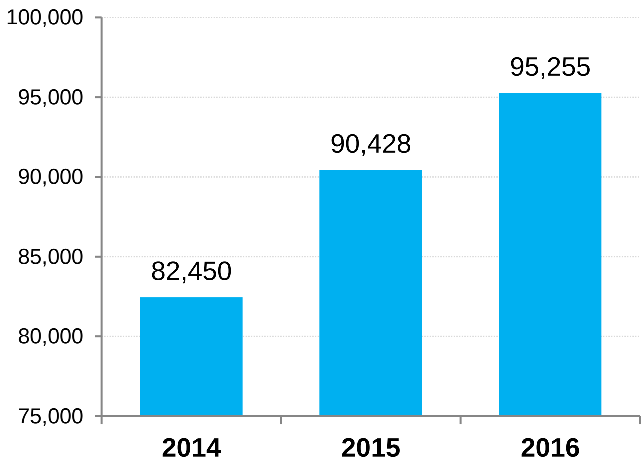
Twenty years down the line and Caixadirecta is the most used internet banking service in Portugal (Basef 'Internet Banking' study by Marktest, Jan/Oct 2016). Caixadirecta currently has almost 1 million customers who regularly use this fully secure service, with more than 400 million operations per year 24/7 all year round.

The Caixadirecta Empresas channel achieved significant evolution in terms of its range of user functionalities by the end of 2016, particularly:

- Viewing renting contracts entered into with Locarent and its respective product showcase;
- Reformulating the bills area, expanding the scope of pre-dated cheques views and other new operations such as viewing images of bills and promissory notes, payment of bills, requests for paperless transactions of bills and requests for the return thereof;
- Stock market and investment funds trading;
- Viewing of leasing contracts entered into with Caixa Leasing e Factoring;
- iOS and Android app specifically designed for mobile use.

"FREQUENT USE CONTRACTS" - CAIXADIRECTA ON-LINE CORPORATE CUSTOMERS

(number of contracts)



This evolution fuelled a 5.3% increase in the number of frequent users (3 months), a 10.2% increase in operations and a 9% increase in the amount of transactions over 2015.

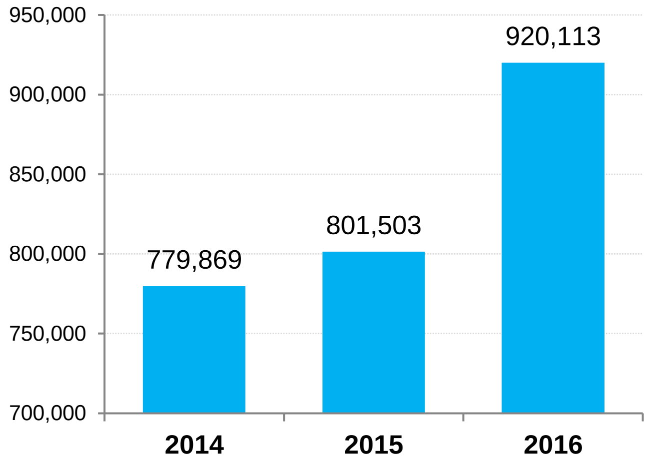
The CAIXADIRECTA channel enables individual customers to access their accounts via web, telephone, mobile phone, sms and Windows, Android and iOS apps as well as smartwatches. 413.5 million operations were performed by the end of 2016 (up 9.8%, year-on-year 2015). Reference should be made to the 14.8% growth in the number of frequent users (3 months), over the same period 2015, as well as to:

- User-friendly access with the contract number being recorded by the Caixadirecta app and the immediate delivery of the password card when subscribing for Caixadirecta.
- Growth in the use of Caixadirecta contracts through the Caixautomática facility for regenerating Caixadirecta codes;
- A customer opinion survey on Caixadirecta, with a “Help us improve” option on all webpage channel pages, taking advantages of the contributions made by the users of the service in the Caixadirecta channel design and development processes;
- Mobility and relevance with the supply of the smartwatch app, enabling customers to view balances and movements, view and share IBANs, locate Caixa branches, stock market alerts and information on *Vantagens Caixa* partner shops, with exclusive discounts for Caixa customers. The app was launched in April for the main smartwatch operating systems: Apple (iWatch), Samsung (Tizen) and Android Wear.
- An expanded range of functionalities, gearing the service to customers’ needs with an additional two functionalities: viewing the Caixa Break card via the Caixadirecta app and the setting up of new direct debit alerts.

Caixadirecta provided for subscriptions to the new 3D Secure authentication method permitting the use of *SMS Token* certification for the secure validation of all internet purchases, in 2016.

"FREQUENT USE CONTRACTS" - CAIXADIRECTA ON-LINE INDIVIDUAL CUSTOMERS

(number of contracts)



__Financial Inclusion__

Accessibility

Initiatives designed to improve underprivileged citizens’ access to financial services include Caixa’s provision of a Helpdesk for Deaf Citizens, through its CaixaContactCenter, up to October. This helpdesk is for people with hearing difficulties and is based on the use of sign language (Serviin – video interpreting system). This contact channel provided an informational content.

CGD adopted the ColorADD code, in 2013 which it continues to progressively incorporate in its informational and advertising media. The inclusion of this code enables customers and employees suffering from colour blindness to fully assimilate the messages conveyed by such support media.

Basic Account

Since 31/12/2014, Caixa has been providing a current account, exclusively for individual customers (with statements and passbooks), following the recommendations of the Bank of Portugal's circular letter 24/2014, with the objective of improving transparency and facilitating comparability between the offers of various banks. This account provides customers with several fundamental operating and payment services (a Caixautomática Electron/Maestro debit card with no annual fee, access to the Caixadirecta service, three free in-branch withdrawals per month/account and free domestic transfers between CGD accounts) based on a flat rate.

There were 2,169 basic accounts active at year end.

Minimum Banking Services Accounts

Since 20/03/2000, Caixa has been providing Minimum Banking Services Accounts (MBS), following the three-party agreement entered into between Caixa, the government and the Bank of Portugal pursuant to the dispositions of Decree Law 27-C/2000 of March 2000, with the objective of providing its customers with access to the banking system, notwithstanding their financial status.

This service, for individual customers with only one account in the banking system, is free and in addition to the maintenance and management of the current account includes access to the Caixadirecta service, a debit card for making payments and withdrawals on domestic territory, with no annual card fee and free domestic transfers between CGD accounts.

MBS access conditions were, in the meantime, changed on 04.10.2015 by Law 66/2015, which enables a singular person with another or other accounts to enjoy access to the MBS provided that one of the MBS co-accountholders is a singular person over the age of 65 or dependent on third parties (customers with a permanent level of disability of 60% or more, duly certified by a competent body).

Caixa had 5,406 active Minimum Banking Service Accounts at year end.

Inclusion of Handicapped/Disabled Persons

Caixa continued to provide solutions for its individual customers of whatever age, with a disability of 60% or more as certified by a competent body, namely:

- *CaixaPoupança Rumos* – deposit balance of €26,287 thousand at the end of 2016.

  This consists of a highly flexible renewable term deposit with a maturity of 6 months and a bank passbook facility for customers with a disability of 60% or more. Although it ceased to be commercialised at the end of 2015, amounts can still be paid in.

- Mortgages for the handicapped/disabled – €140 thousand in loans made in 2016.

  This mortgage credit allows handicapped/disabled persons, both civilians and from the armed forces, to purchase or build their own homes at a very reduced rate.

Inclusion of Third Sector

CGD also provided inclusion solutions to *IPSSs* (private charitable/welfare institutions), mutual loan societies, *Misericórdias* (charitable institutions), cooperatives, local development associations and other non-profit making social economy entities.

Social Investe is a specific line of credit for social sector entities between CGD, CASES and IEFP with the objective of incentivising investment and strengthening activity in existing or new intervention areas, upgrading the level of services provided to communities, modernising management and strengthening the treasury function.

At the end of 2016, the *Caixa Fã* card which enables users to finance the activities of social welfare institutions and NGOs, totalled transactions of €35,622 thousand and the Alentejo Foundation card, for customers interested in financing the Alentejo Foundation's development of socially relevant projects in the region (a part of the annual fee for this card is paid over to the Alentejo Foundation), accounted for €47 thousand in transactions.

Means and Payment Services:

Cards

Caixa retained its domestic market lead of bank cards, in 2016, notwithstanding the continuation of an adverse socioeconomic climate, strengthening the portfolio's management initiatives with the aim of complying with the new regulatory framework accompanied by endeavours to reduce costs.

New Products, Services and Functionalities

- As regards new electronic commerce services, CGD upgraded its *3D Secure* service for cards using the MasterCard/Maestro and Visa/Visa Electron network (based on the implementation of strong authentication mechanisms) to optimise the security of online payments and improve levels of usability.
- Progress was also made on MBNET, based on the provision of a simplified MB Way service enabling virtual cards to be created without a prior requirement to subscribe for the service;
- The partnerships portal at *www.vantagenscaixa.com*, *LojaVantagens* online shop and Facebook profile are used as instruments for knowledge on and improved relationships with customers in terms of their personal interests and the means of providing for such interests, both on a level of establishing partnerships, improved relationships with partners and prospecting for new subscriptions and increased sales.
- In addition to special leisure-time activities such as Lisbon Zoo, Caixa Ribeira, NOS Alive, MEO Marés Vivas and Super Bock Super Rock, reference should be made to fortnightly leisure-time activities on the Facebook profile of *Vantagens Caixa* with the objective of generating brand awareness of Caixa's cards and the benefits they provide to partners, in addition to increasing traffic, shares and total number of fans;
- Reference should be made to the initiative of rewarding *Caixa's IU* customers subscribing for the Caixadirecta on-line service, with discount vouchers for products, services or experiences offered by the referred to partners. This initiative involved a total number of 175,000 customers (from January to June);
- Inclusion of the *Vantagens Caixa* partners network on the Caixadirecta mobile app for SmartWatch providing customers with access to privileged information based on the triggering of geo-referenced alerts;
- On an environmental sustainability level, Caixa witnessed the first fruits of its bank cards recycling project with the production of the first items of urban furniture based on the recycling of 5 metric tonnes of cards, delivered, in May, to two charitable institutions identified by *ENTRAJUDA*: the S. João das Lampas Social and Parish Centre in Sintra (nursery, pre-school, leisure time activities, day centre and old people's home) and the Brotherhood of S. Vicente de Paulo (pre-school and old

people's home) in Lisbon. The same programme also saw the installation of 4 recycling bins (200 kilos of recycled plastic – PVC) in the garden of CGD's HQ building, to incentivise selective waste collection. This project was distinguished by Quercus which considered Caixa to be a pioneer in the banking sector and particularly so in the media with a presence in RTP's *Minuto Verde* programme. The "Bank Cards Recycling Project" recently won the 9th edition of the Green Project Awards, in the Efficient Management of Resources category.

- Promotion of services associated with card management on self-service channels, based on the optimising of prepaid card files transfer functionalities in *Caixadirecta Empresas*, in addition to subscriptions for individual credit cards on Caixadirecta, with the introduction of the "available credit limit";
- The mobile payments area remained at the core of the payments innovation strategy;
- *Caixa plim*, a pioneering service in the domestic market for mobile bank apps, available from iOS, Android and Windows app stores continued to grow in terms of downloads in which a major contribution was made by the introduction of monthly leisure-time activities;
- Pilot project to test simplified *plim* subscriptions on portable terminals;
- Caixa's presence, in the *plim* sphere, at various events and conferences with promoters and employees, which were warmly welcomed by such initiatives' target audiences;
- *Caixa plim* enabled customers to make and receive transfers to/from the accounts of other credit institutions provided that the recipients/requesters are MB WAY service subscribers. The *Caixa plim* service can be subscribed for via Caixadirecta or an in-house Caixautomática ATM;
- The functionality of instant P2P transfers via the MB WAY app was also recently introduced;
- Provision of new MB Way services backed by a high level of communicational activities. Caixa awarded prizes to several of its customers, in the sphere of the leisure-time activity incentivising MB NET purchases;
- Continuity of incentives to subscribe for the Benfica card with tickets for games at the Stadium of Light for the NOS League. Travel prizes in the sphere of the "Lugar de Ouro" (Golden Seat) programme (2015/2016 season);
- Consolidation of the social innovation pilot-project with ASSIS (Social Solidarity and Social Welfare Association) to test the acceptance of prepaid cards operating in a private payments system (exclusively for pharmacies) which are credited by a platform for donating funds for old people.
- Campaign to combat the lack of use of credit cards on Caixadirecta online, as part of the day-to-day management solution to promote the more efficient use of cards, with supermarket vouchers for customers as prizes;
- Multimedia campaign to promote split payments with the deferment of the 1st payment;
- Ticket campaign for the summer festivals (splitting up of payments made by credit card on the Caixadireta on-line service), as well as the provision of an interest-free 6 months payment plan for the acquisition of tickets using credit cards for the Caixa Ribeira, NOS Primavera Sound, NOS Alive, MEO Marés Vivas, Super Bock Super Rock, EDP Cool Jazz, MEO Sudoeste, Vodafone Paredes de Coura and Caixa

Alfama festivals.

- Summer campaign to promote split payments with deferred payments.
- Christmas and end of year campaign to incentivise subscriptions for credit cards and their respective billing, with the aim of increasing market share, activity rate and billing;
- Launch of the new Sporting cards (Classic and Gold), with distinctive, differentiating features;
- Caixa Viva card campaign as the only bank card in Portugal permitting the automatic payment of one-off ticket purchases by simply swiping the "validator" on vehicles in the Lisbon transport region.

Acquiring

The alignment of netcaixa service management policies with Caixa's strategy enabled it to continue to secure leading customers in various sectors of activity, mitigate risk and increase commissions, always focusing on the quality of service provided.

In a year of important regulatory changes, in the form of European Regulation 751/2015, the capacity to anticipate the important changes in the payments market in order to guarantee continued competitiveness and enhance efficiency gains was fundamental.

Out of the series of actions taken in 2016 and in parallel with ongoing improvements to already existing services and products purchased under the acquiring service, reference should be made to the following initiatives:

- Global packages – flat rate solutions for multibrand or MB only payment terminals combining the monthly hire of the equipment, transactions (commissions) and communications. This offer is geared to merchants with monthly POS business revenue of €<2,500, between €2,500 and €5,000 and between €5,000 and €10,000, who are interested in guaranteeing the whole of the service in a fixed monthly charge.
- DCC (dynamic currency conversion) service – a DCC functionality campaign enabling customers with foreign cards to make payments in the cards' original currency on *TPA Netcaixa.*

Bancassurance

As part of its insurance brokerage activities Caixa developed a broad range of initiatives designed to improve customer loyalty levels and increase this area's contribution to its other operating income, in 2016, particularly:

- The launch of a new Multicare Healthcare Offer, for individual and corporate customers, comprising 4 Healthcare Insurance Packages (Multicare 1, 2,3 and Vital Protection) and 2 cards (*Activcare Geral* and *Activcare Dental*);
- A Healthcare Insurance up-selling campaign for Activcare Healthcare Card customers with the objective of promoting its replacement by Multicare Healthcare Plans, with the offer of the first monthly payments to customers;
- Multiproduct campaigns geared to individual and corporate customers, providing benefits on new insurance subscriptions in accumulation with customer discounts based on the respective segment;
- Life and multirisk housing insurance campaigns for customers with existing mortgage loans having only one type of insurance taken out with CGD.

Reference should also be made to the introduction of several improvements to products and procedures, in 2016, with the aim of leveraging the commercialisation and oversight thereof, namely:

- An upgraded Vital Protection Insurance for People, improving civil liability cover and including new Personal Assistance – Cyclists cover, without any change in the amount of the premium and also applicable to the portfolio insurance;
- Applicational support to enable the branch office network to communicate directly with the insurance company, improving efficiency and speed in processing claims and damages.

Companies

Caixa maintained its strategic focus on backing Portuguese companies, in 2016, furthering its strategy of achieving the leading position as a "Corporate Bank". It accordingly committed major resources to its corporate customers' candidatures for *PME Líder* ("Leading SME") and *PME Excelência* ("Excellence SME") status attributed by IAPMEI (small and medium-size enterprises institute). This resulted in Caixa's leading position in submitting the largest number of new applications for the referred to status.

Caixa oversaw companies across the course of their life cycles, providing them with a complete sectoral offer adapted to the different activity areas. Several actions were implemented across the year, particularly:

- Promotion of the agreement entered into with the EIB, in the form of the EIB 2015 €300 million line of credit backing a wide range of projects with different spreads and longer maturities, in line with companies' needs. The credit ceiling negotiated with the EIB was used up by mid 2016;
- Special/government lines in force, with the objective of backing the growth and internationalisation of domestic companies, particularly the *PME Crescimento 2015* ("SME Growth") line with disbursements of €286,217 thousand. Its commitment to these lines positioned Caixa as a,
    - Portuguese bank financing Portuguese companies;
    - Leader of National Mutual Guarantee System.
- The signing of an agreement with *Turismo de Portugal* (Portuguese Tourist Authority) and a new line of credit for the Qualification of the Offer of Tourism Sector Companies 2016, with the aim of enhancing the offer to Portuguese companies in one of the most dynamic sectors making the largest contribution to relaunching the domestic economy. This line provides two specific lines of credit for companies in the tourism sector affected by the December 2015 floods in Albufeira and the August 2016 fires – €618 thousand in loans during the year;
- Agreements entered into with IFAP (Institute for the Finance of Agriculture and Fisheries) and the launch of two specific lines of credit for the agricultural and forest sector:
    - Line of credit establishing Special Financing Conditions for Agricultural and Forest Sector Activities, backing the activities financed by FEAGA and FEADER, in the sphere of the projects approved under PDR 2020 (Portugal 2020);
    - "Pig Rearing and Milk" line of credit to improve the financial health of poultry operations that are going through a difficult period.
- Launch of IFD 2016 – 2020 (Capitalisation Programme) as a new line of credit with a mutual guarantee. This was the first line created by Banco de Fomento, with the

objective of improving access conditions to finance, in addition to the capitalisation of domestic companies for the purpose of job creation and economic growth.

- Increased credit ceilings for companies, available for treasury support operations, foreign trade operations, commercial discounting operations, credit limits on cards, acquisitions of current equipment and issue of bank guarantees to permit a better quality of service and optimise customers' waiting times.
- Launch of new global netcaixa packages to complement the Caixa Empresas package, with a fixed monthly amount to include equipment + transactions (commissions) + communications, based on the monthly billing provided for in the POS equipment;
- Broadening of consultancy services partnerships to PDR, POSEUR and POCI programmes, backing support and advisory services to corporate customers, with additional features to prepare, present and oversee Portugal 2020 candidatures. Loans of €4,708 were made under Caixa 2020 across the year.

Caixa also made loans of €140 thousand in 2016, under the *Comércio Investe* ("Commerce Invest") line of credit and loans of €69,345 thousand and €8,260 thousand under the *Oferta Setor Primário* ("Primary Sector") and *Turismo* ("Tourism") lines of credit, respectively.

Several of the campaigns organised to support this dynamic particularly include:

- *Caixa no apoio às Empresas* ("corporate support") and "*PME Excelência* ("Excellence SMEs") and *PME Líder* ("Leading SMEs") (February)
- Imóveis Caixa - Caixa imobiliário ("Property") Campaign (April)
- Caixa 2020 (April)
- International Offer/Exports (June)
- Commerce & Services (July)
- PME Líder (Leading SME) – (August)
- Agrocaixa (November)
- Caixa Auto 2016 (November)
- Caixadirecta Empresas (Corporate) – (November)

Other communication actions aimed at providing access to information of relevance to its activity, strengthening Caixa's presence as a business partner, were also launched:

- Caixa Empresas newsletter – sent in a marketing email, describing the main novelties related with products and services or other relevant financing issues.
- Secure messages – sent via Caixadirecta Empresas with information on external markets of interest to Portuguese companies and financial support for foreign trade with managers in the markets in which Caixa operates.

Entrepreneurship, Microcredit and Microfinance

Caixa continued to operate as an Entrepreneurship Support Bank based on a social responsibility approach, maintaining its provision of such financial instruments as microcredit and microfinance lines and contributing towards the creation of self-employment to counteract economic and social exclusion.

Caixa's ACM (Central Microcredit Branch) is responsible for the operational management of all activity inherent to the referred to finance agreements with ANDC, ANJE and IEFP. Caixa issued loans for the amount of €4,440 thousand, in 2016, under the microcredit/microfinancing lines of credit associated with these agreements.

Caixa has also retained its *Caixa Jovem Empreendedor* (young entrepreneurs) credit for acquisitions of equipment or other components for the launch of small businesses and especially geared to young graduates, with €851 thousand in loans in 2016. Transactions of €2,680 thousand were made by companies and €62,402 thousand by individual customers on the *Caixa Works Empreender* card, in 2016. This card was designed to provide for the treasury needs of small and medium-sized enterprises in all sectors, with less than 2 years of activity

Financing of the Low Carbon Economy

CGD continued to play a role in financing the low carbon economy across the year, helping its customers to reduce their greenhouse gas emissions.

It continued to provide a series of specific financial solutions giving its individual, corporate and institutional customers access to goods and services with greater carbon efficiency.

Caixa continued to commercialise the following solutions for its corporate and institutional customers, in 2016:

- *Caixa Empresas – Energias Renováveis* solution to promote corporate investment in the solar, thermal and photovoltaic, hydro and wind renewable energies area. Loans of €60 thousand were made across the year.
- EIB lines – Investment in Environment/EIB XV components, to finance energy economy and environmental protection projects (SMEs and other entities, including general and local government). Loans of €3,100 thousand were made across the year.
- Launch of a line of credit for hybrid and electric vehicles by Caixa Leasing e Factoring, in the sphere of Caixa's sustainability policy, financing companies with environmental concerns. CGD had financed the acquisition of 69 vehicles for a global amount of €3,215 thousand by the end of 2016.

Individual Customers

Individual customers have been the main pillar of Caixa's profitability, sustenance and recognition. Caixa continued to strengthen its relationship with individual customers, in 2016, as follows:

- In its leadership of all image attributes – trust and strength – of a bank which has been chosen as a working partner;
- In strengthening its value proposal, as exemplified by its launch of savings and investment products for customers with different investment profiles;
- In the improvement of the customer experience, strengthening means of interaction and functionalities on digital and mobile banking channels;
- In increasing customer loyalty levels with a positive change in the number of products/customer over 2015;
- In its involvement strategy, promoting the use of products and consequent reflection on satisfaction and convenience;
- In strengthening relational management by expanding the physical presence of the Caixazul service model with multi-branch managers and the broadening of personalised distance management to a collection of around 18.5 thousand "mass affluent" customers.

The proactive bases were strengthened with the launch of an action plan, structured on campaigns to promote diversified solutions for the specific financial requirements of each life stage in line with each customer's financial profile.

Day-to-day financial solutions saw a new release of the campaign with products and services providing financial day-to-day management for household budgets. This was complemented by the integrated sale of debit cards and Caixadirecta in the account opening sphere with a view to providing better customer service.

Caixa continued to commit to incentivising its customers and their families to create savings habits based on solutions to facilitate and promote savings governed by responsible, useful, financial management.

Caixa posted a deposits balance of €14 billion in the savings and investment solutions sphere which enable amounts to be paid in at the end of 2016.

As regards cards with an associated savings component, reference should be made to the *Leve* card which is associated with the standing offer of the PPR retirement solution involving transactions of €64,981 thousand across the year.

Caixa continued to provide tracker deposits associated with the performance of companies with sustainability concerns:

- *Caixa Cabaz Sustentável Maio 2017_PFC*: a non drawable euro denominated tracker deposit with a maturity of 2 years whose interest, payable on maturity, is dependent on the change in the listed price of 5 shares – Iberdrola, Kellogg, Visa, Colgate and General Electric – that make up the underlying basket ("Basket"). This sustainable basket comprises 5 Ethisphere listed companies – World's Most Ethical Companies Programme. The deposits balance at 31 December 2016 amounted to €42,101 thousand (indivuduals) and €897 thousand (companies).

- *Caixa Cabaz Renováveis Agosto 2018*: a non drawable tracker deposit with a maturity of 3 years, payable on maturity, adequate for customers with a balanced investment profile interested in benefiting from the performance of equity markets. This basket is associated with the medium term energy/renewables market of companies with climate change concerns (BASF, Siemens, Monsanto, Calpine Corp and NextEra Energy). The deposits balance at 31 December 2016 amounted to €71,238 thousand (individuals) and €697 thousand (companies).

Banking Mobility

Caixa is a party to the Banking Mobility Agreement, comprising a service for individual customers designed to improve the flexibility and facilitate the transfer of domestic payment services associated with sight deposit accounts between banks.

Promotional Actions geared to Specific Customers

Campaigns to increase business and generate emotional and relational involvement were also launched. They included initiatives geared to specific customer market segments for projects, protection and safeguarding the future, particularly:

- Women's month – solutions geared to women to safeguard and plan for the future (*Caixa Woman March 2019* deposit and *Seguro Caixa Woman)* and prestige products valued by the segment;

- Father's Day – information on prestige products with special terms based on the use of the Caixa credit card;

- Family month – communication of offer geared to families, with associated advantages such as *Caixa Proteção Familiar* insurance with a discount on annuities and *Depósito Cabaz Família 2019_PFC*, with free tickets for Lisbon Zoo;
- Back to school – communication targeted at young people, promoting prepaid LOL and LOL Júnior cards and for parents, focusing on the splitting up of credit card purchases;
- Easter, Summer and Christmas campaigns for residents abroad – focusing on the association with Portugal, savings diversification and unrestricted worldwide access to Caixa;
- Split payments Campaign associated with the Summer Festivals – free tickets for customers who split up their payments when using home banking – promotion of the advantages of Caixa credit cards.

With the support of Caixa's contact center, fresh actions were taken to refresh the relationship with customers without any involvement. Information is obtained on the main reasons for abandoning the relationship and prospects are informed of the offer most adequate to their profile, with the aim of re-establishing the relationship and gearing the commercial dynamic to each customer's expectations.

Investment and savings

Caixa launched several savings and investment solutions in 2016, with the aim of securing new resources and retaining them on maturity, covering the various types of products available, namely:

- Five two-monthly initiatives for taking-in/diversifying resources (integrated deposits offer, funds and financial insurance) – savings and investment solutions – with the objective of providing continuity to the strategic priority of retaining and taking-in resources, with adequate returns;
- Adjustments were made to its global deposits offer on all maturities and deposit-type families. Several characteristics of its standard term deposits and savings offer were also reformulated in the sphere of the usual pricing revisions;
- As regards term deposits, Caixa introduced a 1 year deposit for individual customers resident in Portugal, associated with the offer of the first 3 monthly payments when subscribing for Multicare healthcare plans (1, 2 and 3);
- 58 short and medium term tracker deposits with guaranteed capital on maturity and varied interest rate structures were commercialised. These ranged from interest rates on shares, share indices, exchange rates and commodities. The launch of 6 of these deposits was associated with Caixa's 140th anniversary celebrations, "Woman's Month" and "Family Month" with 60 free tickets for Lisbon Zoo, as well as in the sphere of the Easter and Summer campaigns for residents abroad;
- Four medium/long term capitalisation insurance products with a guarantee of capital and fixed interest on maturity were commercialised in the financial insurance sphere. There were also four promotional actions for the *Leve PPR* retirement pension plan. Four medium/long term unit-linked funds with a green graphic alert – 1, with guaranteed capital and fixed interest on maturity were also commercialised;
- There were also 12 monthly actions to promote Caixa's standing range of investment funds and 7 monthly actions to promote its standing range of 3 pension funds.

Reference should also be made to the following initiatives:

- Benfica SAD Fixed-rate bonds 2016-2019 – Participation in the Benfica Sports Club ("Benfica SAD") public bond loan subscription;

- Variable-rate Treasury bonds May 2021 – Participation in the Portuguese Republic's Treasury bonds issuance;
- Variable-rate Treasury bonds August 2021 – Participation in the Portuguese Republic's Treasury Bonds issuance;
- Variable-rate Treasury bonds November 2021 – Participation in the Portuguese Republic's Treasury Bonds issuance.

Mortgage Loans for Individual Customers

Caixa has a broad range of means for promoting and providing information on its property for sale in which particular reference should be made to the use of the www.caixaimobiliario.pt and www.lardocelar.com sites.

This has been complemented by partnerships agreed between Caixa and the main real estate offices and agents, laying the groundwork for information on the real estate portfolio to be divulged by a wide range of real estate sites, with a high level of geographic coverage. These partnerships also make it possible to guarantee the effective support of real estate agents over the country as a whole, in promoting, divulging and selling Caixa Group owned property.

Caixa has participated in diverse international property fairs, particularly including *SIL- Salão Imobiliário de Portugal* in Lisbon and SIIP - *Salon de L'immobilier et du Tourisme Portugais à Paris*, to promote its property offer, helping to promote Portugal as a destination for property investment.

Property mortgage loans have been a strategic priority in respect of which Caixa has continued to commit to flexible lending solutions adjusted to its customers' needs.

Caixa was involved in diverse promotion and commercialisation initiatives on property not used for its main activity and property built with Caixa finance, in 2016, providing customers with differentiated financing conditions giving them a better rate over the first few years of the agreement and longer maturity periods.

Financing of the Low Carbon Economy

CGD offered a range of specific financing solutions with greater carbon efficiency, in the individual customers segment, in 2016, particularly including:

- *Caixa Viva* – a bank debit card permitting the automatic payment of travel in the Lisbon Metropolitan Area (underground, bus, boat or train). It also encourages the use of public transport. Transactions of €89,552 thousand were made on this card in 2016.
- *Caixa Webuy* – a prepaid card issued solely in pinless paper format and exclusively used to make more secure internet payments on domestic or foreign sites while also helping to fight tax avoidance and dematerialise the use of plastic - 8,550 thousand transacted in the year.

Personal Loans for Consumption

Caixa furthered its commitment to sustainability and social responsibility in 2016:

- In financing higher educational courses, masters, doctorates and MBAs via Crediformação Caixa, which, in addition to rewarding academic merit with discounted spreads, also provided customers with extended periods of use and repayment, adapted to the length and specific nature of each course. An amount of €11,145 thousand in credit was extended in 2016;
- In continuing to commercialise its Emergency Health Personal Credit exclusively for lower earners (credit of €1,109 thousand extended during the year);

- Credit of €43,548 thousand was extended in the senior customers area, as part of the Caixa Activa offer sphere, in 2016.
- Though reductions of spreads on vehicle finance to incentivise the purchase of "user-friendly" vehicles.

Promotional initiatives particularly included the following:

- A line of credit with promotional conditions (maximum amount and longer maturities), with the offer of a €50 discount voucher redeemable on the purchase of a non-banking product financed by Caixa;
- Launch of Caixa Leasing e Factoring's motor vehicle finance as a solution for the acquisition of new or second hand vehicles, with reservation of ownership and highly competitive conditions backed by an advertising campaign.
- Launch of a line of credit for hybrid and electric vehicles by Caixa Leasing e Factoring, for the purpose of backing investment in such vehicles in the sphere of Caixa's sustainability policy of financing companies with environmental concerns. By the end of 2016, CGD had financed the acquisition of 69 vehicles for a global amount of €3,215 thousand.

University Students and Universities

Caixa has been reaffirming its leadership of the university market since 1994, as the business partner of most higher educational institutions in Portugal. Based on a pioneering, innovative approach, its strong association with academia has provided it with unrivalled experience in its approach to the university segment with more than a million customers (students, lecturers and functionaries) over these last 22 years. The close relationship with higher educational establishments remains a central element of Caixa's status as a supporting bank for higher education.

Caixa allocated customers at the end of their academic cycles to one of the most adequate personalised post university service models at the start of the year.

Successive knowledge and activation campaign stages were organised to promote the use of day-to-day products/services (means of payment, depositing of allowances/wages, savings and internet banking) together with the updating of information on university and post-university customers,

Annually, at the start of each academic year, Caixa develops a highly comprehensive nationwide "New University Year" campaign welcoming new students to the world of higher education, setting up more than 250 helpdesks at partner schools and recruiting and training around 110 new temporary employees to process more than 40 thousand customers over a period of 2 months.

Caixa provides university students with a package of products and services to facilitate their day-to-day management, giving them access to such benefits as**:**

- Current accounts with no maintenance charges;
- Caixa IU debit card. This is a card with banking features that can also be used to identify a student as being in higher education;
- A savings account for life in which a customer can save as little as one euro;
- Caixa ISIC credit cards. This is an international student card, with no annual fee, providing discounts in more than 120 countries;
- Caixadirecta service allowing customers to access their accounts via the internet or by telephone at any time, any place.

Transactions on the various university segment banking cards – *Caixa Universidade Politécnico (CUP), ISIC, ISIC DD, ISIC Erasmus, ITIC* cards – totalled €493,930 thousand in 2016. The deposits balance on the *Caixa Poupança Superior* account totalled €17,009 thousand at the end of the year.

CGD continued to play a major role in financing higher educational courses (degrees, masters, doctorates and MBAs), rewarding academic merit with discounted spreads. Crediformação Caixa made loans of €11,145 thousand in 2016.

The process of opening accounts and subscribing for products in 2016 continued to be a fast, innovative fully digital process ranging from photographs to signatures based on the use of mobile devices (iPads) as well as subscriptions for the various specific solutions Caixa provides to such customers. They include subscriptions to Caixadirecta allowing customers to immediately obtain their contract number and access code by downloading the Caixadirecta app to their mobile phone.

Customers are requested to download the Caixadirecta app on their smartphone to pre-register. They then enter their tax code and choose their access code. The Caixadirecta app returns a contract number that is registered at the time of the log in by default, in addition to a QR-Code that is read by the commercial operative's tablet when dealing with the customer. Following the back-office process, the customer receives an SMS indicating that the service is active and ready to use.

The technological adequacy of the sales and after sales process to customers' expectations continues to be the image of the CGD brand in the university market, ranging from first contact to the subsequent communication via email and SMS. This is a simplification of online sales to meet the desires of millennials for whom time is a critical success factor.

Caixa also continued to be present at academic weeks (Bragança, Minho, Porto, Aveiro, Lisbon and Faro) between the months of April and May in the form of an action to promote and boost the activation of the Caixa PLIM /Caixadirecta app with the objective of finding new users.

In alignment with communication trends, particularly social networks, Caixa retained its highly dynamic Caixa IU page which specialises in university segment issues. The page already has more than 40 thousand followers.

Residents Abroad

The individual customers resident abroad business is one of CGD's individual customers business segments with a positive impact on its profitability and growth potential. CGD's market share of emigrants' deposits in 2016 rose from 40.4% in December 2015 to 41.2% in November 2016 and credit was up to 35.6%, 10 pp higher than the respective individual customers market shares.

Caixa continued to focus on promoting and consolidating its relationships with customers resident abroad through its branch office network in Portugal, by strengthening and increasing the coverage of its distance banking models specialising in customers resident abroad – *Caixazul Internacional* and *Caixadirecta Internacional* – and its permanent linkage with Group units in the 22 countries in which it is also present.

CGD´s individual customers resident abroad business in the period in question was influenced by the constant regulatory fiscal changes with the coming into force of FATCA and CRS regulations which conditioned customers' investment decisions.

Even so, in 2016 total credit to the segment was up by around 1% year-on-year and particularly included customers resident in the United Kingdom and Switzerland as the main destinations of Portuguese emigration over the last few years. Reference should also be made to the investments made by foreigners in the property market in Portugal.

As in past years, reference should be made to the thematic promotional campaigns targeted at this segment, which took advantage of the presence of many customers in Portugal, in the Easter, Summer and Christmas holiday periods.

2016 marked the celebrations of the 20th anniversary of CGD's representative offices in Germany and Switzerland and the 5th anniversary of its Canada office. These Caixa Group units continue to be major contact points between Caixa and Portuguese communities, divulging the Caixa brand and improving relations in the individual and corporate customers segment.

Support for the Rehabilitation and Regeneration of Urban Centres

Over the last few years, CGD has been reaffirming its commitment to back urban rehabilitation and regeneration as important and decisive areas of activity for the domestic and local economy, making a definitive contribution to permanently improving people's living conditions and health.

JESSICA Initiative – Urban Development Fund (UDF) JESSICA/CGD

CGD considers urban rehabilitation and regeneration to be synonymous with sustainability, social cohesion, inclusion and economic development, incentivising the rental market and backing job creation. CGD, as the JESSICA/CGD UDF management body, in the sphere of the JESSICA Community initiative, has provided the market with two lines of credit for the medium and long term financing of projects located in the zones of influence of the regional operational programmes in Northern and Central Portugal and the Alentejo: a line of credit to finance projects meeting the eligibility criteria of JESSICA Community funds – geared to public or private bodies and partnerships dominated by them and a complementary line of credit to fund the components of urban rehabilitation and regeneration projects not eligible for the JESSICA initiative, preferably geared to private entities or partnerships dominated by them, without prejudice to complementing the offer of finance available to public bodies or partnerships promoted by them.

The backing of such project is particularly exemplified by:

- Social amenities: construction of a residential structure for old people and a day-care centre in Pernes, in the municipal district of Santarém, to provide for the municipal district's social needs and improve currently existing conditions and capacities. Investment totalled €5.6 million with funding of €3 million. The project will create 3 jobs;

- Industrial equipment: expansion of current installations and the acquisition of innovative equipment to improve manufactured products with lower energy costs, enabling better use to be made of raw material with greater safety and flexibility, in Benedita, in the municipal district of Alcobaça. The project will permit an increase in exports, geared to special, customised projects and works. Investment amounts to €7 million with funding of €1 million. The project will create 2 jobs;

- Tourism amenities: rehabilitation and reconversion of a building in the parish of Vitória, in Porto, for a hostel and student residence. The hostel will have 52 beds and the student residence 74 beds. Investment totalled €4 million with funding of €2.8 million, had already been used 93% of this amount in 2016. The project will create 6 jobs.

The JESSICA/CGD UDF project was reinforced by an additional €61 million in 2016, owing to the depletion of the start-up capital allocated to it. Caixa also funded €17.4 million in urban rehabilitation and regeneration projects in 2016, endeavouring to boost cities, investing in social amenities and other projects designed to encourage people to live there, with the creation of 246 jobs. Such projects included residences for senior citizens, hotels, local accommodation and industrial equipment.

Low Cost Rent Programmes

Low Cost Rental Market

The low cost rental market comprises a partnership between the state, subscribing municipalities, *Instituto da Habitação e da Reabilitação Urbana* (IHRU), *Instituto de Gestão Financeira da Segurança Social* (IGFSS) and a collection of 7 credit institutions, including CGD. This initiative is geared to social classes that, in spite of earning more than is permitted in terms of eligibility for social housing, do not, however, have the financial capacity to rent property on the open market.

Following a tender, the management of the component parts of this programme was awarded to Norfin – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A., through the *Fundo de Investimento Imobiliário para Arrendamento Habitacional Solução Arrendamento*. At the end of 2016, Caixa's participation in *FIIAH Solução Arrendamento,* as a supporting vehicle for the low cost housing market was around €35 million.

Agreements with Municipalities

CGD has been entering into agreements with several municipalities – Coimbra, Almada and Vila Nova de Gaia – in which the property is placed on the market by the municipalities based on a win-win solution involving the award of housing to aggregates that, while having higher earnings than permitted in terms of eligibility for social housing, do not, however, have the financial capacity to rent property on the open market. 104 items of property were allocated to these initiatives in 2016.

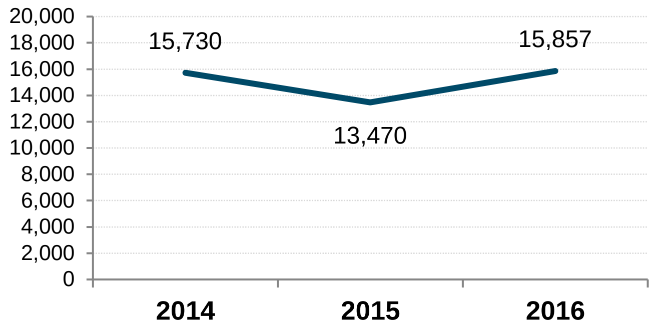
Customer Satisfaction

Caixa's assessment of quality and service and customer satisfaction is one of the strategic pillars for strengthening its value proposals. Caixa reaffirmed the oversight methodology on its quality of service in 2016, through its reformulation of various processes with the aim of improving the customer experience and identifying best practice, centring the assessment programme on three aspects:

- Interviews with customers, focusing on understanding their needs and expectations in addition to their consideration of the perception of quality of service;
- Mystery visits to the whole of the branch office network, analysing the quality of service provided by employees and any improvement opportunities;
- Oversight of the perception of quality based on the analysis of external indices on quality of service both on a level of individual and corporate customers.

SUGGESTIONS AND COMPLAINTS

(in number)



Following the decreases noted over the preceding three years, 2016 witnessed a 17.7% increase over 2015, to a total number of 15,857 complaints, with the majority of complaints referring to “Means of Payment” (29%) and “Deposits” (27%), both of which were slightly up over 2015.

Resources

During the course of 2016, Caixa launched diverse products to take in customer resources, with various types of solutions adequate to different investment profiles (deposits, tracker deposits, financial and capitalisation insurance and investment funds), with the objective of leveraging the taking-in of new resources and retention of portfolio maturities while also adjusting its deposits offer in the sphere of its usual pricing revisions.

Resources taken by the domestic branch office network were down 3.4% over December 2015. This evolution derived from a 5.2% decrease in deposits which were heavily influenced by institutional customers with a 35.9% reduction. This was offset in the corporate segment by a 2.4% increase in resources as a reflection of a 4.6% increase in deposits.

In terms of individual customers and notwithstanding the 1.8% drop in deposits, other resources taken (including investment funds, financial insurance, floating rate treasury and other bonds) were up 10.3%, more than offsetting the behaviour of deposits and increasing total customer resources by 0.6%.

In terms of the Group as a whole, the resources-taken balance totalled €109,528 million i.e. down 6.2% by €7,238 million over December 2015. Contributory factors, in addition to customer deposits and covered bonds were the evolution of off-balance sheet resources.

RESOURCES TAKEN BY GROUP – BALANCES

(EUR million)

			Change	
	2015-12	2016-12	Total	(%)
Balance sheet	**87,988**	**82,088**	**-5,901**	**-6.7%**
Central banks' and credit instit. resources	5,433	5,800	367	6.7%
Customer deposits	72,996	69,357	-3,639	-5.0%
Covered bonds	5,584	3,854	-1,730	-31.0%
Portuguese State - Conting. convert. bonds	900	900	0	0.0%
EMTN and other bonds	2,645	1,854	-791	-29.9%
Other	430	323	-107	-24.8%
Off-balance sheet	**28,777**	**27,440**	**-1,337**	**-4.6%**
Investment funds	4,186	3,519	-667	-15.9%
Real estate investment funds	1,246	950	-296	-23.7%
Pension funds	3,414	3,440	26	0.8%
Wealth management	19,931	19,530	-401	-2.0%
Total	**116,765**	**109,528**	**-7,238**	**-6.2%**

Off-balance sheet assets were down 4.6% by €1,337 million over December 2015 to €27,440 million, owing to the evolution of unit trust investment funds (down 15.9%) and property funds (down 23.7%). The amount of wealth under management was also less favourable with a 2.0% decrease of €401 million.

Customer resources were down 5.1% by €3,746 million over the preceding year to €69,680 million.

CUSTOMER RESOURCES – BALANCES

(EUR million)

			Change 2016-12 vs 2015-12	
	2015-12	2016-12	Total	(%)
Customers deposits	72,996	69,357	-3,639	-5.0%
Sight deposits	25,198	25,031	-167	-0.7%
Term and savings deposits	47,490	44,024	-3,466	-7.3%
Mandatory deposits	309	302	-7	-2.1%
Other resources	430	323	-107	-24.8%
Total	**73,426**	**69,680**	**-3,746**	**-5.1%**

Customer deposits were down 5.0% by €3,639 million in annual terms, to €69,357 million, having been heavily penalised by the evolution of institutional customers.

By category, €44,024 million (63.5% of the customer deposits total) comprised term deposits and savings accounts. Sight deposits stabilised at €25 billion over the end of 2015.

Caixa continues to have a dominant share of customer deposits in Portugal at 27.7% in December 2016 and particularly so in the case of individual customers with 30.9%.

CUSTOMER DEPOSITS – MARKET SHARES (PORTUGAL) BY CUSTOMER SECTOR

(%)

	2015-12	2016-12
Corporate	11.6%	12.3%
General government	30.4%	33.3%
Individual customers	31.8%	30.9%
Emigrants	*40.4%*	*41.5%*
Total	**28.2%**	**27.7%**

Debt securities, down 37.6% over the end of 2015 to €4,184 billion, particularly translated the reduction of €1,730 million in the balance of bond issuances under EMTN programmes.

DEBT SECURITIES

(EUR million)

			Change 2016-12 vs 2015-12	
	2015-12	2016-12	Total	(%)
EMTN programme issues [a]	935	331	-604	-64.6%
Covered bonds	5,584	3,854	-1,730	-31.0%
Other	181	-2	-183	-101.1%
Total	**6,700**	**4,184**	**-2,516**	**-37.6%**

(a) Does not include issues classified as subordinated liabilities.

Resources of €2,424 million taken by CGD in the subordinated liabilities sphere, stabilised over December 2015.

SUBORDINATED LIABILITIES

(EUR million)

			Change 2016-12 vs 2015-12	
	2015-12	2016-12	Total	(%)
EMTN programme issues [a]	1,056	1,014	-42	-4.0%
Contingent convertible (Coco) bonds	900	900	0	0.0%
Other	473	510	37	7.9%
Total	**2,429**	**2,424**	**-5**	**-0.2%**

(a) Does not include issues classified as debt securities.

Credit

In consolidated terms, loans and advances to customers (gross and including repurchase agreements) were down 3.7% to €68,735 million at the end of 2016, strongly impacted by write-offs of €1,929 million across 2016. CGD Portugal accounted for €51,453 million and the other Group companies for €17,282 million, representing 75% and 25% of total loans and advances to customers, respectively.

LOANS AND ADVANCES TO CUSTOMERS (a)

(EUR million)

	2015-12	2016-12	Change 2016-12 vs 2015-12 Total	Change 2016-12 vs 2015-12 (%)
Companies	29,860	27,632	-2,228	-7.5%
General government	5,462	6,839	1,377	25.2%
Individual customers	36,053	34,264	-1,790	-5.0%
Mortgage loans	32,995	31,542	-1,454	-4.4%
Other	3,058	2,722	-336	-11.0%
Total	**71,376**	**68,735**	**-2,641**	**-3.7%**

(a) Consolidated activity. Values before impairment and including assets with repo agreements.

In terms of its international activity, CGD Group's loans and advances to customers portfolio (gross) was down 4.6% to €14,608 million at the end of 2016. This decrease largely derived from the reclassification of the assets of Mercantile Bank Holdings to non-current assets held for sale. The entities with the most expressive volume growths were BCG Spain (up 7.0%), BCG Angola (up 8.6%) and BNU Macau (up 1.3%), offset by BCI Moçambique and CGD's France branch with the largest portfolio decreases of 19.3% and 3.9%, respectively, over 2015.

Loans and advances to corporate customers, strongly impacted by the referred to write-offs in 2016, were down 7.5% by €2,228 million. Special reference should be made, by activity sectors, to the decreases of 19.4% in the construction sector and real estate and 17.7% in wholesale and retail sales. A particularly positive contribution was made by the 44.7% increase in loans to the transport and warehousing sector.

LOANS AND ADVANCES TO CORPORATE AND INSTITUTIONAL SECTORS - BY SECTORS OF ACTIVITY (a)

(EUR million)

	2015-12	2016-12	Change 2016-12 vs 2015-12 Total	Change 2016-12 vs 2015-12 (%)
Agriculture, forestry and fishing	505	572	67	13.4%
Mining and manufacturing	3,805	3,443	-363	-9.5%
Construction and real estate activities	11,411	9,199	-2,212	-19.4%
Electricity, gas and water	1,451	1,373	-78	-5.4%
Wholesale and retail trade	3,134	2,581	-553	-17.7%
Transports and warehousing	1,169	1,692	523	44.7%
Financial activities and other	8,384	8,772	388	4.6%
Total	**29,860**	**27,632**	**-2,228**	**-7.5%**

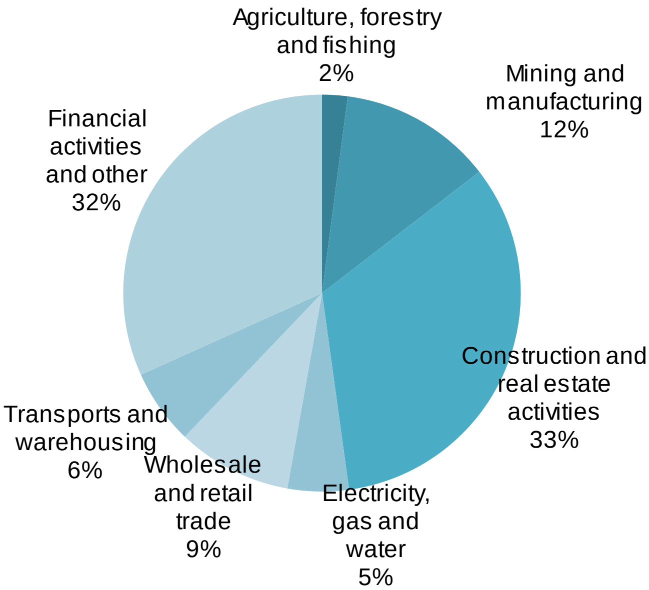
(a) Consolidated activity. Values before impairment and including assets with repo agreements.

CGD continues to occupy a leading position in operations involving government lines of credit and leads the *PME Crescimento* 2015 [SME Growth] line with a market share of 17.7%.

CGD was the leader of the *PME Líder 2016* [Leading SME] line with 486 new subscriptions and achieved a market share of 23.6%. Its market share of the *PME Excelência 2016* [Excellence SME] line was 21.5%.

LOANS AND ADVANCES TO CORPORATE SECTOR

(%)



The balance on loans and advances to individual customers was down 5.0% by €1,790 million to an end of year total of €34,264 million, originating from the 4.4% reduction of mortgage lending. This latter reduction derived from the volume of repayments and settlements which were higher than that of new operations, notwithstanding the dynamism witnessed in terms of new loan agreements.

CGD's new mortgage loans in portugal have been trending to growth, with a further 1,469 operations in 2016, up 13.5% by €142 million over 2015, increasing the amount of loans taken out across the year to €1,187 million.

LOANS AND ADVANCES TO CUSTOMERS – MARKET SHARES (PORTUGAL) BY CUSTOMER SECTOR

(%)

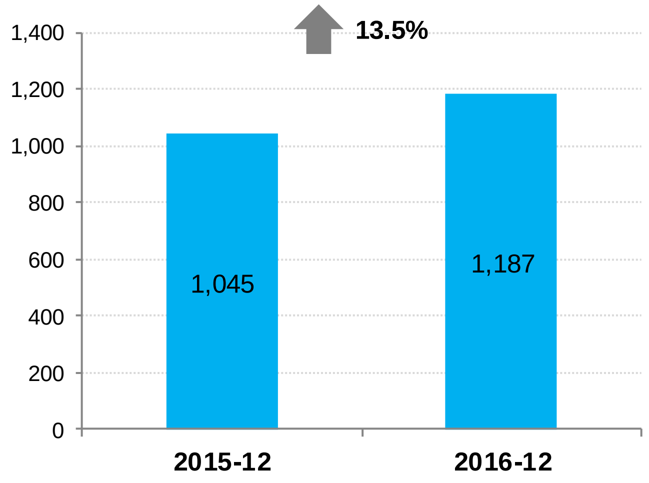
	2015-12	2016-12
Corporate	19.8%	18.8%
Individual customers	23.6%	23.0%
Mortgage loans	26.5%	26.1%
Consumer	7.0%	6.7%
General government	33.3%	34.4%
Total	**22.5%**	**21.8%**

CGD had a 21.8% market share of loans and advances to customers in December 2016.

CGD's corporate credit market share was18.8% in December 2016 (against 19.8% at the end of 2015) reflecting the strong competition from banks operating in Portugal.

MORTGAGE CREDIT – NEW OPERATIONS (PORTUGAL)

(EUR million)



CAIXA-BI

Caixa-Banco de Investimento, S.A. (CaixaBI) is the investment banking arm of Caixa Geral de Depósitos Group that encompasses different business areas: capital debt market, equity capital market, corporate finance, project finance, structured finance, financial brokerage, corporate advisory and risk management, syndication and sales, venture capital and research.

The Bank’s mission is to create a dynamic investment banking business platform, in its different business areas, between Portugal, Spain, Brazil and Lusophone Africa to provide its customers with an integrated financial service of an international dimension for which it has a venture capital unit as well as a branch in Madrid.

CaixaBI is the leading investment bank in Portugal. It has broad experience in providing financial advisory services and organising and structuring the most diverse capital market operations, in addition to corporate finance or project finance structuring operations.

The fact that CaixaBI’s merit has been consistently recognised and is an international prize-winner confirms its excellence and lead as an investment bank in the domestic marketplace.

In December 2016 and according with its Statutory consolidated accounts, Caixa Banco de Investimento (CaixaBI) had total operating income of €65.1 million of which €19.6 million comprising net interest income, €28.4 million in commissions (net) and €15.6 million in income from financial operations.

The Bank’s net income of €1.4 million was penalised by an allocation of €28.5 million to increase provisions and impairment in the period.

CAIXA BANCO DE INVESTIMENTO - INDICATORS*

(EUR million)

			Change 2016-12 vs 2015-12	
	2015-12	2016-12	Total	(%)
Net interest income	27.6	19.6	-8.0	-29.0%
Commissions (net)	41.0	28.4	-12.6	-30.7%
Income from financial operations	-21.1	15.6	36.7	-
Total operating income	49.6	65.1	15.5	31.3%
Operating costs	24.8	23.8	-1.0	-3.9%
Net op. income before impairments	24.8	41.3	16.5	66.7%
Provisions and impairments	9.1	28.5	19.4	212.3%
Net income	7.1	1.4	-5.6	-79.7%
Net assets	1,798.7	1,495.3	-303.3	-16.9%
Securities investments	622.9	484.0	-138.8	-22.3%
Loans and adv. to customers (net)	358.4	297.0	-61.4	-17.1%
Customer deposits	293.1	236.2	-56.9	-19.4%

(*) Statutory consolidated accounts.

CaixaBI´s contribution to the Group's consolidated net income was a negative €1.8 million.

Notwithstanding the unfavourable international context and instability of the Portuguese financial sector, CaixaBI succeeded in participating in the domestic market's major investment banking operations, achieving the recognition of its customers and partners, consolidating its leading position in the main sector rankings and winning several important international distinctions.

In 2016, CaixaBI was distinguished for the third consecutive time with the "Best Investment Bank in Portugal" prize from Euromoney magazine (2016). , having already been awarded the same distinction during the course of the year by other reputable financial publications such as Global Finance (2016), World Finance (2016) and EMEA Finance (2015).

EMEA Finance also emphasised CaixaBI's role in promoting Portugal in the international debt markets in the form of its Achievement Award (Best sovereign bond in Europe / Best covered bond / Best supranational private equity investment 2015).

The following are the highlights of its main business areas.

Corporate finance – Advisory

The fact that CaixaBI participated in most of the major M&A operations in Portugal, in 2016, with an aggregate value of around €4.6 billion, enabled it to retain the lead of the Portuguese ranking of advisory services for M&A operations.

Out of the M&A processes completed in 2016, reference should be made to CaixaBI's financial advisory participation in the following operations:

- Ardian: an equity investment in eight Ascendi concessions (pending regulatory approval);
- Sagrotel: disposal of 100% of Sagrotel's equity capital to Fladgate Partnership;
- Prado - Cartolinas da Lousã: disposal of 100% of the equity capital of Prado - Cartolinas da Lousã;
- SAG: restructuring of SAG's debt and the economic and financial appraisal of Unidas;
- CGD: disposal of 51% of the equity capital of Rico Corretora de Títulos e Valores Mobiliários to XP Investimentos (pending regulatory approval).

Reference should also be made to the economic-financial appraisals on CGD's and Parcaixa's impairment and financial investments.

Capital market – Debt

As regards the capital market, CaixaBI continued to operate as a benchmark institution in Portugal's debt market, namely in the bond and commercial paper segments, coming first in the Bloomberg ranking for bookrunners of bonds issued by national entities, for the ninth time in the last ten years.

Portuguese public debt continued to be a priority for CaixaBI, in the framework of its status as a Specialised Securities Trader. Special reference should be made to the following issuances in 2016.

- Joint lead manager and bookrunner for the January syndicated placement of the 10 year benchmark TB 2.875% issuance of €4 billion, maturing in 2026;
- Co-lead manager for the April syndicated placement of a dual tranche tap on TB 2.2%, maturing in 2022 (€1 billion) and TB 4.1% issuances maturing in 2045 (€500 million);

- Global joint coordinator for the Portuguese Republic's three variable rate treasury bond operations, as a financial product for individual customers inaugurated by the May 2021 operation, whose successful subscription triggered another two issuances in the form of the August 2021 and November 2021 operations for a global amount of €3.45 billion;
- Specialised security trader in the public debt auctions of 2016 and participation in two IGCP treasury bill placements.

CaixaBI was involved in 18 issuances made by private entities which particularly included:

- Participation in three of the six Eurobond issuances made by Portuguese corporate entities, in 2016, namely Brisa and REN in which the Bank was joint lead manager and bookrunner;
- Organisation and joint lead management of a bond loan series for the Autonomous Region of Madeira and for the Autonomous Region of the Azores, for Galp Energia and for IVN - Serviços Partilhados;
- Organisation and lead of the bond issuances of Secil, Mystic Invest (series), Sonae, Altri/Celbi, The Navigator, Semapa, Sonae Investimentos, Efanor Investimentos and CIN;
- Joint lead manager of the public offering on Benfica SAD bonds.

In the commercial paper segment, CaixaBI held its benchmark position in Portugal, organising and leading 10 new programmes throughout the year, totalling over €1 billion.

There were also 153 commercial paper issuances, comprising a volume of €4,028 million, across the year of which CaixaBI's sales to its domestic investors network totalled €3,830 million.

Equity capital market

CaixaBI provided advisory services to Transinsular, in 2016, as a dividend paying agent and Chartwell Pharmaceuticals in the sphere of the part, voluntary public offering on the equity shares of CIPAN - Companhia Industrial Produtora de Antibióticos, in progress.

Project finance

There was no funding for any new project finance operations in 2016. Several opportunities were, however, analysed and may come to fruition in 2017, particularly:

- Energy sector: analysis of opportunities in the renewable energies segment;
- Water sector: analysis of economic-financial rebalancing processes;
- Renewable energies in Spain: oversight of restructuring processes in progress in various projects;
- Domestic road concessions: oversight of the renegotiation processes of several sub-concessions;
- International road concessions: oversight of a collection of road projects in Spain and Ireland.

The current projects credit portfolio overseen by CaixaBI's project finance area totals €4.139 billion. Reference should be made to the financing of several sectors characterised by strong, positive, social and environmental impacts such as renewable energies (€508.7 million); water and sewage (€220.6 million); health (€216.7 million); waste management (€58.1 million) and education (€26.0 million).

CGD Group's project finance portfolio particularly concentrates on projects in the Iberian Peninsula, in which the safeguarding of a series of environmental and social obligations is a given in terms of national legislation and must be complied with by the respective economic agents. Confirmation that a specific project's environmental licence has been duly obtained is a sine qua non for obtaining funding.

CaixaBI uses the services of an independent technical consultant for assessments of environmental and social risks. An audit exclusively centred on the social and/or economic dimension of a specific project is only performed when justified in terms of risk.

In the context of a greater involvement by multilateral institutions as potential financiers of projects benefiting from CaixaBI's advisory services, the Bank, in anticipation of such institutions' information requirements, requests developers to submit a sustainability analysis on their projects with a description/assessment of their social and environmental impact.

The project's impact on local job creation, the sharing of management processes associated with the project in the local community (i.e. spillover effects) and practice of hiring human resources in alignment with practice in the developer's country of origin are usually taken into account.

This applies to mandates for projects in countries such as Angola, Mozambique and Brazil.

Structured finance

CaixaBI was involved in around 20 projects with customers in various sectors of activity, in 2016, having successfully concluded its participation in acquisition finance and financial reorganisation operations projects for a total amount of more than 370 million:

- Blinker; advisory services for the structuring and organisation of the reorganisation process on the Group's financial liabilities;
- SGC/SAG Group: advisory services in the sphere of the structuring and organisation of the reorganisation process on the Group's financial liabilities.

CaixaBI managed a portfolio of approximately 120 commercial paper programmes for a nominal maximum amount of around €341 million in the small and medium-sized enterprises segment, in 2016, together with the corresponding agencying activity.

Financial and structuring area

CaixaBI's activity as a liquidity provider maintained high performance levels, in continuing to operate on a series of securities such as Cofina, Orey Antunes, Altri, Inapa, Ibersol and SAG Gest, listed on Euronext Lisbon, with Euronext having attributed its maximum "A" rating to CaixaBI on all securities and categories. CaixaBI also continued its market-making operations on a Fundiestamo real estate fund.

Corporate Oversight

The Corporate Oversight Office, created in the sphere of the reorganisation of CGD Group's credit recovery areas, continued to oversee the customers portfolio, with the aim of completing a series of domestic and international restructuring operations in the renewable energies and infrastructures sectors.

Venture capital

Caixa Capital continued to consolidate its position as a leading entity in Portugal in the venture capital area, in 2016. Its support for the capitalisation of companies managed by qualified businesspeople and teams and intervention on behalf of entrepreneurship and business innovation were the main thrusts of its intervention across the year.

Caixa Capital currently manages a set of venture capital funds, whose sole investor is Caixa Geral de Depósitos, covering the whole of the corporate life cycle, from early (pre-seed and seed capital) stages to growth capital operations, obviously excluding the financial restructuring area of companies in which CGD Group is involved via third party managed funds.

Of all funds under management, the amount invested at the end of 2016 was €323 million, of which €184.5 million in companies and €138.8 million in funds and other indirect investment vehicles. Several undertakings and operations which have also been approved but which did not proceed could add €65.9 million to the amount invested.

Greater efforts were put into the procurement of new investment opportunities, in 2016, with the analysis of 211, of which 22 were approved, for a total amount of €13.8 million. 42 investments (13 new and 29 additional portfolio capital investments totalling €45.7 million) proceeded. There were also 18 disinvestment operations (7 of which full disinvestments) with a realisation price of €25.1 million.

Reference should also be made to the holding of the 2nd edition of the Caixa Empreender Award and Caixa Capital's active participation in the Web Summit, as a global entrepreneurship and innovation event being held for the first time in Portugal.

Grupo CGD Venture Capital Fund

A generalist Fund which covers the various target segments included in CGD Group's investments policy in the venture capital area, not only on account of the fact that they are transversal to corporate life cycles, but also because they are geared to priority sectors of the economy, particularly in the domain of tradable goods, endeavouring to contribute towards financing companies eligible for the strategic priorities defined by CGD. At the end of 2016, this Fund's capital of €296 million had been fully subscribed for and paid up by CGD.

Caixa Empreender + Venture Capital Fund

This fund is geared to financing companies at their start-up stage, companies in operation for less than three years or which are substantial innovators in the respective business processes, mainly focusing on knowledge-based and applied technology industries This Fund's capital of €25 million, at the end of 2016, had been fully subscribed for and paid up by CGD.

Caixa Crescimento Capital Fund

A generalist Fund especially geared to making equity investments in SMEs and mid-caps. At the end of 2016, this Fund had a subscribed capital of €92 million, €36 million of which had been fully paid up by CGD.

Caixa Fundos Venture Capital Fund

Also a generalist Fund whose investment policy is geared to the strategic guideline of increasing its level of intervention in the indirect investments area in Funds and other companies which operate in the venture capital and private equity areas, managed by qualified teams, with a high appreciation potential. At the end of 2016, this Fund had a subscribed for capital of €199 million, €84 million of which fully paid up by CGD.

Caixa TTA Venture Capital Fund

This venture capital Fund invests in the acquisition, for limited periods of time of own equity instruments and in procuring outside funding, in technology-based companies, with medium and high growth potential, with projects in any scientific domain in the national and international technological-scientific system, whose business opportunity has been previously examined under support programmes for the creation of technology companies in general and national ecosystem acceleration programmes in particular. At the end of 2016, this Fund had a subscribed for capital of €6 million of which €3 million had been fully paid up by FCR Caixa Fundos.

CAIXA LEASING E FACTORING

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

According to the estimate produced by ALF- Associação Portuguesa de Leasing Factoring e Renting, financial leasing sector sales were up by a year-on-year 8.2%, in 2016, fuelled by the 10.4% and 7.3% growths of the real estate and equipment leasing sectors, respectively. The factoring sector was up by around 7.0%, year-on-year 2015.

SALES BY SECTOR IN THE YEAR

(EUR million)

			Change	
	2015-12	2016-12	Total	(%)
Property leasing	673	742	70	10.4%
Equipment leasing	1,603	1,719	116	7.3%
Factoring	22,921	24,517	1,596	7.0%

CAIXA LEASING E FACTORING - SALES

(EUR million)

Product	2015-12	2016-12	Change	
			Total	(%)
Leasing	**376**	**398**	**22**	**5.9%**
Property leasing	108	102	-6	-5.9%
Equipment leasing	268	296	29	10.7%
Factoring	**2,341**	**2,838**	**497**	**21.2%**
Domestic and international factoring	1,651	1,920	268	16.3%
Confirming	690	918	229	33.1%
Consumer credit	**7**	**13**	**6**	**98.3%**
of which:				
Vehicle finance [a]	**122**	**133**	**11**	**9.2%**
Property leasing	115	120	5	4.1%
Consumer credit	7	13	6	99.0%

(a) Light vehicles

Although real estate leasing sales were down 5.9% over 2015 to €102 million, there was a 14.7% increase in the number of operations, translating a reduction in the average value per operation. Its market share was down from 16.1% in 2015 to 13.7% in 2016.

Equipment leasing sales were up 10.7% over the preceding year to €296 million in December 2016. Loans for purchases of light vehicles were up 4.1% to around 40.4% of the business's global sales. CLF increased its market share by 0.5 pp over December 2015 to 17.2%.

Confirming activity, although representing no more than 32.4% of this business's sales were up by a year-on-year 33.1%.

Factoring was up by around 21.2% over December 2015 to €2,838 million. Its respective market share was up 1.4 pp in comparison to December 2015 (10.2%).

The 98.3% increase in traditional credit sales over the 2015 total is explained by the introduction of vehicle loans with reservation of ownership.

Net assets were up by around 1%, owing to the increase in the size of its loans and advances to customers portfolio (net). Reference should be made to the €38.8 million reduction of overdue credit, accompanied by a €48 million decrease in the provisions and impairment account heading.

Total operating income was down over December 2015, owing to the decrease of net interest income. Operating costs were down 7.0% (by €1 million) and provisions and impairment up over 2015.

Caixa Leasing e Factoring had net income of €142,000 at 31 December 2016.

CAIXA LEASING E FACTORING - INDICATORS

(EUR million)

			Change 2016-12 vs 2015-12	
	2015-12	2016-12	Total	(%)
Net interest income	44.7	43.5	-1.2	-2.7%
Total operating income	43.5	24.8	-18.7	-43.0%
Operating costs	14.9	13.8	-1.0	-7.0%
Net op. income before impairments	28.7	11.0	-17.7	-61.6%
Provisions and impairments	-8.3	7.8	16.1	-
Net income	24.3	0.1	-24.1	-99.4%
Net assets	2,381.9	2,397.8	15.9	0.7%
Loans and adv. to customers (net)	2,177.7	2,225.6	47.9	2.2%

CLF contributed €92,000 to the Group's consolidated net income.

CAIXA GESTÃO DE ACTIVOS

Caixa Gestão de Ativos furthered its policy, first implemented in past years, to broaden the customer base of its wealth management and multi-active investment funds portfolio service, in 2016. Reference should be made to the recognition afforded to CGD Group's products and services which is visible in the rankings on returns, as well as awards received, particularly the Morningstar prizes.

The amount of assets under Caixa Gestão de Ativos management, at the end of December 2016, was down 4.6% over 2015 to €27,440 million. This decrease particularly derives from the adverse effects associated with falling Euribor rates and changes to legal/fiscal aspects of legislation on real estate investment funds. It should be noted that this downwards trend was felt across the whole of the domestic investment funds marke.

GESTÃO DE ATIVOS* - INDICATORS

(EUR million)

	2015-12	2016-12	Change 2016-12 vs 2015-12 Total	Change 2016-12 vs 2015-12 (%)
Commissions (net)	25.9	19.9	-6.0	-23.0%
Total operating income	26.8	20.8	-6.0	-22.4%
Operating costs	12.2	13.7	1.5	12.6%
Net op. income before impairments	14.7	7.1	-7.6	-51.7%
Net income	10.8	5.6	-5.2	-48.1%
Assets under management	28,776.9	27,439.9	-1,337.0	-4.6%
Caixagest - Investment Funds	4,185.9	3,519.3	-666.6	-15.9%
Fundger - Real Estate Investment Funds	1,245.9	950.3	-295.6	-23.7%
CGD Pensões - Pension Funds	3,414.0	3,440.3	26.3	0.8%
Caixagest - Wealth Management	19,931.0	19,530.0	-401.0	-2.0%

(*) Includes Fundger, Caixagest and CGD Pensões.

Profitability was substantially reduced by Euribor's slide into negative terrain and, ipso facto, the appeal of investment funds in the money market, which enjoy a significant proportion of the business portfolio of Portuguese asset managers.

Higher tax on open-ended property funds and the imposition of a minimum redemption period of one year also dampened investors' interest in this savings instrument.

In such a context, Caixa Gestão de Ativos has continued to commit to diversify its offer with the aim of mitigating the volatility and risk attached to financial products, by means of positive differentiation, based on the continuous training of its managers and, of major importance, Caixagest consultants on CGD's branch office network as the main sales channels for the funds.

Net income from the assets management area amounted to €15.0 million, in 2016, with a contribution of €5.6 million to the Group's consolidated net income.

GROSS COMMISSIONS

(EUR million)

	2015-12	2016-12
Unit trust funds	26.8	20.8
Wealth management	11.6	11.6
Property funds	12.0	10.1
Pension funds	6.6	6.1
Total	**57.0**	**48.5**

Commissions earnings, in 2016, were down by a global 14.9% over the preceding year to €48.5 million. It should be noted that with the aim of improving returns for its customers, Caixa Gestão de Ativos has been reducing its level of commissions on its money market funds.

Unit trust investment funds – Caixagest

The Portuguese market for investment funds contracted 7.2%, in 2016, as a result of lower fund yields in the Euribor tracker money market funds. Caixagest managed funds, which are highly exposed to the said fund category, were also affected by this trend and were down 15.9% by €667 million.

FUNDS UNDER MANAGEMENT

(EUR million)

	2015	2016
Treasury funds	2,362	1,685
Bond funds	293	293
Multi-asset funds	417	485
Share funds	410	453
Special investment funds	578	473
Protected capital funds	126	131
Total	**4,186**	**3,519**

Notwithstanding this environment, Caixagest, as opposed to other fund managers, succeeded in achieving growth of 16.2% in its multi-asset funds.

Reference should be made, in the sustainability sphere, to the €11.6 million under the management of the Caixagest Energias Renováveis alternative investment fund which is geared to financing investment projects helping to increase the generation of renewable and non-pollutant energies, reducing CO2 emissions and consequently improving the quality of the environment.

Caixagest managed 28 unit trust investment funds for an amount of €3,519 million invested in diverse international financial markets, at the end of December.

The Fundo Caixagest Investimento Socialmente Responsável – Fundo de Investimento Mobiliário Aberto, was launched at the beginning of January 2017 to provide investors in the fund with access to a diversified assets portfolio, made up of companies with an above average sustainability-related performance (Ethibel Sustainability Index ® (ESI) Excellence Europe).

Commissions earnings from unit trust investment funds were down 22.4% over the preceding year to €20.8 million.

Real estate funds – Fundger

Fundger is responsible for managing the real estate development projects of 20 closed-end funds and the Fundimo fund which is the largest Portuguese open-ended real estate fund with a global net worth of €563 million. The total value of the unit trust investment funds managed by Fundger, at the end of December 2016, amounted to €950 million.

PROPERTY FUNDS MANAGEMENT

(EUR million)

	2015	2016
Fundimo open-ended fund	598	563
Closed end funds	648	388
Total	**1,246**	**950**

Revenue generated by unit trust investment funds was down 15.6% over the end of the preceding year to €10.1 million, owing to the dip in the commissions earned by the Fundimo fund and the exit of four major funds which were closed during the year.

Pension funds - CGD Pensões

The value of the closed pension funds managed by CGD Pensões was up 3.8%, up to December 2016, as a result of the inclusion of a new fund. Open-ended funds, in turn, were down 16.3% owing to an exceptional number of redemptions occurring at the start of the year.

FUNDS UNDER MANAGEMENT

(EUR million)

	2015	2016
Closed end funds	2,889	3,000
Open-ended funds	525	440
Total	**3,414**	**3,440**

The net worth of the funds managed by CGD Pensões, at the end of the year, was down 0.8% over 2015 to €3,440 million.

Commissions earnings from pension funds, in 2016, were down by a year-on-year 8.6%, to €6.1 million.

Portfolio management - Caixagest

The value of the portfolios (excluding pension funds) managed by Caixagest was down 2.0% in 2016, in line with the trend in the domestic wealth management industry, at an end-of-year €19,530 million.

PORTFOLIOS UNDER MANAGEMENT

(EUR million)

	2015	2016
Insurance portfolios	13,007	13,023
Institutional	6,541	6,070
Other	384	438
Total*	**19,931**	**19,530**

* Without pension funds.

As opposed to the rest of the market, Caixagest continued to successfully promote its wealth management service for individual and institutional customers, based on a proximity approach to CGD's branch office network with the aim of securing new customers.

Up to the end of December, the income generated by the wealth management service was down 0.3% over 2015 to €11.6 million.

1.6.2. INTERNATIONAL ACTIVITY

CGD continued to commit to the development of its cross-border business, in 2016, mainly in its key internationalisation markets and its backing of Portuguese investment flows abroad, through the Group's foreign units, on four continents.

CGD remained active in the corporate business segment, in articulation with units located in Spain, France, Angola, Brazil, Mozambique, South Africa and China/Macau, with the integration of international business initiatives and activities, promoting the use of the international platform for "internationalised" customers in the Group's markets and expanding foreign trade business, particularly between Group units, to maximise synergies between the domestic and international branch office networks.

Caixa furthered the development of and improvements to its information systems, products and services which it adapted to international business requirements, in 2016, particularly its CaixaDireta Empresas platform, with better quality information on foreign trade operations which can be viewed via the online facility for the creation of proposals and import documentary credit applications or proposals for the advance of export remittances.

The referred to development of information systems which have been adapted to business requirements and the commitment of the commercial teams of the international helpdesks have permitted the growing systemisation of opportunities and business, more in-depth knowledge and sharing of information, which have translated into a greater dynamic in terms of the articulation and leverage of international business.

Reference should be made to the non-recourse discount forfaiting of the export/import documentary credit product, which provides companies with immediate liquidity by discounting export documentary credit confirmed by CGD, which also mitigates the risk of fluctuations in foreign exchange and interest rates.

Information on the new “Market Intelligence Service”, with selected information on external markets (projects, tenders and CGD’s supply), is available from Caixa Empresas account managers. This service allows customers interested in expanding their business to other markets to obtain relevant information on the economy, regulations, existing business opportunities, constraints on entering any market and the Group’s financial solutions to back corporate internationalisation. Twelve actions, across the same number of countries, were launched in 2016.

On a level of our international offer, reference should be made to the launch of products and services in the Chinese Renmimbi (“RMB”), enabling accounts to be opened and international and foreign trade operations to be performed.

Reference should also be made to the information provided by the branch office network on COSEC export credit insurance in mature and emerging markets and the articulation thereof with short and medium term export finance operations.

In articulation with the Group’s foreign branches, CGD’s international area analysed 242 operations totalling €5.1 billion, in 2016, split up between renewals of limits and new operations, comprising year-on-year growth of more than €1.8 billion in which reference should be made to the large volume of operations submitted by BCG Angola and by BNU Macau.

CGD disbursed more than €33 million in lines of credit for Portuguese exports, whether concessionary or commercial, and furthered its endeavours to negotiate new lines of credit for Portuguese exports and the activating of concessionary lines with various parties.

In addition to the operations covered by the lines, the Credit Unit also produced a series of proposals to finance Portuguese companies for their supply of goods and services to various entities and in various markets.

In the Banks and Financial Institutions segment, in line with the trend noted over the course of the last few years, CGD’s network of correspondent banks continues to play a fundamental role in meeting corporate business needs, particularly as regards its financing of foreign trade operations which is extremely relevant in the context of strengthening the internationalisation of the Portuguese economy to less traditional markets.

Reference should be made, in the sphere of the development of cooperation with multilateral institutions, to CGD Group’s inclusion as a party to the InterAmerican Development Bank’s Foreign Trade Facilitation Programme, making it possible to expand the foreign trade offer to countries with a high political risk and the use of the Asian Development Bank’s programme.

Contributions from the International Area

The international area’s contribution to the Group’s consolidated net income, in 2016, was 60.1% down over the preceding year to €55.7 million, having also been affected by higher levels of impairment and provisions (€294.6 million). Total operating income, affected by the 13.8% drop of €15.2 million in income from financial operations, was down 2.9% by €23.0 million. Operating costs were down 6.6% by €26.6 million.

CONTRIBUTION TO CONSOLIDATED NET INCOME (*)

INTERNATIONAL ACTIVITY

(EUR million)

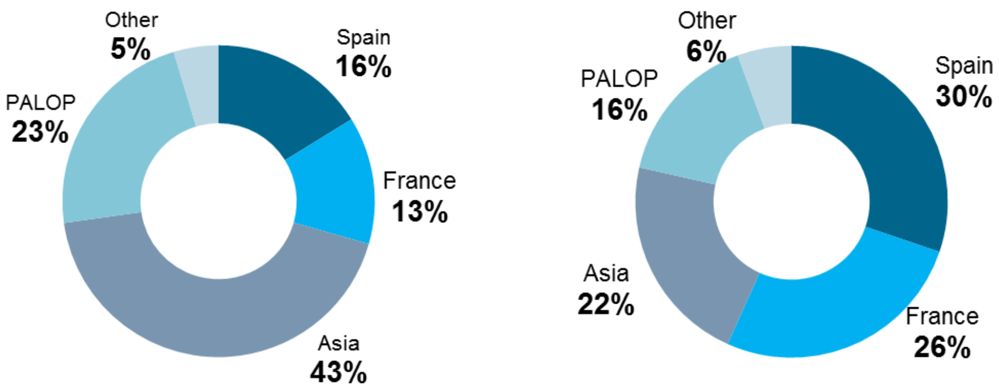
	2015-12	2016-12
Net interest inc. incl. inc. from eq. investm.	526.4	548.4
Commissions (net)	130.4	113.0
Income from financial operations	110.1	94.9
Other operating income	13.5	1.1
Total operating income	**780.4**	**757.4**
Employee costs	218.2	208.4
Other administrative expenses	154.3	141.5
Depreciation and amortisation	33.0	29.1
Operating costs	**405.6**	**379.0**
Net operating income before impairments	374.9	378.4
Provisions and impairments	136.1	294.6
Income from subsidiaries held for sale	10.3	10.8
Income from associated companies	0.4	0.8
Net Inc. before tax and non-controlling interest	249.5	95.4
Tax	37.4	3.6
Non-controlling interest	72.7	36.1
Net income	**139.4**	**55.7**

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

The largest contributors to net income from international activity, in 2016, were the France branch (€68.6 million), BNU Macau (€63.1 million), BCG Angola (€26.3 million) and BCG Spain (€25.4 million).

The international area's contribution to total deposits remained highly favourable at €16,173 million (representing 23.3% of the consolidated total). Particular reference should be made to CGD's business units in Asia, Africa, France and Spain.

INTERNATIONAL ACTIVITY STRUCTURE



In terms of its international activity, CGD Group's loans and advances to customers portfolio (gross) was down 4.6% to €14,608 million at the end of 2016, of which 30% owed by Spain CGD's entities and 26% by CGD's France branch.

MAIN ENTITIES

FRANCE BRANCH

France branch (CGD France) mainly focuses on Portuguese-speaking communities with one of its main objectives consisting of assisting Portuguese companies operating in France, both in the sphere of bilateral trade between the two countries and the free provision of services.

CGD France's balance sheet, in December 2016, was down 21.1% over the same date 2015 to €4,689 million. Contributory factors were reductions of investments in credit institutions and loans and advances to customers, offset by the reduction of liabilities, customer resources, credit institutions' resources and debt securities.

Loans and advances to customers (net) were down 4.2% over 2015 to €3,762 million. This evolution derives from the smaller international portfolio. However, loans and advances to customers made by the domestic network were up 5.6%, mainly on account of the positive year-on-year 12.9% increase in corporate lending as loans and advances to individual customers were down 2.3% over last year.

Customer resources were down 15.7% over 2015 to €2,168 million owing to a lower level of treasury activity. The change, in the case of the domestic network was a positive 3.7%.

Net interest income was slightly down by 0.2% over December 2015 to €97.9 million.

Other operating income, with a negative net balance of €6.9 million, on the one hand, recorded an increase in other direct tax while, on the other, derived from extraordinary situations such as real estate revaluations.

Other operating income was up €43.5 million owing to the exceptional increase of income from financial operations in generating capital gains of €45.8 million, owing to a treasury operation. Although total net commissions were down 1.5%, commissions earnings from the domestic network were up 1.6%.

Excluding the referred to capital gains, net operating income before impairment from CGD France's current operations stood at €61.9 million.

Credit impairment, in December 2016, comprised an accumulated net appropriation of €7.6 million during the year, resulting from the application of more exacting risk-related criteria.

Net income for 2016 also benefited from a €1.6 million reversal of provisions for fiscal contingencies.

CGD France achieved net income of €74.9 million, in 2016, up €25.5 million over 2015.

The cost-to-income ratio improved 11.7 pp year-on-year, to 34.4%.

FRANCE BRANCH - INDICATORS

(EUR million)

			Change 2016-12 vs 2015-12	
	2015-12	2016-12	Total	(%)
Net interest income	98.1	97.9	-0.2	-0.2%
Total operating income	121.1	164.4	43.3	35.8%
Operating costs	55.8	56.6	0.8	1.4%
Net op. income before impairments	65.2	107.8	42.5	65.2%
Provisions and impairments	8.2	13.6	5.3	64.4%
Net income	49.4	74.9	25.5	51.7%
Net assets	5.941.9	4.688.6	-1.253.3	-21.1%
Loans and adv. to customers (net)	3.927.1	3.761.8	-165.3	-4.2%
Customer deposits	2.444.8	2.142.3	-302.5	-12.4%

The France branch's contribution to CGD Group's consolidated net income was €68.6 million, in 2016, against €43.2 million in 2015.

EAST TIMOR BRANCH

CGD has a presence in East Timor in the form of a branch operating under the BNU Timor banner which is the oldest bank in Timor's financial system, where it has operated since 1902. This is a benchmark universal bank which covers the whole of the territory with the largest branch office network and local ATMs (14 branches and 14 ATMs), covering different districts.

Owing to the expansion of its ATM and POS network, BNU leads the market with a market share of 80% in this supply segment.

The BNUdireto (internet banking) service was successfully introduced and transactions have already migrated to this channel. The Mobile Money pilot project that the Central Bank has authorised BNU Timor to perform continues to develop gradually.

Notwithstanding the uncertainties of the country's economic circumstances, the evolution of the Timor branch, was globally favourable, in its consolidation of positive results, adding value to its own funds, endeavouring to avoid exposure to major risk and continuing to focus on exacting criteria and a rationale geared to profitability.

The branch has improved its internal control and risk management processes, over the last few years, namely credit, in endeavouring to mitigate the risks by splitting up its portfolio over more operations with a lower individual value.

The branch's net assets were up 53.6% by USD 158.7 million, year-on-year, to USD 454.9 million at the end of December 2016 owing to the 61.5% increase of USD 148.9 million in the investment in credit institutions aggregate.

Loans and advances to customers, in December 2016, were up 10.5% by USD 2.1 million in terms of corporate loans and 1.9% by USD 0.4 million in lending to individual customers, over the same period of the preceding year.

Overdue credit was down 33.7% by USD 12.8 million, year-on-year, to USD 25.2 million and impairment on loans and advances to customers posted an improvement of USD 14.3 million (27.9%), resulting from asset write-offs of USD 12.6 million.

Net interest income was up by a year-on-year 53.5% to USD 8.7 million, although reference should be made to the fact that the values in respect of 2015 were influenced by the occurrence of two extraordinary situations across the year, one of which comprising the one-off payment of USD 0.4 million in interest in respect of an operation that matured in 2010 and the cancellation of a carry-back of interest for past years for the amount of USD 2.3 million.

Net commissions were up 34.4% by USD 0.5 million over December 2015 to USD 2.0 million,

In December 2016, income from financial operations of USD 0.8 million, was up 13.2% over the preceding year.

There was also a 38.3% increase of USD 0.1 million in other operating income from commissions resulting from the greater use of electronic channels.

These results generated total operating income of USD 11.8 million, up 46.1% over December 2015.

Following the 0.4% deduction of USD 6.9 million in structural costs, net operating income before impairment of USD 4.9 million was significantly up over the preceding year (302.2%). Not including the cancellation of overdue interest of USD 2.3 million in 2015, the change would be 39.7%.

Net income, in December 2016, was up 113.3% by USD 3.1 million to USD 5.7 million, over the same period of the preceding year, owing to the effect of the positive contributions made by net interest income (USD 3.0 million) and other operating income (USD 0.7 million).

There was a 26.6 pp improvement in the cost-to-income ratio over 2015 to 58.3%.

EAST TIMOR BRANCH - INDICATORS

	(EUR million)			(USD million)		
			Variação			Variação
	2015-12	2016-12	(%)	2015-12	2016-12	(%)
Margem financeira estrita	5.1	7.8	53.9%	5.6	8.7	53.5%
Produto bancário	7.3	10.6	46.5%	8.1	11.8	46.1%
Custos operativos	6.2	6.2	0.6%	6.8	6.9	0.4%
Resultado bruto de exploração	1.1	4.4	303.3%	1.2	4.9	302.2%
Provisões e imparidades	-1.6	-1.3	-	-1.8	-1.5	-
Resultado líquido	2.4	5.2	113.8%	2.7	5.7	113.3%
Ativo líquido	272.1	431.6	58.6%	296.3	454.9	53.6%
Crédito a clientes (líq.)	25.7	30.3	18.2%	27.9	32.0	14.4%
Depósitos de clientes	199.9	326.9	63.5%	217.7	344.6	58.3%

Exchange rate EUR/USD - Balance sheet: 1.0887 in Dec/15 and 1.0541 in Dec/16; P&L: 1.1096 in Dec/15 and 1.1066 in Dec/16.

East Timor Branch´s contribution to the Group’s consolidated net income was €4.2 million.

BCG SPAIN

The processes involving the reconfiguration of banking networks and acceleration of the transition process to digital banking, continued in the financial sector across 2016 with the aim of complying with demanding regulatory standards without jeopardising the reduction of operating costs and the offer of new, more personalised services.

The deleveraging of the Spanish economy continued across the year both by households and companies, with a fall in bank loans and credit on offer higher than demand.

2016 confirmed the continuity of the good results achieved by BCG Spain in past years and its capacity to expand its business by earning the loyalty of its corporate customers operating in the Iberian market and continuing to be a viable instrument to back the entrée of Portuguese companies in the Spanish market and, via the Group’s branch office network, backing Spanish companies present in the countries in which CGD Group operates, helping to leverage the volume of business and create value for the Group.

2016 was a particularly difficult year with Euribor reference rates in negative terrain in an economy in which plummeting demand for credit also contributes to spread reductions.

Notwithstanding the referred to context, the Bank easily achieved all of the objectives of its restructuring plan, having ended the year with a significant increase in its credit portfolio and net income 18% higher than forecast in the programme agreed with the European Union.

BCG Spain comprises a network of 110 branches located in zones bordering Portugal and in other “communities” with major levels of economic activity including Madrid, Catalonia, Basque Country, Asturias, Valencia and Aragón. It continued to have 520 full time employees.

The Bank’s services to Spanish and Portuguese companies operating in the Iberian and external markets, translated into a 30% growth of €296 million in corporate loans over 2015. As a result of this policy the credit portfolio (net) was up 7.1% to €3,310 million, with the growth of corporate loans more than offsetting the reduction of repayments on the mortgage loans portfolio. BCG Spain had a 0.26% market share of loans made by the Spanish banks.

Overdue credit and credit in arrears account for 3.4% of total credit, one of the lowest in the Spanish banking system as a whole.

Deposits were up €106 million to €2,620 million. This annual evolution counteracts the downwards trend occurring in Spain and was achieved in spite of the sharp fall in interest paid to customers.

The increase in deposits enabled the Bank to maintain a loans-to-deposits ratio of 120%.

In operational terms, net interest income, including income from equity instruments, was down 8.8% at slightly less than the sector average, owing to the impact of negative Euribor rates and lower spreads and mainly the €9.6 million drop in income from the securities portfolio, with the increase in the amount of lending having been offset by the lower price.

Net commissions earnings were up by a slight 2.3%, with the 23.2% reduction of other operating income deriving exclusively from the €5.5 million reduction in income from financial operations.

Total operating income, reflecting the performance of net interest and other operating income was down 11.6% to €97.9 million.

Operating costs, which have been contained at minimum levels following the restructuring operation in 2013/4, were up 1% over the preceding year to €56.8 million. The cost-to-income ratio was 58%.

Provisions and impairment for the period, translating improved credit risk, stood at €4.7 million.

Income before tax was slightly up over the preceding year to €36.4 million, while, net of tax, amounting to €25.5 million, permitting the maintenance of a level of return corresponding to almost 5% of the Bank's share capital.

BCG SPAIN - INDICATORS

(EUR million)

			Change 2016-12 vs 2015-12	
	2015-12	2016-12	Total	(%)
Net interest income	88.9	80.1	-8.8	-9.9%
Total operating income	110.8	97.9	-12.9	-11.6%
Operating costs	56.2	56.8	0.6	1.0%
Net op. income before impairments	54.5	41.1	-13.4	-24.7%
Provisions and impairments	18.3	4.7	-13.6	-74.4%
Net income	25.3	25.5	0.1	0.6%
Net assets	4,960.1	5,222.9	262.8	5.3%
Loans and adv. to customers (net)	3,091.3	3,309.9	218.7	7.1%
Customer deposits	2,513.7	2,619.8	106.1	4.2%

BCG Spain contributed €25.4 to the Group's consolidated net income, was slightly up over 2015's contribution (0.6%).

BNU MACAU

Banco Nacional Ultramarino (BNU Macau) continues to perform a commercial banking activity while, at the same time, operating as one of the two banks responsible for the issuance of currency in Macau (MOP), in a context of a continual increase of currency in circulation.

BNU Macau has witnessed the transformation and economic development of Macau and is an important connecting and economic cooperation platform among Lusophone countries and China, namely Macau.

The average number of products per active customer increased to 3.49 in 2016, against 3.41 in 2015.

In opening its Hengqin branch, on 18 January 2017, BNU Macau was the first local bank in Macau to open a branch on mainland China (having been authorised to trade in renminbi) and CGD was the first international financial group to open a branch in the Hengqin Free Trade Zone.

Notwithstanding the existence of an unfavourable economic climate in the Special Administrative Region of Macau and greater competition in the banking sector, BNU Macau continued to perform well in terms of the evolution of its solvency, liquidity and profitability, namely in deposit-taking and lending operations.

BNU Macau's total assets were up by an annual 3.6% by MOP 2,329 million.

In terms of the evolution of BNU business, reference should be made to the 1.6% growth of customer resources, with a loans-to-deposits ratio of 50.4% against 52.3% in 2015.

Loans and advances to customers (net) were down 2.1% to MOP 25,973 million.

BNU's net interest income, in 2016, was up 7.2% by MOP 51.3 million over 2015, particularly on account of better liquidity optimisation management.

Net commissions were down 7.6% by MOP 15.3 million over the period under analysis, owing to lower commissions earnings on syndicated credit operations.

Income from cards, however, was up 3.3%, owing to improved customer loyalty and more cross-selling of products, notwithstanding the hugely negative impact deriving from the contraction of the tourism and gambling sectors.

Total operating income was up 4.6% over 2015 to MOP 1,040 million.

Global employee costs were up 3.2% over the preceding year, with an increase of around 2% in the number of employees. Administrative costs, on the other hand, were up 3.4% owing to major containment in the procurement area, notwithstanding the existence of inflationary pressure in the Territory and opening of a branch and a subsidiary.

The level of depreciation for the year was similar to last year, at 0.4%.

Reference should be made to the decrease of the efficiency ratio to 32.6% in 2016, against 33.2% in 2015.

Impairment and provisions (net) were up 4.5%, over 2015, as a consequence of the increase in collective impairment.

The solvency ratio was 15.3%, in 2016, against 14.0% in 2015.

The Bank's net income was therefore up 7.1% by MOP 36.7 million over the preceding year to MOP 557.9 million.

BNU MACAU - INDICATORS

	(EUR million)			(MOP million)		
	2015-12	2016-12	Change (%)	2015-12	2016-12	Change (%)
Net interest income	79.9	85.8	7.4%	707.6	758.9	7.2%
Total operating income	112.3	117.6	4.7%	994.9	1.040.4	4.6%
Operating costs	37.3	38.4	3.0%	330.3	339.6	2.8%
Net op. income before impairments	75.0	79.2	5.6%	664.6	700.8	5.4%
Provisions and impairments	7.2	7.5	4.7%	63.7	66.6	4.5%
Net income	58.8	63.1	7.2%	521.1	557.9	7.1%
Net assets	7.391.2	7.905.2	7.0%	64.234.9	66.564.1	3.6%
Loans and adv. to customers (net)	3.051.4	3.084.5	1.1%	26.519.1	25.972.9	-2.1%
Customer deposits	5.837.2	6.120.0	4.8%	50.729.8	51.532.1	1.6%

Exchange rate EUR/MOP - Balance sheet: 8.691 in Dec/15 and 8.420 in Dec/16; P&L: 8.860 in Dec/15 and 8.848 in Dec/16.

BNU Macau´s contribution to the Group’s consolidated net income was €63.1 million, up 7.2% over the preceding year’s €58.8 million.

BCG BRASIL

Banco Caixa Geral – Brasil (BCG – Brasil) continued to adopt a more conservative approach, reducing its exposure to the retraction occurring in the Brazilian economy and committing to Portuguese companies and sectors with low levels of exposure to the recessionary climate in the Brazilian economy.

In the sustainability sphere, BCG-Brasil is committing to promoting sustainable economic development, protecting the environment and the communities with which it directly or indirectly interacts.

The Bank’s sustainability principles aim to promote sustainable development in partnership with interested parties, based on specific lines of credit for projects that promote an ethical, transparent relationship and protect the environment for future generations, respect for diversity and helping to reduce social inequality.

BCG-Brasil has committed to developing and implementing a Socio-Environmental Responsibility Programme aligned with best international practice, including International Finance Corporation (IFC) standards and current regulation (Resolution 4327/2014 of the National Monetary Council).

It has therefore adopted procedures and controls in line with the legislation and regulation on socio-environmental responsibility while also operating on a best market practice basis in this area. These directives have been formalised in two socio-environmental responsibility policies, one of which targeted at operations involving IFC resources and another, more simplified policy for other operations requiring special attention but which do not involve IFC resources.

In its management of socio-environmental risk, the Bank has adopted social and environmental parameters for its risk analysis on lending and acceptance of new customers, including a list of prohibited and restricted activities. In addition to minimising the financial risk attached to the business, the socio-environmental analysis prevents BCG-Brasil from financing activities which are not in accordance with current legislation and/or put public health and the environment at risk.

At the end of 2016, the Bank changed its structure with the aim of improving its commercial efficiency. The measures taken will enable it to continue to control its operating costs in 2017.

Rico Corretora de Títulos e Valores Mobiliários was sold to XP Investimentos for an approximate amount of €55 million on 29 November 2016.

Net assets of BRL 2,168 million, at the end of 2016, represent growth of BRL 58.1 million over the preceding year.

The credit operations portfolio in the balance sheet was down 27.1% to BRL 551 million at the end of 2016. Customer resources, in turn, were up 6.1% over 2015 to BRL 787.4 million

Resource-taking from third parties ended 2016 with BRL 1,650 million, up 9% over 31 December 2015.

As a result of the above referred to evolution, the loans-to-deposits ratio at the end of 2016 was 76.7%, down 35.35 pp over the end of 2015.

Notwithstanding the 25.1% drop of BRL 28.4 million in net interest income, the favourable evolution of income from financial operations and other operating income, up BRL 36.9 million and BRL 1.9 million, respectively, over the preceding year, was responsible for the positive performance of total operating income in 2016, which was up 11.0% by BRL 9.8 million over 2015 to BRL 98.3 million.

Banking activity costs were up 5.7%, over 2015, albeit lower then the accumulated inflation of 6.3% over the last 12 months and were, in conjunction with the positive evolution of total operating income, responsible for a cost-to-income ratio of 56.8%, down 2.85 pp over 2015.

In 2016, net operating income before impairment was BRL 42.4 million. This amount represents an 18.9% improvement of BRL 6.7 million over 2015.

Total credit provisions, in 2016, were BRL 32.7 million against BRL 85.9 million in 2015.

Net income from banking activity was a positive BRL 5.3 million against a negative BRL 25.5 million at the end of 2015.

BCG BRASIL - INDICATORS

	(EUR million)			(BRL million)		
	2015-12	2016-12	Change (%)	2015-12	2016-12	Change (%)
Net interest income	30.7	22.0	-28.4%	113.3	84.8	-25.1%
Total operating income	24.0	25.5	6.1%	88.6	98.3	11.0%
Operating costs	14.3	14.5	1.1%	52.9	55.9	5.7%
Net op. income before impairments	9.7	11.0	13.6%	35.7	42.4	18.9%
Provisions and impairments	23.3	8.5	-63.7%	85.9	32.7	-62.0%
Net income	-6.9	1.4	-	-25.5	5.3	-
Net assets	489.3	632.0	29.2%	2.109.9	2.168.1	2.8%
Loans and adv. to customers (net)	175.4	160.7	-8.4%	756.2	551.2	-27.1%
Customer deposits	156.5	209.4	33.8%	674.7	718.4	6.5%

Exchange rate EUR/BRL - Balance sheet: 4.312 in Dec/15 and 3.430 in Dec/16; P&L: 3.691 in Dec/15 and 3.862 in Dec/16.

BCG Brasil´s contribution to the Group's consolidated net income was €1.4 million, up €8.3 million over 2015.

BCI MOZAMBIQUE

Decelerating economic activity, the marked depreciation of the metical (MZN) against the dollar, euro and rand and higher prices of goods have limited the implementation of the expansion plan of the branch office network of Banco Comercial e de Investimentos (BCI). The Bank only opened two new branches (the lowest number registered since 2008), to a total of 193 branches.

BCI, at the end of 2016, had 642 ATMs, 9% up year-on-year by 53 units. The total number of POS terminals was up 12% by 1,014 units to a total of 9,660.

Notwithstanding the deceleration of Mozambique's rate of economic growth, in 2016, BCI consolidated its lead in the domestic banking system as measured by its end-of-year market share of credit, deposits and assets of 30.3%, 29.2% and 28.5%, respectively.

Diverse initiatives and commercial promotions, geared to different customer segments, were developed and implemented, across 2016, namely:

- The "Daqui para o Futuro" institutional campaign to celebrate BCI's 20th birthday, helping to strengthen its brand recognition factor and backing initiatives to secure and retain customer loyalty;
- The "Vai daki" campaign to promote BCI's remote banking channels, based on a new strategy for communicating and redefining concepts and the brands of the ATM, POS, Mobile Banking and Internet banking/App services, aimed at simplifying the comprehension thereof, encouraging subscriptions and stimulating the perception of the benefits of their use by current and potential customers.

BCI's global assets were up 14.5% by MZN 18.2 billion to MZN 143.5 billion, as a reflection of the effects of the increase in the portfolio of loans and advances to customers, investments in credit institutions, financial assets and claims on the Bank of Mozambique.

As a result of the sophistication and innovation of several solutions in the sphere of loans and advances to individual customers and companies, the loans and advances to customers (net) portfolio was up 18.9% by MZN 13.3 billion, over the same period last year to MZN 83.9 billion at the end of 2016.

Customer resources, at 31 December, were up 12.2% by 11.2 billion to MZN 103.2 billion against MZN 92.0 billion for the same period 2015, fuelled by the volume of foreign currency resources with a 43.8% increase of MZN 9.98 billion, owing to the impact of foreign currency changes.

The Bank had a shareholder's equity of MZN 10.8 billion, in comparison to MZN 10.2 billion at the end of 2015.

In terms of its results the Bank recorded a positive 14.4% increase in its total operating income over 2015, owing to the 51.0% growth of MZN 2.1 billion in net income to MZN 6.2 billion.

Other operating income was down MZN 0.8 billion to MZN 3.5 billion, owing to a lower level of income from financial operations and other operating income.

The 1.0 billion MZN increase in impairment, mostly related to the fair value resulting from the depreciation of securities in the capital market for the amount of MZN 0.6 billion and the 16.5% growth of operating costs, also made a decisive contribution to the reduction of MZN 0.4 billion in BCI's net income of MZN 1.4 billion, in December 2016, in comparison to the preceding year.

The referred to increase in operating costs originated a slight increase in the cost-to-income ratio of 63.2% in 2016.

BCI MOZAMBIQUE - INDICATORS

	(EUR million)			(MZN million)		
	2015-12	2016-12	Change (%)	2015-12	2016-12	Change (%)
Net interest income	94.7	89.4	-5.5%	4.081.9	6.163.5	51.0%
Total operating income	195.7	140.0	-28.5%	8.436.8	9.648.5	14.4%
Operating costs	121.4	88.5	-27.1%	5.235.8	6.097.4	16.5%
Net op. income before impairments	74.3	51.5	-30.6%	3.201.0	3.551.1	10.9%
Provisions and impairments	17.3	25.3	46.4%	744.1	1.740.9	134.0%
Net income	40.6	19.7	-51.4%	1.748.4	1.358.7	-22.3%
Net assets	2.473.0	1.910.8	-22.7%	125.259.3	143.463.7	14.5%
Loans and adv. to customers (net)	1.392.3	1.117.0	-19.8%	70.519.8	83.865.5	18.9%
Customer deposits	1.807.1	1.371.6	-24.1%	91.531.9	102.978.0	12.5%

Exchange rate EUR/MZN - Balance sheet: 50.651 in Dez/15 and 75.081 in Dec/16; P&L: 43.111 in Dec/15 and 68.908 in Dec/16.

BCI Moçambique´s contribution to the Group's consolidated net income was €10.3 million.

BCG ANGOLA

Banco Caixa Geral Angola (BCG Angola), operating in a highly adverse environment, took a series of measures allowing it to minimise its unfavourable results, in 2016.

The kwanza (AOA) accrued average depreciation of around 26.5% against the euro in comparison to 2015.

BCG Angola had total assets of AOA 314.6 billion at the end of December, down 5.8% over 2015 with a 10% increase in its shareholders' equity over the same period.

Its credit portfolio (net) was up by a year-on-year 10.6% to AOA 95.7 billion. There was a substantial increase in overdue credit.

Customer resources, in December 2016, were down by a year-on-year 3.4% to AOA 243.6 million. Around half of BCG Angola's deposits are in USD. Its loans-to-deposits ratio was 39.4%.

Total operating income amounted to AOA 25.3 billion, with a positive year-on-year change of 29.5%, benefiting from the highly favourable evolution of net interest income (up 108.4%), offsetting the negative performance (down 86.7%) of income from financial operations, particularly associated with the results of foreign exchange operations.

Structural costs amounting to AOA 10.1 billion, up by a year-on-year 29.7%, are explained by the evolution of employee and external supplies and services costs, notwithstanding greater control over communications, advertising and specialised services.

Net income of AOA 9.4 billion, in 2016, was down 17.4% over 2015, heavily influenced by AOA 4.2 billion in provisions and impairment on the tax on capital investment (AOA 1.7 billion), overdue credit and regulatory changes.

BCG ANGOLA - INDICATORS

	(EUR million)			(AOA million)		
	2015-12	2016-12	Change (%)	2015-12	2016-12	Change (%)
Net interest income	74.7	114.4	53.2%	9.895.4	20.621.9	108.4%
Total operating income	147.3	140.3	-4.8%	19.518.4	25.277.0	29.5%
Operating costs	58.9	56.2	-4.6%	7.805.2	10.123.7	29.7%
Net op. income before impairments	88.4	84.1	-4.9%	11.713.2	15.153.3	29.4%
Provisions and impairments	-0.4	23.1	-	-53.0	4.172.0	-
Net income	85.5	51.9	-39.3%	11.327.8	9.357.9	-17.4%
Net assets	1.977.6	1.809.6	-8.5%	333.886.4	314.601.9	-5.8%
Loans and adv. to customers (net)	512.6	550.3	7.4%	86.543.3	95.678.6	10.6%
Customer deposits	1.488.7	1.397.6	-6.1%	251.346.5	242.981.5	-3.3%

Exchange rate EUR/AOA - Balance sheet: 168.833 in Dec/15 and 173.853 in Dec/16; P&L: 132.506 in Dec/15 and 180.226 in Dec/16.

BCG Angola´s contribution to the 2016 Group's consolidated net income was €26.3 million

BANCO COMERCIAL DO ATLÂNTICO

The activity of Banco Comercial do Atlântico (BCA), in 2016, was marked by its ongoing commitment to improve the quality of services provided to its customers.

In the sphere of the agreement between BCA and AFD (French Development Agency), lines of credit which are still in a disbursement phase were provided, aiming to support local municipalities. The protocol celebrated with AFD defines the actions to be accomplished by the borrowers, including the establishing of a Sustainability and an Environmental and Social Risk policies, for which a proposal was developed and foresee to be reviewed in 2017. Various actions have been taken over the years since the signing of the protocol, of which a general training on sustainability for all the employees and a specific training on socio-environmental risk for a restrict group of employees.

This policies proposal, together with the implemented actions, provided a greater knowledge and an effective contribution to the awareness of the importance of these issues. As a result, from the end of 2014, part of these proposed actions for the sustainability policy have been implemented, in particular, the reduction of water consumption, electricity and fuel, among others.

BCA also supplies a range of products with social benefits, backing economic and household growth, namely:

- Linha de crédito 1 Milhão de Contos: Line of credit for micro, small and medium-sized enterprises and microcredit associations located on Cape Verdean territory, for a global amount of CVE 1 billion (Cape Verde escudos). The balance on loans made at the end of 2016 under this line of credit was €13 million.BCA renewed this line in CVE 3 billion, with the objective of backing the domestic economy.
- Linha de crédito 1 Milhão de Contos: The NU PINTA NOS TERRA line of credit for the amount of CVE 1 million for rehabilitation works and the painting of the outside of houses. Loans of €615.7 thousand were made under this line of credit in 2016.
- University credit: loans of €1.4 million were made under this line of credit by the end of 2016.

- Line of credit with a mutual guarantee for students in higher education – in the sphere of the agreement entered into between BCA and the Ministry of Tourism, Industry and Energy (MTIE) and the Ministry of Higher Education, Science and Innovation (MESCI) – financing of graduate and postgraduate courses for Cape Verdean students. Loans of €226 thousand were made under this line in 2016.
- 45 minimum banking service accounts were opened in 2016, under the free banking services established by the official notice No. 1/2013 of the Bank of Cape Verde. This is a measure to raise the national level of usage of banking services.
- BCA Poupança Jovem (young people's savings accounts): an account for young people up to the age of 30 to enable them to accumulate savings and allow them to watch their money grow progressively and securely. Around €10 million in deposits were taken by this product by the end of 2016.
- Emigrants' deposits under the Decree-Law No. 53/95, of 26 September that regulates the emigrant savings system in Cape Verde: a balance of around €323 million at the end of 2016.

In addition to its 34 branch offices, covering all of the islands of the archipelago, BCA also has corporate offices to back corporate and business development.

BCA continues to lead the credit and customers' deposits market, which, according to the latest information stood at 36% and 39%, respectively.

In December 2016 the Bank's net assets of CVE 84,806 million, comprised a 3.9% increase of CVE 3,213 million over 2015.

Loans and advances to customers (net) were up CVE 1,059 million. It should be noted that the performing credit portfolio evolved by a positive 2.4% over 2015, with a growth of 5.7% for companies.

The growth in corporate loans mainly derives from the line of credit for small and medium sized enterprises (SMEs), self employed workers in different sectors and micro-credit associations, for a global amount of CVE 1 million. In turn, mortgage lending for own home purchases and buy-to-let which represents an exposure of 39.2% in BCA's credit portfolio structure, was down 2.1% over 2015.

Reference should be made to the 13% reduction of non-performing credit over 2015, partly on account of the work performed by the Credit Recovery Office.

Customer resources, as the Bank's main source of finance were up 5.0% and particularly included an 11% growth of sight deposits.

Term deposits, including savings accounts, were up 2.1%. Emigrants' deposits that account for 49.5% of the Bank's total resources, up 4.8% over the period under analysis, demonstrated the emigrant community's continued confidence in the Bank.

BCA's net income of CVE 285.9 million, in 2016, was down by a year-on year 30.6%. This result was heavily affected by the 204.7% increase of CVE 259.5 million in provisions and the 1.7% drop in net interest income.

Other operating income was down 5.5% by CVE 33.5 million owing to the lower yield on TCMFs (Consolidated Financial Investment Certificates) from 2.29% in December 2015 to 0.29%, in December 2016, as well as the 27.9% decrease of CVE 45.3 million in income from financial operations.

Operating costs were down 2.7%, in 2016, owing to the favourable evolution of general administrative expenses which were down 9.1% owing to the containment policy on expenses implemented over the last few years. Employee costs were down 0.7% notwithstanding the fact that new hirings surpassed the number of exits.

The fall in operating costs, which was proportional to the fall in total operating income, led to the stability of the cost-efficiency indicator at 74.5% in December 2016.

BCA CAPE VERDE - INDICATORS

	(EUR million)			(CVE million)		
	2015-12	2016-12	Change (%)	2015-12	2016-12	Change (%)
Net interest income	17.0	16.7	-1.7%	1.869.0	1.838.2	-1.7%
Total operating income	22.8	22.1	-2.7%	2.508.7	2.440.8	-2.7%
Operating costs	17.0	16.5	-2.7%	1.870.0	1.818.6	-2.7%
Net op. income before impairments	5.8	5.6	-2.6%	638.7	622.2	-2.6%
Provisions and impairments	1.1	3.5	204.7%	126.7	386.3	204.7%
Net income	3.7	2.6	-30.6%	412.1	285.9	-30.6%
Net assets	740.0	769.1	3.9%	81.593.8	84.806.4	3.9%
Loans and adv. to customers (net)	401.7	411.3	2.4%	44.297.3	45.356.0	2.4%
Customer deposits	628.7	660.1	5.0%	69.319.7	72.787.4	5.0%

Exchange rate EUR/CVE - Balance sheet: 110.266 in Dec/15 and 110.266 in Dec/16; P&L: 110.266 in Dec/15 and 110.266 in Dec/16.

The Bank´s contribution to the Group’s consolidated net income was €1.5 million.

BANCO INTERATLÂNTICO

In 2016, Banco Interatlântico (BI) backed by its 9 branches, specialised offices for corporate and individual customers and its major customers unit, developed a commercial approach aimed at improving its customer service and consolidating its position in the major enterprises’, institutional and individual customers’ segments.

BI and the Ministry of Culture, through the Cultural Bank entered into a partnership agreement in March to open a line of credit to finance eligible projects in terms of the promotion of the sector. The Cultural Bank now has more resources to finance projects and BI is helping to back the development of the local artistic community and the perception of its activity as a business.

In the sphere of its environmental and social risk policy defined when signing the agreement for the 2nd line of credit with AFD, Banco Interatlântico recognises that the main environmental and social impact a bank may have in society is associated with the way in which its loans are used. This policy has been incorporated into the Bank’s global risk and sustainability policy and is applied to business projects for CVE 50 million (around €453 thousand) or more and whose full or part completion requires bank credit. The policy defines the implications of the credit analysis process, in addition to an exclusion list of activity sectors in terms of finance.

In addition to the integration of environmental and social criteria in the credit risk analysis, the Bank also provides a series of products with social benefits, namely:

- Crédito Formação Universitário (university students’ loans): with loans of €330 thousand having been made by end 2016.
- Line of credit for students in higher education with a mutual guarantee for financing expenses directly related with Cape Verdean students’ attendance at vocational higher educational courses, degrees and masters courses preferably given in Cape Verde. Loans of €212 million had been made by the end of 2016.
- 3,482 accounts opened under the free banking notice No. 1/2013 of Banco de Cabo Verde.

- BI Conta Poupança Jovem – bipoupas (young people's savings accounts): an account for young people up to the age of 30 enabling them to see their savings grow progressively and safely. This product had taken in deposits of around €1.5 million by end 2016.
- BI Linha Trade Finance: Line of credit for imports with a twofold safety benefit: a line for exporters and importers, providing exporters with a guarantee of the full payment of the amount of their exports and importing customers with a guarantee that the supplier will only receive payment under the terms of the international rules on documentary operations – €942 thousand of loans granted in 2016.

Net assets, at 31 December 2016, were up 11.7% by CVE 2,921 million over the preceding year to CVE 27,878 million. This evolution largely derived from the significant growth of around 47% in investment in credit institutions and 8.9% growth of loans and advances to customers.

Net credit was up 8.9% over December 2015 to CVE 16,703 million. Gross credit was up 7.7% to a market share of 13.6%. The growth of new operations, in 2016, was higher than global portfolio repayments, most of which with a maturity of up to 5 years and, as such, with a high level of annual repayments.

In line with the evolution of preceding years, the Bank's credit portfolio, in December 2016, continued to be concentrated in the corporate segment (63.5%).

Loans and advances to individual customers were up 8%, owing to the commercial reinvigoration of this segment that continues to have lower default rates.

As a result of BI's commercial operations, which particularly focused on the recovery of non-performing credit, reference should be made to the 14.9% reduction of the Bank's total overdue credit, particularly corporate loans (down 20%). The overdue credit ratio was down 3.9 pp by 19.9% year-on-year 2015. Impairment coverage, in December 2016, was 45.8% against the preceding year's 41.7%.

On the liabilities side, total customer deposits were up 13.1% over 2015 to CVE 24,896 million. This evolution derives from the 18.1% increase of CVE 2,423 million in term deposits and 5.3% increase of CVE 445 million in sight deposits.

Customer resources were up 13.0% and market share up from 12.9% to 13.7%.

The increase in resources is the result of the more marked increase of 14.2% in the growth of corporate deposits, owing to the Bank's commitment to this segment. Notwithstanding the fact that it remains balanced, the deposits structure was reversed, with the corporate segment now accounting for 50.2% of total customer deposits.

The loans-to-deposits ratio was 67.1%, in 2016, down 2.5 pp over the preceding year.

Net interest income was up 17.1% by CVE 76.7 million over December 2015. This growth was a major beneficiary of the 11.3% increase of CVE 127.6 million in interest on lending activities which was much higher than the 11.3% increase of CVE 50.9 million in funding costs.

The 15.3% growth of CVE 29.6 million in other operating income essentially derives from the 32.5% positive evolution of CVE 33.3 million in commissions earnings and 19.3% growth of CVE 8.4 million in income from financial operations. This resulted in a 13.6% increase of CVE 90.1 million in total operating income over 2015.

Operating costs were up 4.3% by CVE 24.3 million, owing to the 5.8% increase in the employee costs and 4.1% increase in general administrative costs account headings. Employee costs were up CVE 13.5 million to CVE 246.6 million, owing, on the one hand, to the structural costs of the current wage rules that significantly increase employees' salaries and, on the other, to the recognition of the salary readjustment of the statutory bodies.

Cost rationalisation policies continued through 2016. The Bank, however, continued to incur high levels of expenditure on restructuring processes, having recognised CVE 291.3 million in general administrative expenditure (up CVE 11.5 million over 2015). Operating costs in conjunction with the evolution of total operating income were responsible for a cost-to-income indicator of 78%, down 6.9 pp over the same period last year.

The significant increase of impairment, up 89.3% over 2015 to CVE 156.3 million, contributed to a net income level of CVE 5.6 million, down CVE 11.6 million over December 2015.

In terms of its financial strength, the Bank complied with all of the prudential indicators required by the Bank of Cape Verde, with all ratios being higher than the minimum legal requirements, particularly the solvency ratio at 14.8%.

BI CAPE VERDE - INDICATORS

			(EUR million)			(CVE million)
			Change			Change
	2015-12	2016-12	(%)	2015-12	2016-12	(%)
Net interest income	4.1	4.8	17.1%	448.6	525.2	17.1%
Total operating income	6.0	6.8	13.6%	663.9	754.0	13.6%
Operating costs	5.1	5.3	4.3%	564.2	588.5	4.3%
Net op. income before impairments	0.9	1.5	66.0%	99.7	165.5	66.0%
Provisions and impairments	0.7	1.4	89.3%	82.6	156.3	89.3%
Net income	0.2	0.1	-67.6%	17.2	5.6	-67.6%
Net assets	226.3	252.8	11.7%	24.957.0	27.877.6	11.7%
Loans and adv. to customers (net)	139.0	151.5	8.9%	15.332.2	16.702.6	8.9%
Customer deposits	199.7	225.8	13.1%	22.019.6	24.895.6	13.1%

Exchange rate EUR/CVE - Balance sheet: 110.266 in Dec/15 and 110.266 in Dec/16; P&L: 110.266 in Dec/15 and 110.266 in Dec/16.

BI´s contribution to the Group's consolidated net income was €4 thousand.

BANCO INTERNACIONAL DE SÃO TOMÉ E PRÍNCIPE

Founded in 1993, it is the oldest commercial bank in Cape Verde and the first private bank to operate in the country. CGD has a minority equity investment of 27% in the Bank which is owned by the State of São Tomé and the African Investment Bank.

Notwithstanding the macroeconomic environment across 2016, Banco Internacional de São Tomé e Príncipe (BISTP), has endeavoured to control its operating costs and improve its operating efficiency.

BISTP is the market's leading retail bank for POS terminals and ATMs and the only bank to accept credit cards (Unicre network). Its customer base represents around one half of the country's population. It has a local branch office network of 12 branches with 15 ATMs.

OTHER GEOGRAPHIES

In addition to these units, Caixa's international branch office network also includes its New York, Cayman Islands, London, Spain, Luxembourg and Macau branches, as well as its representative offices.

1.6.3. FINANCIAL ANALYSIS

CONSOLIDATED ACTIVITY

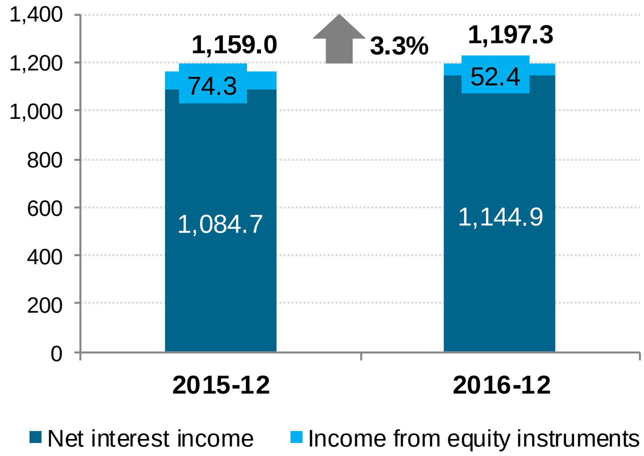
RESULTS

Net interest income was up 5.5% by €60.2 million over the preceding year to €1,144.9 million in 2016. This growth derived from the 18.5% reduction of €336.7 million in funding costs, higher than the 9.5% decrease of €276.5 million in interest on lending operations.

In 2016, the cost of subordinated bonds (Cocos) was €81.2 million, similar to that recorded in 2015 (€81.1 million).

NET INTEREST INCOME INCLUDING INCOME FROM EQUITY INSTRUMENTS

(EUR million)



Income from equity instruments amounted to €52.4 million, decreasing 29.5% over the previous year.

INCOME FROM EQUITY INSTRUMENTS

(EUR million)

	2015-12	2016-12
ADP - Águas de Portugal, S.A.	4.6	8.9
EDP - Energias de Portugal S.A.	2.2	1.3
Sumol + Compal, S.A.	2.0	-
Galp Energia, SGPS, S.A.	1.7	2.0
Income distrib. by unit trust investment funds	59.1	33.6
Other	4.7	6.6
Total	**74.3**	**52.4**

Net commissions were down by an annual 6.9% to €463.6 million whille income from financial operations reached €79.5 million.

Total operating income was down €451.7 million to €1,547.2 million, in 2016, in comparison to the preceding year, having essentially been penalised by the €266.4 million reduction in income from financial operations and the evolution of other operating income (€-189.0 million when compared to 2015).

INCOME STATEMENT (CONSOLIDATED)

(EUR thousand)

			Change	
	2015-12	2016-12	Total	(%)
Interest and similar income	2,904,572	2,628,032	-276,541	-9.5%
Interest and similar costs	1,819,871	1,483,164	-336,707	-18.5%
Net interest income	1,084,701	1,144,868	60,166	5.5%
Income from equity instruments	74,267	52,389	-21,878	-29.5%
Net interest inc. incl. inc. from eq. investm.	**1,158,968**	**1,197,256**	**38,288**	**3.3%**
Income from services and commissions	621,565	584,068	-37,497	-6.0%
Costs of services and commissions	123,408	120,489	-2,919	-2.4%
Commissions (net)	498,157	463,579	-34,578	-6.9%
Income from financial operations	345,857	79,457	-266,400	-77.0%
Other operating income	-4,172	-193,141	-188,969	-
Non-interest income	**839,842**	**349,895**	**-489,947**	**-58.3%**
Total operating income	**1,998,810**	**1,547,151**	**-451,659**	**-22.6%**
Employee costs	803,948	705,850	-98,098	-12.2%
Other administrative expenses	458,302	439,615	-18,687	-4.1%
Depreciation and amortisation	102,413	94,870	-7,543	-7.4%
Operating costs and depreciation	1,364,663	1,240,336	-124,328	-9.1%
Net operating income before impairments	**634,147**	**306,816**	**-327,331**	**-51.6%**
Provisions and impairments of other assets (net)	159,198	620,543	461,344	289.8%
Credit impairment net of reversals	556,206	2,396,399	1,840,193	330.8%
Provisions and impairments	**715,404**	**3,016,941**	**2,301,537**	**321.7%**
Income from subsidiaries held for sale	**8,705**	**10,821**	**2,116**	**24.3%**
Income from associated companies	**47,099**	**47,480**	**381**	**0.8%**
Net inc. before tax and non-controlling interest	**-25,453**	**-2,651,825**	**-2,626,372**	**-**
Tax	**56,087**	**-826,654**	**-882,741**	**-1573.9%**
Current and deferred	23,909	-865,722	-889,631	-3720.9%
Extraordinary contrib. on the banking sector	32,178	39,068	6,890	21.4%
Consolidated net income for period	**-81,541**	**-1,825,171**	**-1,743,631**	**-**
of which:				
Non-controlling interest	89,912	34,351	-55,561	-61.8%
Net income attrib. to CGD shareholder	**-171,453**	**-1,859,523**	**-1,688,070**	**-**

The December 2015 values have been restated, considering Mercantile Bank Holdings, Ltd. as a non-current asset held for sale.

Operating costs, in 2016, were down 9.1% over the preceding year, having benefited from containment across all of its component parts. Excluding the recognition of the non-recurring cost of the early or voluntary retirement programme in progress (Horizonte plan) in 2015 and in 2016, the reduction would have been 5.5%.

OPERATING COSTS AND AMORTISATION

(EUR million)

	2015-12	2016-12	Change Total	Change (%)
Employee costs	803.9	705.9	-98.1	-12.2%
Other administrative expenses	458.3	439.6	-18.7	-4.1%
Depreciation and amortisation	102.4	94.9	-7.5	-7.4%
Total	**1,364.7**	**1,240.3**	**-124.3**	**-9.1%**

Information on the costs of the main external supplies and services and respective changes is set out below:

EXTERNAL SUPPLIES AND SERVICES

(EUR million)

	2015-12	2016-12	Change Total	Change (%)
Total	**458.3**	**439.6**	**-18.7**	**-4.1%**
Of which:				
Water, energy and fuel	22.4	21.7	-0.8	-3.5%
Rents and leases	72.5	75.7	3.2	4.4%
Communications	37.8	34.9	-2.9	-7.8%
Advertising and publications	28.7	23.9	-4.8	-16.7%
Maintenance and repair	38.4	38.0	-0.4	-1.0%
IT	76.5	68.8	-7.7	-10.0%
Consulting and study services	3.8	4.1	0.3	8.7%

Despite the reduction of operating costs, the breakdown of operating income described above, led to the cost-to-income ratio of 77.8%.

EFFICIENCY RATIOS

	2015-12	2016-12
Cost-to-income (1)	66.7%	77.8%
Employee costs / total operating income (1)	39.3%	44.3%
Extern. supplies and serv. / total operating income	22.9%	28.4%
Operating costs / average net assets	1.4%	1.3%

(1) Calculated in accordance with Bank of Portugal Instruction 23/2012.

Net operating income before impairment, in 2016, was €306.8 million, down 51.6% by €327.3 million over 2015.

CONTRIBUTION TO NET OPERATING INCOME BEFORE IMPAIRMENTS

(EUR million)

	2015-12	2016-12	Change Total	Change (%)
Domestic commercial banking	220.3	71.3	-149.1	-67.7%
International activity	374.9	378.4	3.6	1.0%
Investment banking	19.1	25.3	6.2	32.4%
Other	19.8	-168.3	-188.1	-949.2%
Net operating income before impairments	**634.1**	**306.8**	**-327.3**	**-51.6%**

Core operating income in 2016, comprising the sum of net interest income and commissions, net of operating costs, was up 68.7% over the preceding year to €368.1 million, having benefited from the performance of net interest income and operating costs.

While advancing in its Recapitalization plan, CGD has completed a management assessment of its assets and potential contingencies, as agreed with DGComp, resulting in €3,016.9 million of impairment and provisions made for 2016.

Credit impairment for the year amounted to €2,396.4 million, with a cost of credit risk of 3.42%.

The impairment of other assets amounted to €387.7 million, was up €265.7 million over the previous year.

PROVISIONS AND IMPAIRMENT FOR PERIOD

(EUR million)

			Change	
	2015-12	2016-12	Total	(%)
Provisions (net)	**37.2**	**232.8**	**195.6**	**525.7%**
Credit impairment	**556.2**	**2,396.4**	**1,840.2**	**330.8%**
impairments losses net of reversals	578.0	2,415.6	1,837.6	317.9%
Credit recovery	21.8	19.2	-2.6	-11.8%
impairments of other assets	**122.0**	**387.7**	**265.7**	**217.8%**
Securities	48.9	145.9	96.9	198.0%
Non-current assets held for sale	49.9	144.5	94.7	189.9%
Non-financial and other assets	23.2	97.3	74.1	319.6%
Provisions and impairments for period	**715.4**	**3,016.9**	**2,301.5**	**321.7%**

The referred amount of impairment and provisions was decisive for net income of €-1,859.5 million achieved in 2016.

BALANCE SHEET

CGD Group's consolidated net assets were down 7.3% over the end of 2015 to €93,547 million at the end of 2016.

By entities, the contribution to consolidated net assets was as follows:

CGD GROUP'S CONSOLIDATED NET ASSET

(EUR million)

	2015-12		2016-12	
CGD GROUP	Total	Structure	Total	Structure
Caixa Geral de Depósitos (1)	71.292	70.7%	64.373	68.8%
Banco Caixa Geral (Spain)	4.591	4.5%	4.907	5.2%
Banco Nacional Ultramarino, SA (Macau)	5.577	5.5%	6.217	6.6%
Caixa Banco de Investimento	1.500	1.5%	1.296	1.4%
Caixa Leasing e Factoring	2.380	2.4%	2.397	2.6%
Banco Comercial Investimento (Mozambique)	2.323	2.3%	1.816	1.9%
Banco Comercial do Atlântico (Cape Verde)	707	0.7%	744	0.8%
Mercantile Lisbon Bank Holdings (South Africa)	562	0.6%	836	0.9%
BCG Angola	1.943	1.9%	1.712	1.8%
Other companies (2)	10.027	9.9%	9.249	9.9%
Consolidated net assets	**100.901**	**100.0%**	**93.547**	**100.0%**

(1) Separate activity.

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

The decline derived from claims at central banks and other credit institutions (down 24.1% by €1,848 million), securities investments (down 20.7% by €4,067 million) and loans and advances to customers (down 4.6% by €3,076 million).

CONSOLIDATED BALANCE SHEET

(EUR million)

			Change 2016-12 vs 2015-12	
Assets	2015-12	2016-12	Total	(%)
Cash and cash equivalents with central banks	2,880	1,841	-1,039	-36.1%
Loans and advances to credit institutions	4,785	3,976	-809	-16.9%
Loans and advances to customers	65,759	62,867	-2,892	-4.4%
Securities investments	18,986	15,017	-3,970	-20.9%
Assets with repurchase agreement	1,081	800	-281	-26.0%
Non-current assets held for sale	830	1,426	596	71.7%
Investm. in subsid. and associated companies	277	312	35	12.6%
Intangible and tangible assets	754	693	-62	-8.2%
Current tax assets	37	42	5	12.5%
Deferred tax assets	1,474	2,546	1,072	72.7%
Other assets	4,037	4,029	-8	-0.2%
Total assets	**100,901**	**93,547**	**-7,354**	**-7.3%**
Liabilities				
Central banks' and credit institutions' resources	5,433	5,800	367	6.7%
Customer resources	73,426	69,680	-3,746	-5.1%
Financial liabilities	1,739	1,695	-43	-2.5%
Debt securities	6,700	4,184	-2,516	-37.6%
Provisions	992	1,127	135	13.6%
Subordinated liabilities	2,429	2,424	-5	-0.2%
Other liabilities	3,998	4,754	756	18.9%
Sub-total	**94,718**	**89,664**	**-5,053**	**-5.3%**
Shareholders' equity	**6,184**	**3,883**	**-2,301**	**-37.2%**
Total	**100,901**	**93,547**	**-7,354**	**-7.3%**

The securities investment portfolio, including assets with repurchase agreements and trading derivatives was down 20.7% by €4,067 million over last December to €15,581 million.

SECURITIES INVESTMENTS (CONSOLIDATED) [(a)]

(EUR million)

			Change	
	2015-12	2016-12	Total	(%)
Fin. assets at fair value through profit or loss	3,366	7,154	3,788	112.5%
Available for sale financial assets	16,283	7,994	-8,288	-50.9%
Held-to-maturity investments	0	433	433	-
Total	**19,649**	**15,581**	**-4,067**	**-20.7%**

(a) After impairment and includes assets with repo agreements and trading derivatives.

Loans and advances to customers (gross) – including loans with repurchase agreements – were down 3.7% over the preceding year to €68,735 million, strongly influenced by write-offs of €1,929 million accounted for in 2016. CGD Portugal loans and advances to customers amounted to €51,453 million, representing about 75% of CGD Group total loans.

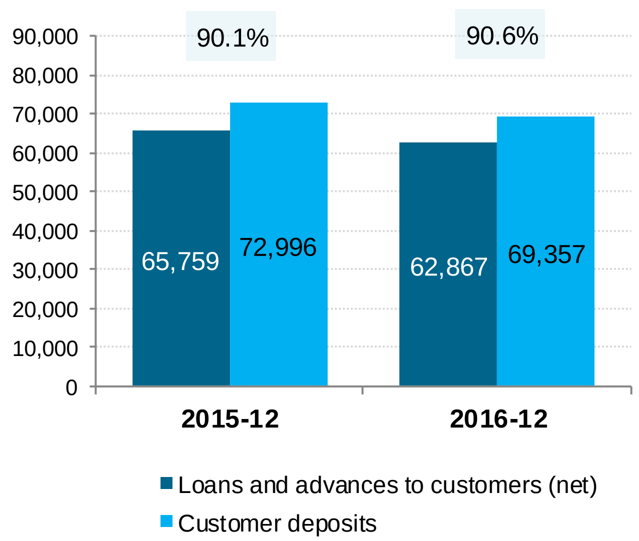
The liabilities side witnessed reductions of customer resources (down 5.1% by €3,746 million), reflecting the reduction of the deposit balances of diverse institutional customers and the floating rate treasury bonds subscription of private customers, and of debt securities (down 37.6% by €2,516 million).

In continuing to account for around 78% of Caixa's total liabilities at the end of 2016, customer resources clearly showed that Caixa is a bank geared to the Portuguese retail market operating on behalf of households and companies.

Translating the reduction in the size of its loans and advances to customers portfolio, the loans-to-deposits ratio was 90.6% against the December 2015 ratio of 90.1%.

LOANS-TO-DEPOSITS RATIO

(EUR million)



Following the significant increase of impairment and provisions and the credit write-off already mentioned, CGD reduced its credit at risk to 10.5% of its credit portfolio, while, at the same time achieving impairment cover of 79.0%. This particularly included the 99.9% cover achieved in the corporate loans segment, while cover to loans and advances to individual customers was 48.0%.

The current credit at risk ratio not covered by impairment is now 2.2% of total credit showing the increase of the financial strength of CGD's credit portfolio.

The restructured credit ratio, also calculated in accordance with Bank of Portugal criteria, was 9.0%, showing an improvement when compared to the ratio of 10.0% in December 2015.

ASSET QUALITY (CONSOLIDATED)

(EUR million)

	2015-12	2016-12
Total credit	**70.957**	**68.500**
Loans and adv. to customers (not overdue)	65.562	63.552
Overdue credit and interest	5.395	4.949
Of which: more than 90 days overdue	5.086	4.546
Credit impairment	**5.198**	**5.633**
Credit net of impairment	**65.759**	**62.867**
Ratios		
Non-performing credit ratio [(a)]	9.3%	8.4%
Non-performing credit net / Total credit net [(a)]	2.2%	0.2%
Credit at risk ratio [(a)]	11.5%	10.5%
Credit at risk ratio net / Total credit net [(a)]	4.5%	2.4%
Overdue credit / Total credit	7.6%	7.2%
Cr. overdue for more than 90 days / Total cred.	7.2%	6.6%
Accumulated impairment / Non-performing cred.	78.4%	98.0%
Accumulated impairment / Credit at risk	63.9%	79.0%
Accumulated impairment / Overdue credit	96.3%	113.8%
Accumulated impairment / Cr. overdue for more than 90 days	102.2%	123.9%
Credit impairment (P&L) / Loans & advances customers (average)	0.8%	3.4%

(a) Indicators calculated under Bank of Portugal Instruction 23/2012.

The credit overdue for more than 90 days ratio totalled 6.6% in December 2016 (7.2% in 2015), with the respective impairment cover of 123.9%, in comparison to 102.2% in December 2015.

LIQUIDITY

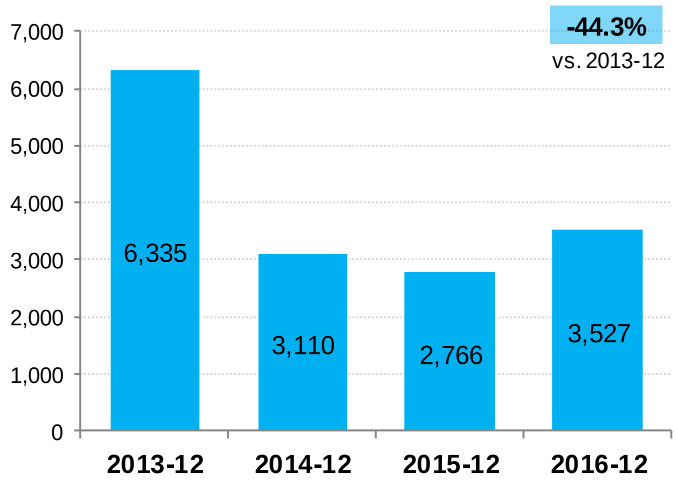
Keeping pace with the ECB's measures designed to boost the credit market at the start of the year, CGD Portugal, in order to optimise its liquidity management and reduce its lending costs, opted to exchange the full amount of its TLTRO ("Targeted Longer Term Refinancing Operations") financing for the new 4 year TLTRO II operations and to increase its level of financing from the ECB, to boost its capacity to back the economy and domestic companies.

This resulted, for CGD Portugal, in an amount of €2 billion in financing from the ECB in June 2016, which remained unchanged up to the end of 2016. CGD's eligible assets included in the collateral pool for ECB financing was also up by a similar amount from €9,876 million at the end of 2015 to €10,676 million in December 2016.

CGD Group's financing from the ECB increased by €761 million to €3,527 million at the end of the year. This increase was accompanied by a parallel increase in the eligible assets portfolio included in the Eurosystem pool, which went from €11,604 million in December 2015 to €12,347 million in December 2016.

ECB FUNDING

(EUR million)



The balance of medium and long term financing issued under both the EMTN and covered bonds programmes, continued its downwards trend of past years, in 2016. Several bonds have reached maturity, including the inaugural issuance for the covered bonds market in Portugal, in 2006, translated into repayments of €2,365 million across the year. This amount was, however, easily accommodated, with internal liquidity management as its sole counterpart, without the need to raise funds from the market.

The LCR (liquidity coverage ratio) indicator at the end of December 2016 was higher than the regulatory requirements at 181.1% in comparison to 143.1% at the end of December 2015. The NSFR (net stable funding ratio), was, in turn, 134.1% at the same date in comparison to 135.9% in December 2015.

CAPITAL MANAGEMENT

The Group's shareholders' equity was 37.2% down over the end of December 2015 to €3,883 million at the end of December 2016, due mainly to the evolution of "Net income".

SHAREHOLDERS' EQUITY (CONSOLIDATED)

(EUR million)

	2015-12	2016-12
Share capital	5,900	5,900
Fair value reserves	259	-38
Other reserves and retained earnings	-691	-984
Non-controlling interests	887	864
Net income	-171	-1,860
Total	**6,184**	**3,883**

The phased-in common equity tier 1 (CET 1) and total ratios calculated under CRD IV/CRR rules were 7.0% and 8.1%, respectively, in December 2016.

SOLVENCY RATIOS (CONSOLIDATED) [a]

(EUR million)

	CRD IV / CRR Regulation		
	2015-12	2016-12	2017-01-01 Proforma (a)
	Phased-in		
Own funds			
Common equity tier 1 (CET 1)	6,551	3,858	6,741
Tier 1	6,551	3,859	7,286
Tier 2	859	579	597
Total	7,410	4,437	7,883
Weighted assets	**60,282**	**55,015**	**55,886**
Solvency ratios			
CET 1	10.9%	7.0%	12.1%
Tier 1	10.9%	7.0%	13.0%
Total	12.3%	8.1%	14.1%
	Fully Implemented		
Own funds			
Common equity tier 1 (CET 1)	6,047	3,000	6,587
Weighted assets	**60,316**	**54,542**	**55,878**
CET 1 ratio	10.0%	5.5%	11.8%

(a) Proforma including the two stages of the recapitalization process in 1st quarter 2017.

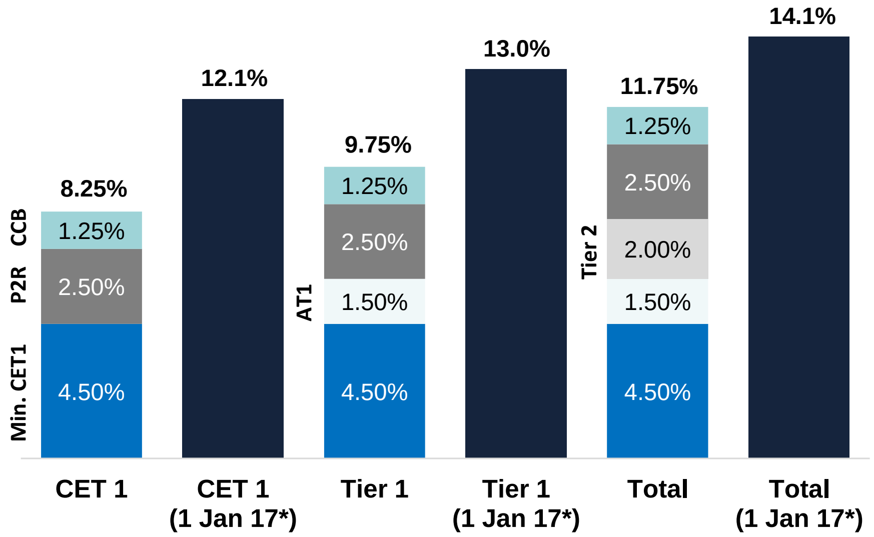
The evolution of CET 1 between December 2015 and December 2016 resulted from the following combined effects:

- The progression, over time, associated with the phased-in leading to regulatory adjustments to several CET 1 components, namely revaluation reserves and non-controlling interests, implying a reduction of around €125.8 million (-21 bps of the phased-in CET 1 ratio);
- The result of CGD's consolidated activity comprising losses of around €1,860 million (-354 bps of the phased-in CET 1 ratio);
- A collection of operations impacting other CET 1 components leading to a reduction of around -11 bps in the phased-in CET 1 ratio.

Considering the recapitalization operations performed at the beginning of 2017, comprising (i) a share capital increase in kind for the amount of €499 million, corresponding to the book value of the Portuguese state's equity stake in Parcaixa, SGPS, S.A, (ii) the conversion of €945.1 million in subordinated CoCo bonds and respective interest into share capital (iii) the cash increase of €2.5 billion made by the state, in addition to the market issuance of highly subordinated (AT1) debt for the amount of €500 million, the pro forma values of the phased-in and fully implemented common equity tier 1 (CET 1) ratios at 1 January 2017 stood at 12.1% and 11.8%, respectively. In turn, CGD's Tier 1 and Total phased-in ratios stood at 13.0% and 14.1%, respectively.

The ratios achieved after the recapitalization operations were above the minimum SREP capital requirements for 2017, decisively increasing CGD's financial strength.

CGD'S PHASED-IN CAPITAL RATIOS AND SREP REQUIREMENTS 2017



* Proforma including stage 1 and 2 measures of the Recapitalization Plan

The Leverage ratio fully implemented was 3.3% in December 2016, but considering the two stages of the previously referred to Recapitalization plan, the ratio amounts to 7.8%.

ECB's Capital Requirements for 2017

Based on SREP 2016 (Supervisory Review and Evaluation Process) results, CGD was notified by the ECB (European Central Bank) of the minimum capital requirements applicable starting 01 January 2017.

SREP - CAPITAL REQUIREMENTS (CONSOLIDATED)

(%)

	2017
Common Equity Tier 1 (CET1)	**8.25%**
Pillar 1	4.5%
Pillar 2 Requirement (P2R)	2.5%
Capital Conservation Buffer (CCB)	1.25%
Tier 1	**9.75%**
Total	**11.75%**

Regarding consolidated activity, the phased-in CET1 capital requirement of 8.25% to be complied with includes: i) the minimum CET1 capital ratio of 4.5% required by Pillar 1; ii) the minimum CET1 capital ratio of 2.5% required by Pillar 2 and iii) the CCB (capital conservation buffer) of 1.25%.

Pursuant to the Bank of Portugal's resolution of 29 July 2016, the O-SII (Other Systemically Important Institutions) buffer for CGD was set at 0.5% for 2018 and 1.0% for 2019. Additionally, the CCB will increase on a phased basis by 0.625% per year to reach 2.5% in 2019.

In addition to the above mentioned CET1 capital requirement, CGD must achieve a minimum tier 1 ratio of 9.75% and a total capital ratio of 11.75% in 2017.

SEPARATE ACTIVITY

RESULTS

CGD's separate activity, following the significant €3,090.2 million of impairment and provisions made in 2016, in the sphere of the above referred to revaluation of assets and potential contingencies, generated net losses of €2,050.4 million in 2016.

INCOME STATEMENT (SEPARATE) [(a)]

(EUR thousand)

			Change	
	2015-12	2016-12	Value	(%)
Interest and similar income	2,241,503	1,939,389	-302,114	-13.5%
Interest and similar costs	1,617,336	1,274,441	-342,895	-21.2%
Net interest income	624,166	664,948	40,782	6.5%
Income from equity instruments	438,592	57,540	-381,052	-86.9%
Net interest income incl. income from equity investm.	**1,062,758**	**722,488**	**-340,270**	**-32.0%**
Income from services and commissions	440,285	435,055	-5,230	-1.2%
Costs of services and commissions	92,769	85,573	-7,196	-7.8%
Commissions (net)	347,515	349,482	1,966	0.6%
Net results of assets and liabilities at fair value through profit or loss	88,799	-76,089	-164,888	-
Net gain on available-for-sale financial assets	210,872	95,464	-115,408	-54.7%
Net foreign exchange revaluation gain	12,570	13,450	880	7.0%
Net gain on the sale of other assets	147,593	-17,159	-164,752	-
Other operating income	34,240	10,238	-24,003	-70.1%
Non-interest income	**841,590**	**375,386**	**-466,205**	**-55.4%**
Total operating income	**1,904,349**	**1,097,874**	**-806,475**	**-42.3%**
Employee costs	590,815	503,720	-87,094	-14.7%
Other administrative expenses	345,375	321,970	-23,404	-6.8%
Depreciation and amortisation	69,508	65,775	-3,734	-5.4%
Operating costs and depreciation	1,005,698	891,465	-114,232	-11.4%
Net operating income before impairments	**898,651**	**206,408**	**-692,243**	**-77.0%**
Provisions net of reversals	27,530	300,151	272,620	990.3%
Credit impairment net of reversals	481,481	2,229,282	1,747,801	363.0%
Impairments of other assets (net)	99,342	560,723	461,381	464.4%
Provisions and impairments	**608,353**	**3,090,155**	**2,481,803**	**408.0%**
Net income before tax	**290,298**	**-2,883,747**	**-3,174,045**	**-**
Tax	**101,509**	**-833,334**	**-934,843**	**-**
Current and deferred	71,955	-869,164	-941,119	-
Extraordinary contribution on the banking sector	29,554	35,830	6,276	21.2%
Net income for period	**188,789**	**-2,050,413**	**-2,239,202**	**-**

The accounts for 2015 have been re-expressed as a result of the publication of the Bank of Portugal's Official Notice 5/2015 of 7 December which led to the application of IAS 39 to assess impairment losses on loans and other amounts receivable.
(a) Including the activity of the France, London, Spain, Luxembourg, New York, Grand Cayman, Timor, Macau and Zhuhai branches.

The €722.5 million in net interest income, including income from equity instruments, was down over the preceding year owing to the negative evolution of income from equity instruments which were down 86.9% by €381.1 million, largely deriving from the deliver in 2015 of Caixa Seguros e Saúde's results, related with the disposal of its insurance companies in 2014.

In addition to the unfavourable performance of net interest income, including income from equity instruments, income from financial operations and other operating income was down by €279.4 million and €188.8 million, respectively.

Total operating income was therefore down 42.3% by €806.5 million.

As regards operating costs, which were down 11.4% over 2015, reference should be made to the 14.7% decrease of €87.1 million in employee costs. Other administrative expenditure and depreciation and amortisation were also down across the period by 6.8% and 5.4%, respectively. Not considering the non-recurrent cost of the early or voluntary retirement programme in progress (Horizonte Plan) in 2015 and 2016, the reduction would have been 6.5%.

As a result of the referred to evolution, net operating income before impairment of €206.4 million, in 2016, was down 77.0% by €692.2 million over 2015.

CGD's core operating income in 2016 (comprising the sum of net interest income and commissions, net of operating costs), was up €157 million over the preceding year to €123 million, having benefited from the performance of net interest income and operating costs.

Impairment and provisions amounted to €3,090.2 million, with credit allocations of €2,229.3 million.

BALANCE SHEET

Net assets on Caixa Geral de Depósitos's separate activity, at the end of 2016, were down 8.7% over the preceding year to €82,908 million. This was particularly visible in the case of securities investments which were down 21.4% by €4,350 million and the loans and advances to customers portfolio which was down 4.3% by €2,349 million, following the write-offs made in 2016.

On the liabilities side, reference should be made to the 5.3% reduction of €3,301 million in customer resources which were penalised by the evolution of institutional customers' deposits, as there was a positive evolution of the total resources of individual customers. Debt securities were also down 36.9% by €2,469 million.

BALANCE SHEET (SEPARATE)

(EUR million)

			Change	
Assets	2015-12	2016-12	Value	(%)
Cash and cash equivalents with central banks	1,774	867	-907	-51.1%
Loans and advances to credit institutions	5,401	4,553	-848	-15.7%
Securities investments	20,349	15,999	-4,350	-21.4%
Loans and advances to customers	54,391	52,042	-2,349	-4.3%
Assets with repurchase agreement	771	422	-349	-45.3%
Non-current assets held for sale	387	341	-45	-11.7%
Investment properties	3	3	0	11.2%
Intangible and tangible assets	429	397	-32	-7.5%
Investm. in subsid. and associated companies	3,765	3,664	-101	-2.7%
Current and deferred tax assets	1,279	2,329	1,051	82.2%
Other assets	2,277	2,289	12	0.5%
Total assets	**90,825**	**82,908**	**-7,917**	**-8.7%**
Liabilities				
Central banks' and credit institutions' resources	5,707	5,954	247	4.3%
Customer resources	61,950	58,649	-3,301	-5.3%
Debt securities	6,686	4,217	-2,469	-36.9%
Financial liabilities	6,054	5,764	-291	-4.8%
Provisions	868	1,073	206	23.7%
Subordinated liabilities	2,604	2,622	18	0.7%
Other liabilities	2,101	2,212	111	5.3%
Sub-total	**85,970**	**80,491**	**-5,479**	**-6.4%**
Shareholders' equity	**4,855**	**2,417**	**-2,438**	**-50.2%**
Total	**90,825**	**82,908**	**-7,917**	**-8.7%**

The accounts for 2015 have been re-expressed as a result of the publication of the Bank of Portugal's Official Notice 5/2015 of 7 December which led to the application of IAS 39 to assess impairment losses on loans and other amounts receivable.
(a) Including the activity of the France, London, Spain, Luxembourg, New York, Grand Cayman, Timor, Macau and Zhuhai branches.

CAPITAL MANAGEMENT

Shareholders' equity totalled €2,417 million at the end of 2016, down €2,438 million over the end of 2015, particularly reflecting the evolution of net income for the year.

SHAREHOLDERS' EQUITY (SEPARATE)

(EUR million)

			Change	
	2015-12	2016-12	Total	(%)
Capital	5,900	5,900	0	0.0%
Revaluation reserves	368	116	-252	-68.5%
Other reserves and retained earnings	-1,602	-1,548	53	-
Net income for the year	189	-2,050	-2,239	-1186.1%
Total	**4,855**	**2,417**	**-2,438**	**-50.2%**

In terms of separate activity, the phased-in common equity tier 1 (CET 1) and Total ratios calculated under CRD IV/CRR rules were 6.6% and 8.1%, respectively, in December 2016.

SOLVENCY RATIOS (SEPARATE)

(EUR million)

	CRD IV / CRR Regulation (a)		
	2015-12	2016-12	2017-01-01 Proforma (a)
	Phased-in		
Own funds			
Common equity tier1l (CET 1)	4,508	2,891	6,027
Tier 1	4,508	2,891	6,511
Tier 2	947	665	670
Total	5,456	3,557	7,182
Weighted assets	**48,029**	**43,644**	**44,398**
Solvency ratios			
CET 1	9.4%	6.6%	13.6%
Tier 1	9.4%	6.6%	14.7%
Total	11.4%	8.1%	16.2%
	Fully Implemented		
Own funds			
Common equity tier 1 (CET 1)	4,407	2,554	5,903
Weighted assets	**48,055**	**43,630**	**44,391**
CET 1 ratio	9.2%	5.9%	13.3%

a) Proforma including the two stages of the recapitalization process in 1st quarter 2017.

The evolution of CET 1 between December 2015 and December 2016 resulted from the following combined effects:

- The progression, over time, associated with the phased-in leading to regulatory adjustments to several CET 1 components implying a slight reduction of around €3.2 million (-1 bps of the phased-in CET 1 ratio);
- The result of CGD's separate activity comprising losses of around €2,050 million (-485 bps of the phased-in CET 1 ratio);
- A collection of operations impacting other CET 1 components leading to an improvement of around 209 bps in the phased-in CET 1 ratio.

Considering the two stages of the previously referred to Recapitalization plan, the pro forma values of the phased-in and fully implemented common equity tier 1 (CET 1) ratios at 1 January 2017 stood at 13.6% and 13.3%, respectively. In turn, CGD's Tier 1 and Total phased-in ratios stood at 14.7% and 16.2%, respectively.

ECB's Capital Requirements for 2017

Regarding separate activity, the phased-in CET1 capital requirement of 7.0% to be complied with includes: i) the minimum CET1 capital ratio of 4.5% required by Pillar 1; ii) the minimum CET1 capital ratio of 1.25% required by Pillar 2 (P2R) and iii) the CCB (capital conservation buffer) of 1.25%.

In addition to the above mentioned CET1 capital requirement, CGD must achieve a minimum Tier 1 ratio of 8.5% and a Total capital ratio of 10.5% in 2017.

SREP - CAPITAL REQUIREMENTS (SEPARATE)

(%)

	2017
Common Equity Tier 1 (CET1)	**7.0%**
Pillar 1	4.5%
Pillar 2 Requirement (P2R)	1.25%
Capital Conservation Buffer (CCB)	1.25%
Tier 1	**8.5%**
Total	**10.5%**

CGD EMPLOYEES' PENSION FUND AND HEALTHCARE PLAN

CGD's liabilities for its employees' retirement pensions, at 31 December 2015 and 2016 respectively, totalled €2,287.7 million and €2,540.5 million, up €252.8 million. At the end of 2016 the liabilities were funded both by the value of the pension fund (€2,358.9 million) and an extraordinary contribution of €138.6 million, recognised in liabilities and paid into the Fund in March 2017, totalling 98.3% of liabilities. The pension fund's effective yield was insufficient to offset interest costs, therefore generating yield deviations of €36.4 million. Actuarial deviations associated with pensions liabilities at the end of the year were around €610.8 million.

The liabilities associated with CGD employees' post employment medical benefits in the form of the healthcare plan were fully provisioned, at €512.8 million and €491.4 million at 31 December 2015 and 2016, respectively. Actuarial deviations associated with healthcare plan liabilities at year end were around €89.9 million.

In comparison to the preceding year CGD adjusted its assumptions regarding the evolution of wages, changing the growth rate for 2017 from 0.5% to 1.0% and keeping the rate for the following years at 1%. CGD also reduced its discount rate by 0.375 pp (from 2.5% to 2.125%).

PENSION FUND IN 2016 - FUND'S MOVEMENTS

(EUR million)

Fund's value at 31.12.2015	**2,301.6**
Employees' contributions	21.9
Company contributions	66.9
Pensions paid	-52.3
Net yield of Fund	20.8
Fund's value at 31.12.2016	**2,358.9**
Extraordinary contribution - Liabilities	138.6
Fund's value including extraordinary contribution	**2,497.5**

The Fund's value, calculated by the fund manager, stood at €2,358.9 million at 31 December 2016. This amount was insufficient to cover the minimum mandatory funding required by the current standard applicable to this category of liabilities, i.e. the need to cover 100% of liabilities for retirees and at least 95% for active workers. CGD accordingly posted liabilities of around €138.6 million in its accounts to deliver to the Fund as an extraordinary contribution. Considering this extraordinary contribution made by CGD in March, the value of the pension fund stood at €2,497.5 million, equivalent to a funding rate of 98.3% of total liabilities (100% of liabilities for retirees and 97% for active workers).

An amount of around €76.6 million was posted to the employee costs account in the year of which €70.3 million for normal operating costs for the year and around €6.3 million for accrued liabilities for pre-retirements under the Horizonte Plan.

The evolution of the (accrued) actuarial deviations recognised directly in equity, that increased from a negative €425.0 million at the end of 2015 to a negative €610.8 million, is basically explained by the negative deviation of €149.4 million associated with liabilities, essentially deriving from the reduction of the discount rate to 2.125% at the end of the year (€-169.5 million) and the negative actuarial deviation of 36.4 million on pension fund yields.

The yield on CGD's pension fund was 0.89%.

Liabilities for CGD employees' post-employment healthcare benefits of €512.8 million and €491.4 million, at 31 December 2015 and 2016, respectively, were fully provisioned, as shown in the table.

HEALTHCARE PLAN IN 2016 - EVOLUTION OF PROVISION

(EUR million)

Provision's value at 31.12.2015	**512.8**
(+) Current cost for period	21.0
(-) Contrib. for healthcare serv. (SS and SAMS)	22.7
(-) Actuarial gains	19.7
Provision's value at 31.12.2016	**491.4**

The actuarial gains for the year referred to in the table essentially derived from the changes to the premises used, namely the change to the contribution rate to the Social Services generated a gain of €50.3 million at 31 December 2016, much higher than the penalty of €25.1 million deriving from the reduction of the discount rate. The accrued actuarial deviations balance totalled €89.9 million.

There was a change in the contribution rate to CGD's Social Services in comparison to the preceding year from 7.8% to 7.3% in 2017 and to 6.5% from 1.1.2018. CGD complemented this by part subsidising cultural and sporting activities and other social assistance with an annual contribution of €85 for each active employee and retiree.

RATING

On 12 May 2016 the international rating agency Fitch Ratings reaffirmed CGD's long-term and short-term ratings, of BB- and B respectively, with 'stable' outlook.

On 6 June 2016 Moody's placed the bank's B1 long term deposit and senior debt ratings on "review for downgrade". Other issued securities and the baseline credit assessment (BCA) were placed on "review with direction uncertain".

On 31 August 2016 Standard & Poor's placed CGD's BB- long term counterparty credit rating on "creditwatch with positive implications". This rating was reaffirmed on 30 November, being the resolution of the creditwatch dependent on the formal approval by European Commission of CGD's Recapitalization plan.

In turn, on 17 November DBRS placed CGD's long-term and short-term ratings of BBB (low) and R-2 (middle) respectively, on "review with negative implications", translating particularly, according to the agency, the challenges faced by the Group in corporate governance issues and Recapitalization plan.

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

CGD GROUP'S RATING

	CGD		
	Short Term	Long Term	Date (last assessment)
Standard & Poor's	B	BB-	2016-11
FitchRatings	B	BB-	2016-05
Moody's	N/P	B1	2016-06
DBRS	R-2 (mid)	BBB (low)	2016-11

1.7. Risk Management

The person ultimately responsible for CGD Group's risk management function is its chief risk officer ("CRO"), who is a member of CGD's board of directors' executive committee. CGD's CRO has global responsibility for overseeing the Group's risk management framework and for particularly ensuring the adequate and effective operation of the risk management function and also having the duty to inform members of the management and inspection bodies and explain the risks involved, CGD's and CGD Group's global risk profile and the level of compliance with the defined risk tolerance levels.

CGD Group's risk management function is based on a governance model which simultaneously aims to comply with best practice on the matter, as set out in Community Directive 2013/36/EU to guarantee the strength and efficacy of the measurement, monitoring, report and control system on the credit, market, liquidity and operational risks incurred by the Group.

Risk management is centralised and backed by a dedicated structure – Risk Management Division – for which the CRO is responsible, pursuant to which the Models Validation Office, for the internal validation of the risk assessment models used in CGD Group, was set up, at the end of 2016, with the aim of incorporating the principle of separation between the owner functions of the risk models and assessment of their respective quality.

The Risk Management Division operates in the area of the management and control of the Group's financial and operational risks, with the objective of achieving stability, solvency and financial strength, guaranteeing the identification, assessment, oversight, control and reporting functions of the financial and operational risks to which CGD Group is exposed and their existing interrelationships, to ensure the coherent integration of their part contributions, that they remain in line with the risk appetite defined by the board of directors and that they will not significantly affect the institution's financial situation, by continually ensuring compliance and conformity with external standards and legal and statutory requirements on such matters.

Chapter 3 - Corporate Governance Report seeks to detail the Group's risk governance model as well as its respective risk policy, embodied in the Risk Appetite Statement, providing the market with more detailed information within CGD's risk framework.

Main developments in 2016

During the course of 2016, CGD's progress in respect of the best risk management practice was significant and comprehensive. Particular reference should, inter alia, be made to the following:

- Pursuant to EBA (European Banking Authority) guidelines on the internal governance of banking institutions, on 15 December 2016 the board of directors of Caixa Geral de Depósitos approved its internal risk management function regulation ("Regulation"), setting out the mission, responsibilities and competence of Caixa Geral de Depósitos, S.A.'s risk management function, in addition to the principles, rules and duties governing the performance thereof.

  The Regulation defines the corporate model guidelines on the risk management function of Caixa Geral de Depósitos Group ("guidelines"), covering matters related with its organisational framework, activity planning, oversight mechanisms, risk monitoring and communication, management of the risk management system's support regulations, governance of risk models and the requirements applicable on a level of the internal control system.

The guidelines aim to establish an integrated risk management system operating model, backed by permanent cooperation between the risk management function (RMF) of the parent company and the RMF of other entities based on the principles set out in the Regulation in order to permit the appropriate comprehension of the nature and magnitude of the risks underlying the Group's activity and therefore ensuring that they remain in accordance with the levels previous defined by CGD's management body.

CGD Group's risk management governance is guided by risk appetite as expressed by CGD Group's parent company. In the form of a risk appetite statement, which is periodically revised and approved by CGD's board of directors, the Group's risk management priority is defined, on the basis of which the RMF defines its annual workplan. Each CGD Group entity, in alignment with the values of the Group's risk appetite declaration, should develop and maintain its own risk appetite framework, capable of recognising the specific risk dimensions in respect of their strategy and business model.

The following figure illustrates the main elements of the risk management function's corporate framework:

- At the end of the year and pursuant to CGD's endeavours to improve its risk management practice, its risk appetite framework or RAF, was revised and updated and complemented by the Group's risk appetite statement or RAS), with the objective of defining the governance model and involvement of the Bank's different areas, risk management and monitoring mechanisms and the integration of the risk appetite framework in the risk management and decision-making processes.

  The risk appetite governance model formalises the global approach, including policies, processes, controls and systems, on which risk appetite is established, communicated and operationalised and pursuant to which the following items have been defined:

  - Areas involved and their respective functions and responsibilities,
  - Responsibilities for metrics and limits,
  - Risk monitoring and reporting choreography,
  - Response mechanisms to breaches of the level of tolerance or limit,
  - Risk appetite integration model in management practice,

  - Processes for the revision and updating of RAS/RAF,
  - Cascade process of metrics and limits for Group entities.

  The revision and updating of the Group's RAF and RAS were based on the expanded involvement of CGD's executive committee, its CRO (chief risk officer); DGR (Risk Management Division) and the top management of other functional and business divisions.

- Work continued to be carried out on consolidating the customer follow-up workflow, improving flexibility in automatically transferring customers showing signs of financial difficulties, to specialised credit recovery areas. The follow-up workflow is based on a computer platform that segments customers based on differentiation criteria using credit risk indicators, used on a day-to-day basis by commercial and credit recovery areas. Metrics and indicators subject to the proximity supervision provided for in the monitoring reports produced by the Risk Management Division were defined for the purposes of monitoring the process.

- The governance models of CGD Group's internal capital adequacy and liquidity assessment processes (ICAAP and ILAAP, respectively), were formalised at the end of the year with the publication of the respective internal corporate standards.

- In first quarter 2016, Caixa "oversaw" best practice in the domain of the composition of the high quality assets buffer – HQLA – to be maintained by banks as collateral for different liquidity stress scenarios, in conformity with article 8 (1) of Regulation (EU) 575/2013, with the ALCO's (Asset and Liability Committee) approval of the "Guidelines for the high quality liquid assets buffer" of the LCR (liquidity coverage ratio). The guidelines establish objectives for diversifying HQLA stock by issuing entity or guarantor and geography.

- Fourth quarter 2016 witnessed the implementation of a new definition of default in line with the European Banking Authority's final report: "Guidelines on the Application of the Definition of Default under article 178 of Regulation (EU) no. 575/2013", published on 28 September 2016.

- Work began, during the course of the second half year, on the first stage of the implementation project of IFRS 9 in CGD Group, permitting the definition of methodologies and processes allowing the standard's three areas to be complied with:

  - Classification and measurement,
  - Impairment,
  - Hedge accounting.

  Corporate guidelines for the harmonisation of concepts across all CGD entities were also issued.

- A Quantitative Impact Study for the preliminary analysis of the potential impacts on impairment and capital ratios, deriving from the adoption of IFRS 9 (to replace IAS 39 starting 1 January 2018), promoted by the EBA (European Banking Authority) was organised in the first half.

Reference should also be made to the fact that 2016 was the second year under the full direct supervision of the ECB (European Central Bank). A continuous need to adapt and maintain a platform of understanding with the new supervisor is a task which consumes a lot of resources, particularly in control areas.

The new supervisory framework, in conjunction with a difficult macroeconomic context for the development of banking activity and continuation of the extensive revision of regulatory support, explains why 2016 was also a particularly difficult year for the sector:

- The Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports were produced in the first four months. These exercises are particularly important for credit institutions supervised by the ECB, as they are subject to a specific assessment in the sphere of the "Supervisory Review and Evaluation Process" (SREP) – as a transversal supervision methodology structured around: i) an analysis of institutions' business models, ii) an assessment of internal governance and implementation of controls, iii) assessment of capital risks and adequacy of capital levels for mitigation purposes, and iv) assessment of risks to institutions' liquidity levels and the adequacy of liquidity sources to mitigate them.
- A new transversal stress test exercise was carried out in the first half. The exercise, promoted by the EBA (European Banking Authority), includes 53 banking groups operating in the European Economic Zone, 39 of which under the direct supervision of the ECB. In spite of not having been included on this panel, CGD Group will be subject to a similar ECB exercise for the remaining banks under its supervision. The results of this exercise are included in the "Supervisory Review and Evaluation Process".
- Starting 01.01.2016, the minimum liquidity standard pertaining to the CRR/CRD IV (Capital Requirements Regulation/Capital Requirements Directive) in the form of the LCR (liquidity coverage ratio), increased by ten percentage points over the level established on the occasion of its introduction on 01.10.2015, comprising a minimum requirement of 70%.
- Across the course of the year and in conformity with the new supervisor's operating model, to complement the continuous oversight of the institution by a dedicated team comprising members of the European Central Bank and the Bank of Portugal – Joint Supervisory Team (JST) – inspections and thematic reviews were carried out by ECB teams, this time on the management and control system of the banking portfolio interest rate and the internal capital adequacy assessment process (ICAAP).
- Quarterly, to complement the financial and accounting (FINREP) and prudential (COREP) reports, additional information reports referred to by the European Central Bank as "short term exercises", for the purpose of obtaining certain essential data for SREP, were produced.
- In the context of its regulatory revision, the EBA, in articulation with the European Commission, continued to promote QIS (Quantitative Impact Studies) on a European Union level, to estimate the impact of the diverse proposed measures and regulatory revisions, taking specific European characteristics into account.

1.7.1. CREDIT RISK

Credit risk is associated with the losses and level of uncertainty over a customer's/counterparty's capacity to meet its obligations.

Given the nature of banking activity, credit risk is particularly important, owing to its materiality, notwithstanding its interconnection with the remaining risks.

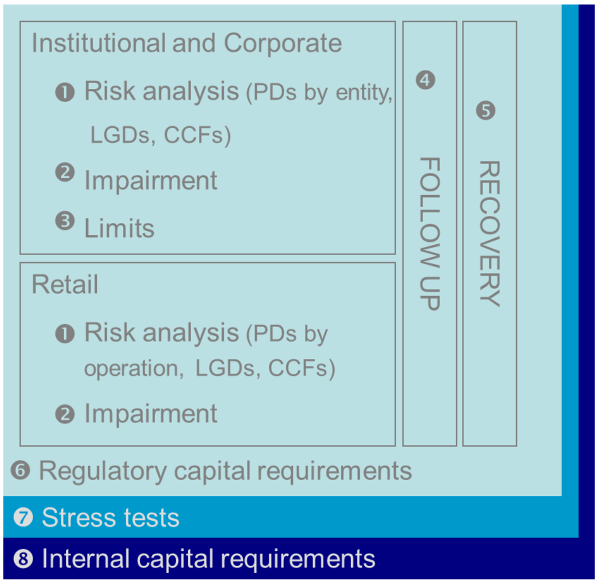
Internal standards govern the management and control of credit risk which, based on ratings, and exposure levels, define the levels of competence necessary for the decision-making process on credit.

The Credit Risks Division was created at the end of 2016 and operates in the area of the analysis, issue of opinions and decisions on credit operations, in accordance with the credit regulations and the delegation of competence currently in force. It is also responsible for validating separate evaluation processes on credit impairment, monitoring defined credit alerts and ratings on enterprises and economic groups.

Methodology

❶ Risk analysis − CGD Group has established a system for the identification, assessment and control of risk on its credit portfolio, encompassing all customer segments and active both at the time when the credit is issued as in the monitoring of risk across the lifetime of the operations.

- Upon origination, all credit operations should be economically viable, be of interest to CGD, in accordance with its credit policy and affect own funds in compliance with the defined solvency ratio, in light of, namely: (i) their purpose and specific conditions of the real operations to be financed, (ii) the good standing and business, technical and financial capacity of its proponents and their respective representatives, (iii) the history of their relationship with CGD Group and financial system in general, as well as the global amount of their liabilities to the referred to Group and the financial system.
- The adequacy of the amount and maturity of each operation should be commensurate with its type and purpose and the material conditions of the real underlying operation.
- The conditions of each credit operation, namely as regards guarantees and interest rates, should be fixed on the basis of the level of credit risk involved and the customer's global relationship with CGD Group, always bearing the institution's credit policy in mind. Real guarantees are normally required for medium/long term operations.



- For companies, municipalities, autonomous regions and financial institutions with a more significant level of exposure, the assessment of credit risk, in addition to being based on internal rating models (when applicable and including both financial and qualitative information), is separately analysed by a team of analysts that produces credit risk analysis reports and which issues an independent opinion on the credit risk involved. This separate analysis includes: (i) consideration of diverse, up-to-date information (forthwith including exposure to CGD Group and the rest of the banking system, ratings, information on defaults and banking incidents, fiscal liabilities to the social security services, pledges, judicial actions, etc), (ii) assessment of management capacity, (iii) consideration of the proposal's reasonability, (iv) assessment of the repayment capacity of proponents/projects, promoting the respective adjustment to the repayment profile (when the risk is considered manageable), and (v) consideration of risk mitigating factors (guarantees, covenants, etc). The analysis always takes into account the economic group to which the proponent belongs and the analysis team is specialized.
- The assessment of corporate credit and project finance risk includes environmental and social aspects:

- The credit risk assessment of project finance includes, in the analysis of each project, a category referring to sustainability and a project's socio-environmental impact, with the aim of analysing the project finance's different intervention domains, based on four essential positioning areas: economic profitability, financial viability, social equity and environmental correctness;
- The assessment of corporate credit risk is also based on considerations regarding the company's social and economic credibility.

CGD uses the services of an independent technical consultant for the assessment of environmental and social risks. Only when justified in terms of risk does an audit exclusively centre on the social and/or economic considerations of a specific project.

CGD Group's project finance portfolio is particularly concentrated on projects in the Iberian Peninsula. The safeguarding of a collection of environmental and social obligations is embedded in such countries' legislation and compliance therewith by respective economic agents is mandatory.

- Credit risk assessment in the retail segment is based on the use of statistical risk assessment (PD – probability of default and LGD - loss given default) tools, by a collection of internal regulations which establish objective criteria on lending operations to be complied with and the delegation of competence in accordance with the ratings on customers/operations.

❷ The credit impairment model developed by CGD Group under IAS 39, enables impairment losses to be measured, in accordance with borrowers' creditworthiness, taking the existing level of collateral into account, based on the allocation of credit to the following macro segments:

- Performing credit, without signs of impairment;
- Performing credit, with signs of impairment;
- Non-performing credit.

These segments may be further split up depending on whether the credit is classified as being "cured" or restructured owing to a customer's financial difficulties.

The risk factors used in the credit impairment model (probabilities of default and loss given default) are revised annually and back-tested with point-in-time adjustments to ensure that they adequately reflect market conditions.

The credit impairment model is used to assess and process the credit portfolio which is subdivided up in conformity with the following approaches:

- Collective impairment analysis – impairment per risk sub-segment is assessed on exposures which are not considered to be separately significant. They include assets with similar risk characteristics (credit segment, type of collateral, payments history, inter alia);
- Separate impairment analysis – a separate assessment is made on a quarterly basis for customers with exposures considered to be individually significant. The process involves CGD's commercial, and credit recovery areas with the risk management area being ultimately responsible for the procedure and final assessment as a whole.

In terms of the methodology used to assess separate impairment levels, CGD follows the guidelines recommended in the "Asset Quality Review" (2014) which were also published in the ECB document: "Draft Guidance to Banks on Non-Performing Loans", in September 2016, based on the following:

- Going concern approach (an active company whose liquidation is not foreseeable) – the debtor will continue to generate operating cash flow that may be used to repay debt to all creditors. The collateral may also be considered to the extent that it does not influence operating cash flow. This is considered to be the most probable approach;
- Gone concern approach (a company in liquidation or at risk thereof) – the collateral is called in and the entity no longer has any operating cash flow.

In the context of a separate assessment on the impairment of customers with large exposures, the analysis essentially centres on the following dimensions:

- Compliance with the contractual terms agreed with CGD Group;
- Assessment of economic-financial situation;
- Prospects for the evolution of the customer's activity;
- Verification of the existence of operations involving overdue credit and interest, with CGD Group and/or in the financial system;
- Adequacy of guarantees and collateral to offset the amount of the loan;
- Analysis of historic information on the performance and good payment of the customer.

Collective impairment is assessed (IBNR – incurred but not reported), in conformity with the risk factors assessed on credit with similar characteristics for significant exposures on which with no objective signs of impairment have been identified.

In the sphere of the principle of understanding between the Portuguese state and the European Commission, and in order for CGD's capital increase not to be considered state aid, an assessment of CGD's assets was established as a condition for the purpose. In this context, CGD's executive committee decided to undertake an exhaustive revision of the assets portfolio ("Management Assessment of Asset Value", hereinafter "MAAV"), with reference to 30 June 2016. Work started on this revision on 5 September 2016 and it was completed on 12 December 2016.

❸ Limits - To improve the flexibility of the process for short term lending to companies and promote the use of rigorous, uniform risk criteria, by different parties, CGD Group arranges for the allocation of internal credit limits. In parallel and also to improve the flexibility and standardise the risk analysis on these operations, CGD Group has developed and implemented a model for the definition of short term exposure limits for companies, based on economic-financial and sectorial indicators and ratings and which issues guidelines over the recommended level of short term exposure for each customer. The model permits the use of the same collection of clear and objective rules for the calculation of reference levels, which are only indicative. This model is applied to companies in both the SME as in the small and large enterprises segments.

Internal limits for the financial institutions segment have also been approved. The definition of such limits takes into consideration an entity's status in the financial sector and in comparison to its peers, rating, VaR and other relevant elements.

Compliance with limits, credit exposures and counterparty and group risk profiles are regularly overseen by credit risk analysts.

❹ In the credit control risk sphere the credit portfolio is overseen and analysed in terms of its composition and corresponding quality. A monthly report splitting up the portfolio by product, customer segment, sector of activity, geographical area, loan to value (LTV), debt to income ratio and portfolio rating is produced for the said purpose.

The monitoring of the performance of the internally developed risk rating models is also especially important. This monitoring exercise, based on the processing of the information deriving from the use of the referred to models provides an indication of their continued adequacy. The follow-up procedures are performed by a unit which is independent from the modelling area, enabling autonomous guidelines on any needs for the revision of models and information on their mode of use to be produced.

❺ Recovery − CGD also has two specialized follow-up units: the Corporate Oversight Division (DAE - Direção de Acompanhamento de Empresas) and the Individual Customers Oversight Division (DAP - Direção de Acompanhamento de Particulares).

Oversight of individual customers

Background

DAP – Direcão de Acompanhamento de Particulares (Individual Customers Oversight Division) was set up in September 2014, as part of CGD's implementation of its new credit recovery model. It oversees customers in financial difficulties in the negotiating and legal/pre-legal proceedings segment.

DAP's strategic objective is to recover the debts of individual customers and companies with an exposure of less than €1 million.

To assist integrated credit management in CGD, a colour-coded customer mapping system has been drawn up (green, yellow, orange, red, grey and purple). DAP's operations begin with "orange" status customers, with the preceding customer colours being overseen by the branch office network.

Organisational structure

DAP comprises 3 individual customers oversight regions (Lisbon and South of the River Tagus, Porto and the North and Central Portugal and the Islands of the Azores and Madeira) and a corporate oversight region. The structure of each regional division comprises a (decentralised) negotiating area and a (centralised) legal/pre-legal area.

Consolidation work continued to be carried out on the recovery model, in 2016, based on the progressive centralisation of legal/pre-legal units and an ongoing commitment to improving the levels of qualification and training of managers, on DAP's recovery proceedings.

DAP took on an additional 55 staff members from various Caixa divisions, in 2016, essentially to manage negotiations with individual customers, having ended the year with 375 employees.

Operational data

The DAP portfolio, at the end of 2016, comprised around 140,607 customers (64,280 at the negotiations and 76,327 legal/pre-legal stages), corresponding to total loans of around €4.4 billion (CGD and CGD Group companies), with the following distribution:

Total amount of loans (CGD and CGD Group companies) in the DAP portfolio in global, negotiating and legal/pre-legal terms:

The amount of the loans is spread across each of the areas, as follows:

- Negotiation (€2.3 billion of which €1.8 billion owed by individual customers and €0.5 billion by corporates)
- Legal (Pre-Legal) (€2.1 billion of which €1.3 billion owed by individual customers and €0.7 billion by corporates)

In global terms, impairment on the DAP portfolio, in December 2016, was around €1.5 billion or around 35% of customers' total loans to CGD. Around 26% of such impairment was included in the negotiating portfolio and 74% in the legal/pre-legal portfolio.

In the sphere of the application of recovery measures to the individual customers' negotiations areas, in 2016, DAP succeeded in processing around 17,743 customers comprising an amount of €946.3 million.

The most common solutions for the respective customer actions are customers' settlements of arrears and liquidation of liabilities that represented around 56% of the number of customers processed. Restructuring and/or debt consolidation operations represent around 14% and recourse to legal/pre-legal actions, following the failure of all negotiating procedures accounted for around 22% of the total number of customers processed in 2016.

The most common measures in the corporate segment are restructuring operations, namely under PER ("Special Recovery Processes"), with around 52% of the restructuring operations performed in 2016. Allocations to legal/pre-legal action accounted for 33% of the total number of corporates processed in 2016.

The legal/pre-legal area witnessed the completion of the portfolio disposal operation, involving a mortgage lending portfolio of €180 million, at the end of 2016.

Outlook

Our recovery policies, in 2017, will be redesigned and fine-tuned with the objective of improving the processing rate of the existing stock, namely on a legal/pre-legal level.

Oversight of corporate customers

The effects of the crisis scenario and weak economic recovery, peaking in the period 2011-2014, translated into a sharp increase of non-performing exposures, in CGD, keeping pace with the negative evolution occurring in the financial sector on this level. Default management, namely on a level of exposures of more than €1 million in the corporate sector, was one of the major challenges facing CGD.

This evolution, on the other hand, also originated relevant changes in terms of sector regulation, with ever more exacting rules, entailing an ever increasing dynamic approach to default management.

In such a context, DAE was a major player, in progressively tailoring policies, procedures and human resources to meet CGD's needs in this domain, in giving continuity to the "Structuring Transversal Project" with the aim of redesigning credit oversight and recovery in CGD.

DAE's mission and sphere of performance together with its priority objectives remained unchanged in 2016:

- To oversee and recover loans to corporates and their respective groups, with a CGD involvement of more than €1 million;
- To deleverage in the case of large exposures and in activity sectors considered to be at risk;
- To increase loan collateral levels;
- To promote management solutions with companies, with the objective of making them solvent, avoiding legal proceedings, whenever possible;
- To promote articulation between DAE and other Caixa divisions, incentivising greater procedural flexibility in dealing with case files with the aim of improving consensual solutions for each case;
- To ensure the production, oversight and control of processes necessarily submitted to legal/pre-legal proceedings in order to maximise the amount recovered by CGD.

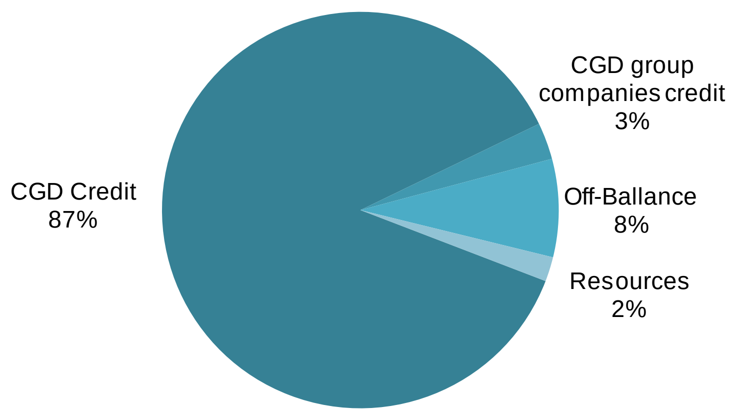
A slight adjustment was made to DAE's commercial structure, with the opening of a new office in the non-CRE (commercial and real estate) Region, comprising:

1. Three regions, based on the Portuguese CAE ("Classification of Economic Activities") and the type of customer debt and its current status in CGD – CRE Region, Non-CRE Region and Legal/Pre-Legal Region. Based on geographical proximity to customers and incorporation of the specific regional features of the Portuguese business fabric. Each of the regions has offices in Lisbon and Porto:
    a) CRE Region: comprising five offices, three in Lisbon and two in Porto;
    b) Non-CRE Region: comprising five offices, three in Lisbon and two in Porto;
    c) Legal/Pre-Legal Proceedings Region: comprising two offices, one in Lisbon and one in Porto.
2. An administrative support area responsible for the current management of customer portfolios and assisting in formalising the solutions found.
3. A technical management support unit, comprising 3 sub-units:
    a) Triage, responsible for controlling the reception of processes, auditing the respective documentary support and respective computerisation;
    b) Planning and Control Unit which monitors the Division's performance and centralises the issue of reports to assist it in the management of the structural bodies;
    c) The Market Solutions and Corporate Restructuring Funds Oversight Office which helps to implement new credit recovery solutions, such as credit portfolio disposals while also operating as mediators in terms of the institutional relations with Corporate Restructuring Funds (as relevant vehicles in corporate recoveries, which represent a growing proportion of the economy) which promotes the oversight and control of the evolution of the portfolios in which CGD is involved, centralising the issue of reports on its oversight for the Management, Regulator and Auditor.

DAE managed a business portfolio of around €6.4 billion, in December 2016 (CGD and CGD Group companies), spread across Negotiating Regions (€5 billion, with €3.2 billion in the CRE Region and €1.7 billion in the non-CRE Region) and the Legal-Pre-Legal Region (€1.4 billion).

Information on the distribution of business volume, under DAE management, in December 2016, is set out below:

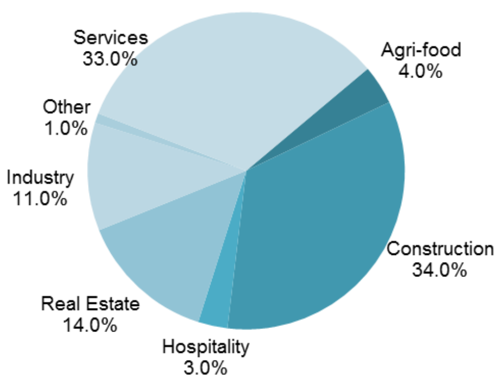
DISTRIBUTION OF BUSINESS VOLUME UNDER DAE MANAGEMENT



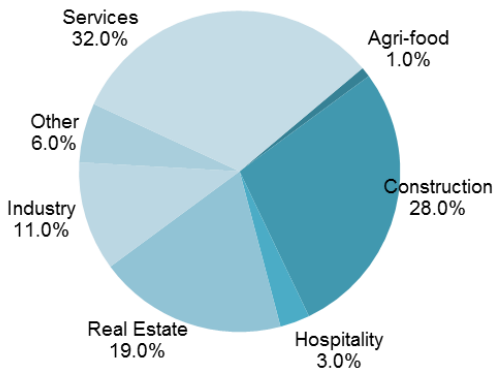
They were spread across a total number of 3,069 companies of which 1,946 were active, members of 772 economic groups (1,104 active companies in the Negotiating Region, members of 332 groups and 842 active companies in the Legal and Pre-Legal Region, members of 440 economic groups).

ALLOCATION OF CASE FILES IN PORTFOLIO

Clients by Sectors



Portfolio by Sectors

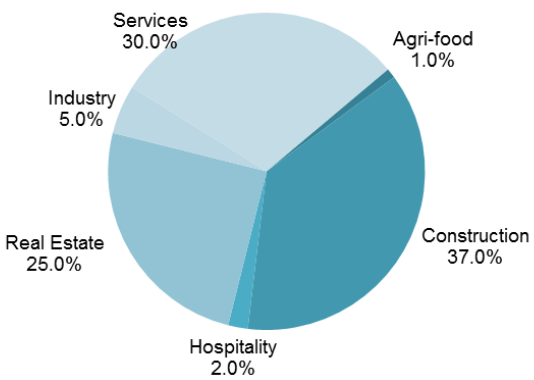


The risk dispersal trend by sectors of activity, already existing in 2014 and 2015, was consolidated in 2016, in respect of those which were initially identified in the model approved for DAE. Notwithstanding, the sectors considered to involve higher risk – construction and real estate – still account for around 47% of DAE's portfolio in terms of exposure. The services and industry sector maintained their proportions of 32% and 11% of the portfolio, recorded in 2015, respectively, with an overall 43%.

ALLOCATION OF OVERDUE CREDIT PORTFOLIO BY SECTORS OF ACTIVITY

(%)

Overdue Credit



Notwithstanding portfolio diversification, the sectors of activity initially considered as high risk continue to represent a proportion of 62% of the Division's overdue credit (at around €1.5 billion).

Activity in 2016

2016 was characterised by the Division's continuous adjustments to the new governance model defined in the sphere of the "Structuring Transversal Project" for credit oversight and recovery purposes in CGD.

In 2016, DAE undertook a disposal process on the credit portfolio, comprising customers from the two areas under management (negotiations and legal/pre-legal), known as the Andorra project. Following the selection of the proposals received at the non-binding stage, all of the relevant documentation to allow investors to carry out a due diligence procedure and submit a binding proposal was supplied at the end of the year. The negotiations will run through Q1 2017.

Negotiation area

Work was completed on 276 corporate case files, in respect of 141 groups in the sphere of its activity by the end of 2016.

Reference should be made, in this area, to restructuring operations based on amounts. In 2016, corporate use of "revitalisation processes" continued to account for a relevant proportion in terms of the solutions achieved by amount.

Credit/asset disposals to third parties was another of the solutions examined in 2016.

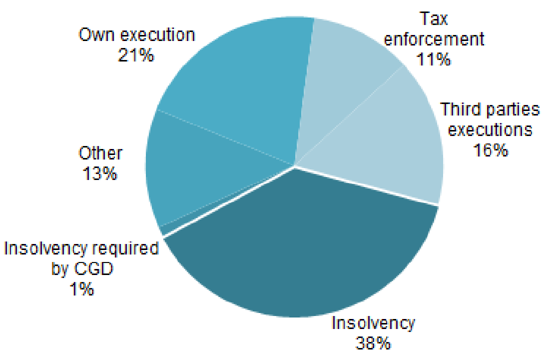
Legal and Pre-Legal action was used as a credit recovery solution in 113 cases.

Legal/Pre Legal area

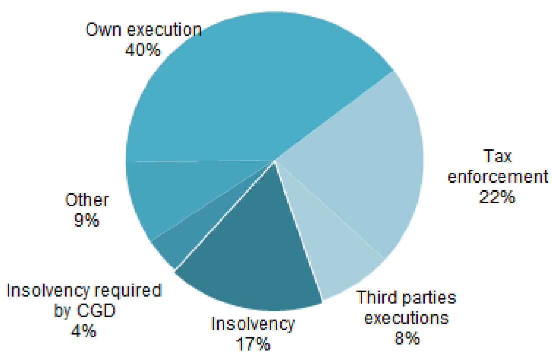
In November 2016, DAE's Legal/Pre Legal Area oversaw and controlled 1,852 court cases brought against 947 customers.

DISTRIBUTION PROCESSES IN COURT

Number of processes



Amount



An amount of €1.3 billion in credit was overseen by this area.

In addition to the oversight of the processes allocated to it, the Legal/Pre Legal Area also assisted the negotiating areas in the relationship with the courts in the sphere of both PER ("Special Revitalisation Programme) and recovered insolvency processes.

❻ Regulatory capital requirements – for derivatives, repurchase operations, loans contracted for or issued on property or commodities, long term settlement operations and loan operations with the imposition of a margin, the mark-to-market assessment method is used, as defined in Section 3 of Chapter 6 of European Parliament and Council Regulation (EU) 575/2013 which consists of adding to the operation's market value, when positive, its future valuation potential, resulting from the multiplication of the notional amount by a prudential factor based on the type of contract. The standard method described in the EU Regulation is applied to loans and receivables.

The "Market Discipline 2016" document, scheduled for publication in first half 2017 will provide detailed information on regulatory requirements on CGD Group's capital.

❼ Stress tests aim to provide an analytical vision of CGD Group's position in terms of solvency when subject to extreme scenarios. Involvement in the EBA's transversal exercise was particularly important in 2016 from a credit risk viewpoint. Stress tests were also performed in the sphere of ICAAP and the recovery plan.

❽ Internal capital requirements per operation result from the use of credit risk factors (probabilities of default - PDs, loss given faults – LGDs and conversion factors into credit equivalents - CCFs) estimated internally.

1.7.2. MARKET RISK

Market risk translates into potentially negative impacts on an institution's results or capital, deriving from unfavourable price movements of portfolio assets.

This is on account of the uncertainty of price fluctuations and market rates, such as the prices of shares and indices or interest or foreign exchange rates and how they correlate to each other.

Market risk exists on instruments such as shares, funds, bonds, spot and forward foreign currency operations, interest rate derivatives, foreign exchange derivatives, shares/indices/baskets, commodities and credit. Exposure to this type of risk is therefore across-the-board to various categories: price, interest rate, foreign exchange rate, volatility and commodities.

There is complete separation between functions involving the execution of market operations and respective risk control, with the Risk Management Division being responsible for measuring, monitoring, controlling and analysing daily market risk reporting, as well as verifying compliance with the respective limits. The reliability of prices and rates, as one of the main guarantors of the quality of the measures and metrics obtained, is also ensured on a daily basis. The second main aspect of change, involving the rotation of positions, is also monitored daily.

LIMITS

The practice of setting and monitoring diverse limits is extremely important in mitigating market risk. These global limits are submitted to the ALCO committee by the Risk Management Division for discussion and approval. The management rules established for CGD Group on each portfolio or business unit, include stop loss or loss limits as well as limits on the types of instruments authorised, concentration limits, et al. Specific management rules on the foreign exchange risk position of CGD Group units are also applied.

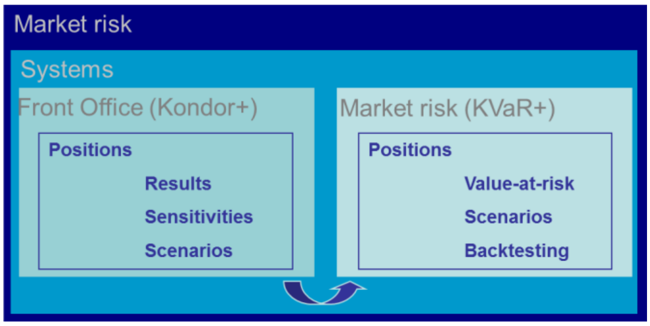
Market risk hedging operations are decided by portfolio managers or business units, based on risk limits and authorised instruments, in which the Risk Management Division collaborates on assessing the impact of the risk hedges incurred or authorised market risk levels, if deemed advisable under the circumstances.

Market risk limits and stop loss instructions are measured, controlled and reported at least once a day. The procedures, when limits are exceeded, have been perfectly defined.

VaR amounts and limits are calculated on CGD Group's foreign exchange position and are subject to limits as well as the total open position and open position per currency.

Methodology

Value at Risk (VaR) is a measure of the loss of potential future value that, in normal market conditions, will be the upper limit assuming a certain level of confidence and a specific investment timespan. The market risk management area has, since 2002, used the VaR measure to monitor the Group's market risk based on this measure and, in several cases, complemented by sensitivity limits to changes in risk factors - basis point value (bpv) and duration for interest rates and other sensitivity indicators usually applied to options portfolios (commonly referred to as Greeks). VaR is assessed on all types of market risk (interest rates, shares, exchange rates and volatility), using the historic simulation method, whose confidence levels and timespans are contingent upon the reasons for holding the portfolios. No statistical distribution is therefore assumed in this measurement, in which historic returns are considered for each risk factor with the application of a complete revaluation of the portfolio.



Two alternative market risk metrics continued to be applied in 2016: “Expected Shortfall” (ES) that aims to quantify the potential loss of value in adverse market conditions and the “Three Worst (3W)” that aims to quantify potential portfolio loss under extreme conditions.

The market risk metrics are complemented by assessments of the impact of the valuation of assets and derivatives in the event of the occurrence of extreme scenarios involving fluctuations of risk factors (stress tests).

Market risk measures permit homogenous application considering the correlation between the various risk factors based on a complete portfolio reassessment.

Market risk management calculates and monitors such measures on a daily basis, having designed a comprehensive VaR report, sensitivity analysis, profitability indicators, compliance with limits and stress tests structure for all Group entities whose trading and banking portfolios are exposed to market risk and their balance sheets to currency risk.

Foreign exchange risk control and assessment are performed separately on a daily level in the case of domestic activity and for each of the branches and subsidiaries and monthly on a consolidated level for the Group as a whole.

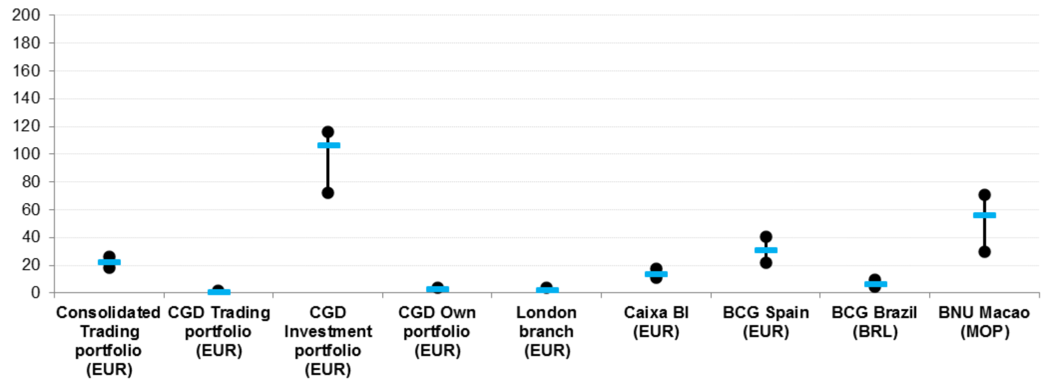
The VaR model is continuously put to the test, either through its day-to-day use or theoretical daily back-testing exercises, as well as the real monthly assessment of back-testing values on several portfolios.

The number of exceptions obtained, i.e. the number of times theoretical or real losses exceed VaR, in addition to the additional conditional and unconditional coverage tests enable the method’s accuracy to be assessed and any necessary adjustments made.

VaR, in 2016, registered the following minimum, medium and maximum values for the most relevant perimeters, in 2016:

MARKET RISK INDICATORS

(Currency in million)



The market risk on CGD Group’s held for trading portfolio remained at levels similar to 2015.

The risk on managed portfolios also remained close to the levels noted last year, except for the investment portfolio. There was an increase in market risk on subsidiaries' portfolios, specifically BNU, on account of the increased exposure of its investment portfolio.

1.7.3. INTEREST RATE RISK

This is the risk incurred by a financial institution whenever, during the course of its operations, it contracts for operations whose financial flows are sensitive to interest rate changes. Put in different words it is the risk of the occurrence of a change in the interest rate associated with the mismatching of maturities and revision of interest rates between assets and liabilities held, with a decrease in yield or increase in financial cost.

Methodology

The methodology used by Caixa to measure this type of risk comprises an accounting (or short term) and economic (or long term) perspective and uses both simplified interest rate gaps (aggregating all assets and liabilities sensitive to change, in residual interest rate bands, thus obtaining the corresponding mismatches) and effective duration (estimate of the percentage change in the price of the financial instruments for a change in interest rates of 100 bps) and robust simulation technique models including earnings at risk metrics (impact of adverse interest rate changes on the interest margin) and the economic value of equity at risk (impact of adverse interest rate changes on the economic value of equity).

The management and control of balance sheet interest rate risk and of the banking portfolio are based on a set of guidelines that include the setting of limits for the variables considered significant on a level of exposure to this type of risk. The objective of compliance with these guidelines is to ensure that CGD, at any point of time, has the means of managing the return/risk trade-off in terms of balance sheet management and that it is simultaneously in a position to set the most adequate exposure level and control the results of the different risk policies and positions assumed.

The collection of supporting information for measuring and monitoring balance sheet and banking portfolio interest rate is considered monthly by the executive committee and at ALCO meetings.

Information on CGD Group's balance sheet interest rate repricing gap, at the end of 2016, is set out in the following table.

NTEREST RATE GAP, AT 31 DECEMBER 2016 (*)

(EUR million)

	<= 1W	>1W <=1M	>1M <=3M	>3M <=6M	>6M <=12M	>12M <=3Y	>3Y
Total assets	6,641	17,457	20,619	19,249	7,640	2,504	7,616
Total liabilities + capital	16,223	5,586	12,267	14,667	8,881	13,882	13,546
Total interest rate swaps	3,872	-197	-933	-500	-632	791	-2,626
Gap for period	-5,710	11,673	7,420	4,083	-1,873	-10,588	-8,556
Accumulated gap	-5,710	5,963	13,383	17,466	15,593	5,005	-3,550

(*) Perimeter: CGD and Cayman Islands, Macau, New York, France, London and Spain branches and Banco Caixa Geral, Caixa Banco de Investimento, Banco Nacional Ultramarino, CGD Finance, Caixa Geral Finance, CGD North America, Caixa Leasing e

Factoring and Nostrum Mortgage II.

The amount of the exposure to interest rate risk, in December 2016, continues to comply globally with the respective risk appetite level established in CGD Group's risk appetite statement, enabling a controlled interest rate risk level aligned with the focus on retail/commercial banking to be achieved. The accumulated 12 months repricing gap metric of €15,593 million shows sensitivity levels of the interest margin and adverse changes in controlled interest rates in comparison to their current levels.

In the context of its regulatory interest rate risk reporting commitments, Caixa sends detailed information on its level of exposure to interest rate risk in its banking portfolio in addition to the results of the internal risk assessment measurement models, as established in BdP Instruction 19/2005, every six months to the Bank of Portugal.

The European Central Bank's supervisory model, in the framework of the Single Supervisory Mechanism – SSM also continued to include quarterly "short term exercises" for the collection of data designed to supply complementary information for the "Supervisory Review and Evaluation Process". The supervisor's requirements for banking portfolio interest rate risk include:

- Separation between assets, liabilities and off-balance sheet items in residual interest rate revision periods;
- Sensitivity analyses on interest margins and the economic value of equity to parallel shocks of ±1 bps and ± 200 bps on interest rates.

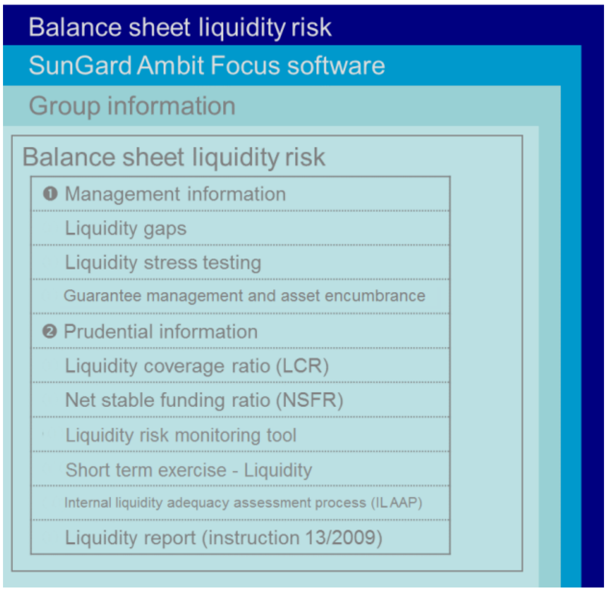
1.7.4. LIQUIDITY RISK

This involves the possibility of the occurrence of gaps or mismatches between payments and receipts of monetary flows, creating an incapacity to meet commitments, i.e. in this kind of situation an institution's reserves and cash assets may be insufficient to meet its obligations as and when they occur.

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

- Difficulties in resource-taking to finance assets, normally leading to higher costs in securing such finance but which may also imply a restriction on asset growth;
- Difficulties in promptly meeting obligations to third parties caused by significant mismatches between residual periods on assets and liabilities.

Methodology



The origin of liquidity risk management in CGD lies in an analysis of the periods to maturity of different balance sheet assets and liabilities. The volumes of cash inflows and cash outflows are set out in time bands on the basis of their residual period of occurrence with the respective liquidity gaps thereafter being calculated both for the period and accumulated.

The structural liquidity concept is used for the analysis and definition of exposure limits, aiming to incorporate the historic performance of depositors on a level of the management of their current, term and savings accounts, whose balances are distributed among the different time bands considered in accordance with in-house studies and models.

Liquidity gaps are calculated monthly and are subject to compliance with two exposure limits defined by the ALCO committee.

CGD Group's structural liquidity gap values, at the end of 2016, were as follows:

LIQUIDITY GAP AT 31 DECEMBER 2016 (*)

(EUR million)

	<= 1M	>1M <=3M	>3M <=6M	>6M <=12M	>12M <=3Y	>3Y <=5Y	>5Y <=10Y	>10Y
Total assets	12,635	2,991	5,055	4,707	13,119	11,349	12,247	22,082
Total liabilities + capital	16. 834	4,992	5,563	10,248	25,093	13,733	8,418	167
Total swaps	76	-3	-35	-34	19	-1	71	0
Gap for period	-4,123	-2,004	-543	-5,575	-11,958	-2,385	3,901	21,916
Accumulated gap	-4,123	-6,127	-6,671	-12,246	-24,204	-26,589	-22,688	-773

(*)Perimeter: CGD and Cayman Islands, Macau, Luxembourg, New York, France, London and Spain branches and Banco Caixa Geral, Caixa Banco de Investimento, Banco Nacional Ultramarino, CGD Finance, Caixa Geral Finance, CGD North America, Caixa Leasing e Factoring and Nostrum Mortgage II.

The 1 and 12 months accumulated structural liquidity gaps, in December 2016, €-4,123 million and €-12,246 million, respectively, translate into liquidity ratios for the respective periods that show CGD's highly comfortable position in terms of liquidity.

The management of liquidity risk also incorporates stress tests in articulation with the existing liquidity contingency plan in conformity with the principles and recommendations announced by the BCBS – Basel Committee on Banking Supervision and CEBS – Committee of European Banking Supervisors, currently EBA – European Banking Authority.

The internally developed methodology for assessing Caixa's resilience to eventual liquidity difficulties encompasses the measuring and monitoring of the "survival period" (time remaining up until the occurrence of liquidity difficulties if corrective measures have not been implemented), based on three stress scenarios on a level of funding markets. A fourth scenario – baseline scenario – is also considered, on the assumption that Caixa will perform its activity according to its budget and consequent funding plan.

The current model also includes a set of minimum values for survival periods to be complied with for the survival periods assessed in respect of the referred to scenarios. Non-compliance with any of the existing limits presupposes the implementation of the contingency measures provided for in Caixa's liquidity contingency plan, in accordance with the priority levels therein defined regarding the use of different financing instruments.

Starting first quarter 2016, Caixa expanded the set of mechanisms and metrics for measuring and monitoring liquidity risk with the objective of consolidating the Group's management framework, with the ALCO committee's approval of guidelines for the LCR's high quality liquid assets buffer, namely on a level of the definition of diversification objectives for the buffer based on the amount of investment per issuing entity or guarantor, by issuance and geography.

2016 was also particularly demanding in terms of regulatory undertakings on reporting liquidity risk, as, although the ECB only started to supervise CGD directly in November 2014 (in the context of the Single Supervisory Mechanism), the reporting requirements established by the supervisor still need to be stabilised.

The ECB's liquidity radar continued to operate the three distinct levels of scrutiny, frequency and complexity used in 2015: although having added another three risk assessment dimensions:

- Liquidity Risk Monitoring Tool (weekly) – a liquidity risk monitoring methodology developed by the ECB, which includes the calculation of i) liquidity ratios, ii) survival periods, and iii) liquidity gaps;
- New Additional Liquidity Monitoring Metrics (monthly) – a set of additional liquidity monitoring measures in accordance with sub-paragraph b) of number 3 of article 415 of Regulation (EU) 575/2013, that includes quantitative data on i) concentration of funding by counterparty and type of product, ii) funding cost, iii) renewal of funding, and iv) concentration of counterbalancing capacity (net assets) by issuing entity/counterparty;
- Short Term Exercises (quarterly) – for the supply of essential data for ECB's "Supervisory Review and Evaluation Process" that, in terms of liquidity includes information on i) the LCR's prudential liquidity ratios and the NSFR (net stable funding ratio) and ii) the splitting up of assets, liabilities and net assets ("counterbalancing capacity") by periods to maturity of capital and interest;
- New "Downgrade Exercise of the Portuguese Sovereign" (quarterly) – an ECB monitoring exercise on DBRS's 1 notch downgrade of Portuguese public debt instruments on i) the collateral available for Eurosystem financing, ii) funding outflows and iii) P&L and reserves, and the additional contagion effects on a level of Portuguese-related assets and rating on Caixa and debt instruments issued by any Caixa Group entity following the respective 1 notch downgrade of its credit standing by the four rating agencies accepted by the ECB;
- "Internal Liquidity Adequacy Assessment Process" (annual) – a self-assessment exercise on the adequacy of credit institutions' liquidity levels that, in compliance with article 86 of Directive 2013/36/EU, should have robust strategies, policies, processes and information systems i) for the identification, measurement, management and monitoring of liquidity risk across appropriate time periods, and ii) for the management and monitoring of financing positions in order to guarantee adequate liquidity buffer levels and an adequate financing structure;
- New "Liquidity Exercise" (annual) – daily monitoring model (five consecutive days) developed by the ECB for temporary use in real crisis situations, centring on the most relevant liquidity data in such situations: (i) changes in customer deposits stock, wholesale financing, financing obtained from the ECB and net assets, (ii) ten main

counterparties of customer deposits and repo operations, and (iii) ten main intra Group financing transactions.

Adding to the supervisor's proximity oversight of banks' liquidity situations the LCR (liquidity coverage ratio) – as the minimum liquidity standard included in the CRR/CRD IV regulatory framework – came into force for its first full year, with a ten percentage points increase over the level established on the occasion of its introduction on 01.10.2015, corresponding to a minimum requirement of 70%, and with the following transitional disposition:

- 60% of the liquidity coverage requirement starting from 1 October 2015;
- 70% from 1 January 2016;
- 80% from 1 January 2017;
- 100% from 1 January 2018.

CGD Group's comfortable LCR ratio of 177.5% at 31.12.16, was significantly higher than the established minimums, confirming its excellent liquidity position.

The NSFR also confirmed the Group's excellent liquidity position, with a comfortable 134.1% at 31.12.2016, although the standard aiming to promote the existence of a sustainable maturities structure for assets, liabilities and off-balance sheet items, particularly focusing on preventing the excessive use of short term wholesale funding, only comes into force on 01.01.2018, with a minimum requirement of 100%.

Also in the context of its regulatory liquidity risk reporting commitments, Caixa continued to comply with the conditions set out in Bank of Portugal Instruction 13/2009, which includes a detailed, permanent collection of information on credit institutions' liquidity levels, including their forecast treasury plans over a one year timeframe.

Notwithstanding the problems noted in the money and capital markets since 2008, 2016 saw a growing trend towards stabilising confidence levels in the financial system, already felt in 2013, providing Caixa with a more favourable financing environment in terms of its resource-taking policy. Over the course of the year as a whole, Caixa endeavoured to guarantee a sustainable financing structure for its activity, based on the characteristics of the liquidity and period to maturity of its off-balance-sheet assets and exposures.

1.7.5. OPERATIONAL RISK

Operational risk comprises the risk of losses resulting from inadequacies or failures of processes, persons and information systems or deriving from external events, including legal risks.

In terms of the calculation of own funds requirements to cover operational risk, CGD Group, on a consolidated basis, has adopted the standard method, which is also used by Caixa Geral de Depósitos, Caixa Banco de Investimento, Caixa Leasing e Factoring, Banco Caixa Geral (Spain) and Mercantile Bank (South Africa) on a separate basis.

The application of the standard method on a consolidated basis, at 31.12.16, requires own funds of €252.1 million to cover operational risk.

Methodology

Operational risk management in CGD Group uses an end-to-end methodology, based on a collection of guidelines, principles and regulations recognised as good practice on a national and international level.

This methodology, incorporating a series of components, has been implemented in CGD and its respective branches and subsidiaries:

- The definition and oversight of tolerance and risk appetite limits;
- The decentralised collection of operational risk events, losses and recoveries, strengthened and backed by control procedures;
- Self-assessment of potential operational risks and respective controls;
- Definition and oversight of key risk indicators;
- Disclosure of information using an internal reporting system including regular committee meetings and disclosure of reports for the diverse structural bodies;
- Promotion and oversight of the implementation of action plans as a corollary to the remaining methodological components.

On an organisational level, operational risk management in CGD is performed by different structures/functions with specific responsibilities in this process, whose respective coordination is the responsibility of an area exclusively specialising in operational risk management as part of the Risk Management Division.

In addition to the referred to operational risk management methodology, in 2016, Caixa completed the implementation of its business management continuity system, in conformity with the respective international benchmark standard – ISO 22301:2012 Business Continuity Management System – guaranteeing a better operation of business continuity activity based on a commitment with top management to contribute to the continuation of such improvement. Caixa has accordingly further consolidated its resilience in strengthening its capacity to respond to potential dangers to its business.

To guarantee compliance with Group entities' regulatory obligations, Caixa continues to oversee and develop support/performance projects in the framework of good practice issued by the Bank of Portugal (circular letter 75/2010) in its structures. In 2016, it concentrated on providing personal support to its banks in Cape Verde (Banco Comercial do Atlântico and Banco Interatlântico) and providing distance support to the other entities.

In 2017, the general business continuity committee (CGCN) will be the top management structure. It will meet periodically for business continuity management system oversight purposes and works on implementation/support works for Group entities, considering the possibility of visits to Banco Comercial e de Investimentos (Mozambique) and Banco Interatlântico (Cape Verde).

2017 Outlook

In order to strengthen the governance framework of the risk management function (RMF), CGD will be implementing a set of corporate standards as practical guidelines for RMF operations, namely concepts, principles and procedures for the control of the communication of each of the risks.

The framework will include the following corporate standards:

- Global risk management policy;
- Credit risk management policy;
- Operational risk management policy;
- Interest rate risk management policy;
- Foreign exchange risk management policy;
- Market risk management policy;
- Liquidity risk management policy;
- Real estate risk management policy;
- Model risk management policy.

To ensure consistency between CGD Group's global risk management strategy and locally defined strategies, in addition to the alignment of the business objectives in respect thereof, the application of CGD Group's risk appetite statement (RAS) will be expanded to all Group units.

Each CGD Group unit should have a defined and approved risk appetite statement to include the risk indicators and limits deriving from the Group's global strategy.

As part of the strategic objectives for managing the reinvigoration of domestic business, based on a risk control infrastructure in line with best international practice, CGD will encourage additional focus on the development of internal credit risk assessment models based on the continued strengthening of the return-risk binomial.

2017 will essentially be a year of preparation for the coming regulatory structural changes: International Financial Reporting Standard 9 (IFRS 9), Minimum Requirement for Own Funds and Eligible Liabilities (MREL), Fundamental Review of the Trading Book (revision of the calculation for own funds requirements), Principles for Effective Risk Data Aggregation and Risk Reporting (a set of principles to promote the rigorousness and transparency of risk information, respective aggregation techniques and analysis reports), Interest Rate Risk in the Banking Book – revision of Pillar II (Assessment Process of the Supervisory Authority requirements) and Pillar III (Market Discipline), inter alia.

Steps should therefore be taken, herein, to strengthen and consolidate the whole of the risk management structure, ranging from the governance model, to the operationalisation and dissemination of risk appetite at all levels of the institution. The strengthening of the corporate function will, therefore, continue to be a priority.

The year will also involve the Group's preparation for the transversal stress test exercise of the European Banking Authority (EBA) in 2018, based on an infrastructure dedicated to this kind of exercise, which will help strengthen the institution's balance sheet and capital positions. Steps will also be taken to provided for the recommendations resulting from the occurrence of various inspections and thematic reviews across 2016, namely in respect of the banking portfolio interest rate risk control system and the self-assessment process on internal capital, making progress on the matters still unresolved from the preceding year. Globally, improvements will be made to ICAAP and ILAAP in line with the latest recommendations of the ECB's "Supervisory Review and Evaluation Process" (SREP).

Evolution of the whole of the risk rating process in operational terms, with the prospect of the total integration thereof on the computerised workplace platform is also expected to occur.

CGD will produce a new impact study on the adoption of IFRS 9, promoted by the EBA. In parallel, the ECB, has launched a "thematic review" on this issue with the objective of diagnosing the standard's implementation process and the assessment of the respective methodologies under consideration.

Action plans with the objective of implementing IFRS 9 by the end of third quarter 2017 are being finalised in CGD Group.

The risk management function, across 2017, will continue to be involved in relevant internal informational projects in the sphere of the adoption/implementation of the "Principles for Effective Risk Data Aggregation and Reporting", as recommended by the Basel Committee on Banking Supervision (BCBS 239).

1.8. Human Capital and Sustainability

1.8.1. HUMAN CAPITAL

2016 was a year of major investment in the restructuring of services especially related with the branch office network, with the aim of providing for the employee rationalisation operations, starting 2015, which have translated into a significant reduction in employee numbers.

In parallel, work continued to be carried out on the Corporate Operating Model, with the aim of disseminating information on best human resources management practice and strengthening Group culture.

Reference should be made to the following in terms of structuring projects with a progressive impact on human resources management policies and instruments:

- The development of a new Table of Functions in order to group the knowledge areas and technical skills required to perform activities. This project was also used as a basis for the revision of the Performance Management System, with its sharper focus on engagement and our workers' professional development;
- Work also began on a Leadership Training Programme for all Caixa line management, based on the acquisition of skills and behavioural formalities, focusing on performance management as a team oversight and development tool;
- Such processes, resulting from the conclusions and improvement needs identified in the Social Climate survey, performed in 2015, will enable the guidelines of past years to be strengthened, namely merit recognition, management of potential, development of skills, implementation of good, non-discriminatory and social responsibility practice.

CGD's global staff complement of 8,449[1], at the end of 2016, was 8% down over the preceding year.

75% of employees had individual employment contracts, 24% were administrative appointees and 1% had fixed-term employment contracts, continuing to reflect stability in terms of contract types.

Reference should also be made to the fact that 99% of employees work on a full time basis in Portugal.

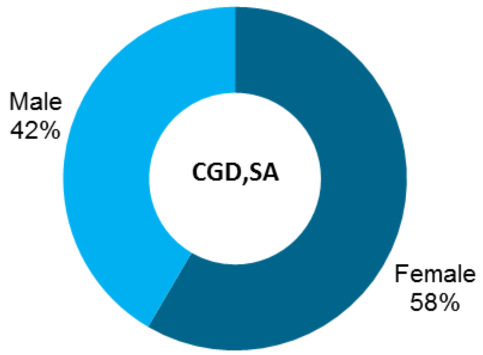
CGD does not differentiate between gender and ensures the implementation of an equal opportunities policy, both at the recruitment and selection stages, whose procedures are exclusively based on assessments of résumés and skill profiles and the development and progression of professional careers, which are analysed in accordance with internally defined criteria on merit and skills. In the sphere of this policy, CGD had 137 handicapped employees in 2016.

1 Employees linked to CGD, SA

DISTRIBUTION BY GENDER AND AGE

(%)

	Male	Female
<= 30	4%	5%
30-50	62%	75%
>= 50	34%	20%

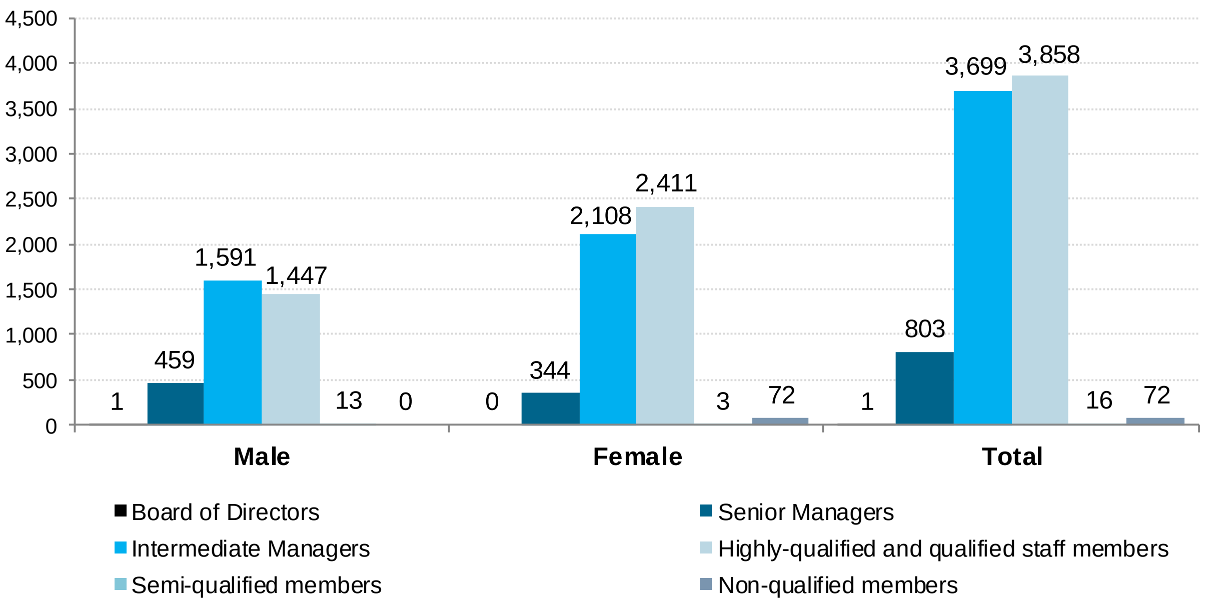


DISTRIBUTION BY ACADEMIC QUALIFICATIONS

	Male	Female	Total
Higher	1,922	3,340	**5,262**
Secondary	1,233	1,270	**2,503**
Less than Secondary	356	328	**684**
Total	**3,511**	**4,938**	**8,449**

DISTRIBUTION BY GENDER AND PROFESSIONAL CATEGORY

(Employees)



CGD Group had 15,452 employees at the end of 2016, down 3.8% over 2015.

CGD GROUP EMPLOYEES

			Change	
	2015-12	2016-12	Total	(%)
Banking operations (CGD Portugal) (1)	8,410	8,113	-297	-3.5%
Other	7,648	7,339	-309	-4.0%
Total	**16,058**	**15,452**	**-606**	**-3.8%**

(1) Effective staff, includes employees from other Group companies.

PROFESSIONAL DEVELOPMENT

Corporate management of human resources is based on policies aimed at promoting the Group's values and culture and the involvement of all employees in the strategic objectives and guidelines for the advancement of human capital.

In 2016, in the sphere of optimising its human resources, Caixa continued to organise its Placements Programme, based on the promotion of CGD Group values and culture and the involvement of the whole of the organisation in the strategic objectives defined.

The programme brings a twofold benefit: as an instrument for attracting talent and strengthening the CGD brand as well as social responsibility by integrating young university students in the workplace.

The policy herein followed was to recruit the best and lay the groundwork for their development, based on a rigorous selection process, generating personal and professional development opportunities.

Placements

CGD continued to implement its Placements Programme in 2016:

- "Curricular" placements – as a part of university or secondary educational courses, giving preference to courses whose programmes are more related to the banking area or considered to be of advantage to CGD at any time;

  Reference should be made to the existence of agreements with various universities across the country, in which placements often play an important role in leveraging commercial and business activity;

  Also herein included are the IFB's (Bank Training Institute's) Alternate Training Courses pursuant to the existing agreement with the APB (Association of Portuguese Banks).

- Professional placements – with the complementary objective of consolidating the skills acquired in academic training, to develop trainees' skills and improve their employment prospects. This type of placement is presently the Bank's main source of recruitment, with the trainees having the best assessments being selected to supply the Bank's present or foreseeable hiring needs.

- Summer Academy – very short term placements designed to provide graduate or masters university students with their first contact with the world of banking;

  2016 witnessed the 8th edition of the Summer Academy, based on the new welcoming and training model implemented in the preceding year, emphasising the development of trainees' skills in professional aspects and their involvement with Caixa.

  Caixa, organised 230 placements in 2016: of which 141 curricular and 89 professional and of which 60 were in the sphere of the Summer Academies. CGD had 78 trainees at the end of the year.

External Recruitment

Caixa posted a new hirings rate of 3% in the external recruitment sphere, in 2016, with a turnover rate of 11%.

Caixa's guidelines continued to be based on the qualification of its employees. Its proximity strategy with universities, namely those lecturing courses in areas of banking interest, has been crucial. For the said purpose and as in past years, Caixa has continued to participate in the employment fairs promoted by professional employment offices and the student associations of different universities.

Reference should also be made to recruitment and selection for temporary projects in 2016:

- Seasonal – 112;
- New university academic year – 107;
- Temporary replacements – 31.

Internal Recruitment Pool

Information on several national mobility opportunities was published internally, permitting the career advancement of employees and translating investment in their career development, enabling them to achieve their expectations in alignment with CGD strategy.

Skills Management

Caixa took several steps to strengthen its knowledge and skills management area in 2016.

A new Assessment Programme was accordingly implemented and developed with the main objective of mapping out the skills profiles and attitudes of selected employees. This programme, which was designed to promote the development and evolution of employees' career paths was an important human resources and in-house talent management instrument.

Caixacademia

2016 was the year of maturity of Caixa's Training Academy in development terms, in diversifying continuous employee training initiatives and introducing programmes designed to strengthen the Caixa Culture and is now part of the HR Internal Communications area.

With the objective of strengthening an inclusive and ongoing employee training policy in key skills (technical and behavioural) for the different business and support areas, in addition to providing for the diverse regulatory requirements and those deriving from the current certification processes, reference should be made to:

- Initiatives for improving transversal skills – with the continuation of training programmes in foreign languages, Office and other computer programmes, particularly concentrating on customising contents and training activities;
- Business support training, particularly issues related with sales techniques and products and services training, improving operational efficiency in customer oversight and credit recovery terms;
- Basic skills training programmes for employees chosen for new functions, with particular reference, in 2016, to revisions of and adjustments to classroom and e-Learning training and strengthening on-the-job-training. The certification process for commercial functions (managers, deputy managers, Caixazul and Caixa Empresas managers) was maintained in line with these programmes:
- Completion of 4 Executive Training programmes for 120 staff members, involving the application of practical work to the strategic challenges facing the Bank;
- Encouragement of the involvement and participation of several Bank employees, as contents specialists and/or internal trainers, with the adoption, in several cases of pedagogically assisted structured cascade training models. 157 employees were members of Caixa's Internal Trainers Pool at the end of 2016;
- Training related with operational and compliance risk issues, namely with a transversal offer on a level of business continuity, information integrity and AML;
- Strengthening of training related to productivity and efficiency methodology tools, namely as regards "Time Management";

- Design and implementation of a structuring programme based on the development of leadership skills for around 1,450 mid-level employees, accompanied by a top-down communication plan geared to changes and behavioural formalities;
- Implementation of the first stage of a training procedure for the new Performance Management System, for employees as a whole.

Culture and Innovation

Reference was made, in the cultural area, to a series of programmes for disseminating values and supporting Group strategy, namely:

- The 1st Caixa Global initiative attended by around 900 employees in a corporate event designed to strengthen a sense of commitment and proximity with the branch office network and supporting areas;
- Organising of the 8th Summer Academy, as a short tem placement involving 60 young university students with a welcoming and monitoring format emphasising professional skills development, providing real contact with diverse areas within the Bank and greater involvement and recognition of the Caixa brand;
- Several networking initiatives were organised along the same lines of proximity to the community and young people. Special reference should be made to a job shadowing agreement with a secondary school;
- Design and implementation of a corporate programme involving 100 employees representing 13 CGD Group businesses abroad;
- Based on guidelines designed to achieve a culture of quality and business ethics, work continued on a training procedure, starting 2015, for 203 Caixa managers and 91 Group companies managers;
- With the objective of facilitating integration and strengthening commitment to the company, the welcoming and initial training programmes for new employees were maintained notwithstanding the type of employment involved.

Participations in Training Actions

There were 95,488 participations in training actions across 2016. 21.1% (20,112) involved classroom training, 48.4% (46,180) e-Learning and 30.6% (29,196) other training methodologies. The average satisfaction level of trainees was 4.3 in a scale from 1 to 5.

By 31 December 2016, employees had received a total number of 181,599 training hours, giving an average of 21.5 hours across the year.

Assessment of Effectiveness of Training

The Bank generally committed to a more comprehensive view of the Training Effectiveness Assessment, in 2016. Reference should be made to the fact that a two year assessment of impact on results was defined and implemented for one of the larger programmes.

PERFORMANCE MANAGEMENT SYSTEM

CGD's Performance Management System is used to assess all eligible employees, in terms of their skills and compliance with objectives.

A decision was made to update the current system, in 2016, separating the development potential assessment (behavioural and technical skills) from the performance assessment (objectives), in order to improve the level of support for human resources management systems.

The mapping of the Bank's existing functions was also revised and the "Skills Dictionary" updated, to improve their adequacy vis-à-vis current circumstances and requirements.

Adjustment works on the application providing support to the Performance Management Model were carried out across 2016 and are expected to be implemented in 1st quarter 2017, for the purposes of the performance assessment of 2016.

Caixa accordingly maintained its policy of rewarding commercial merit for its branch office network, subject to the limitations deriving from the rules defined for the State's Corporate Sector, in the form of commercial incentives and a points scoring system:

- The Incentives System aims to reward outstanding branches and/or managers as measured by their achievement of targets, with the award of prizes indexed to their respective remuneration;
- The Points System rewards all branch office network employees who commercialise or secure buyers for quarterly campaign products, which are converted into quarterly cash prizes.

Conciliation between professional and personal lives

CGD's social and family responsibility policy reflects a management approach centred on the human factor and socially responsible leadership, involving all of the Company's management levels in the creation of an inclusive environment, backing people's integration and permanent development and preventing the occurrence of the most diverse problems.

Given the context of social and economic crisis over the last few years, with its transversal impact on many households, further endeavours were made to find sustainable solutions to prevent risk and support solvency, with the articulated implementation of temporary measures involving financial support and stimulating savings, benefiting from psychosocial and budget advisory support.

Several of the measures having an impact on the balance between family and professional lives in CGD, far in excess of its statutory obligations, particularly include psychosocial support, socioeconomic support, healthcare, flexibility and socio-professional support policies, socio-family support, cultural and sporting dynamics and social solidarity.

The Corporate Governance Report provides more detailed information on the implementation of these measures and policies.

Social Climate Survey

The Social Climate survey was carried out in 2015 and was extremely important as regards the collection of information and the analysis and application thereof to policies and actions in the Human Capital sphere, several of which implemented in 2016.

The results obtained from issues related with "Management Practices for People", namely on a leadership and communication level, were essential for the creation and implementation of a training programme based on the development of leadership skills.

2016 witnessed the development and approval of the new Performance Management System and the new Functions Model, due to be implemented in 2017, whose structure provides for changes in response to items considered to be less positive in the referred to survey, namely as regards team development aspects, feedback process and impact on career development.

HEALTH AND SAFETY

Occupational health

CGD continued to take various steps in terms of its employees' health and safety, in 2016.

The Medicine in the Workplace team, as a multidisciplinary team of doctors, nurses, psychologists and administrative staff, provides a personal, proximity-based service, characterising situations in great detail, issuing guidelines and, whenever necessary, rehabilitation and professional reintegration. Its initiatives were therefore aimed at:

- Ensuring the existence of working conditions to protect workers' safety and health;
- Performing a careful analysis of environmental and organisational factors and the human and individual characteristics that influence behaviour in the workplace;
- Adapting the workplace to workers, particularly as regards workstation ergonomics, choice of equipment and working methods;
- Accompanying rehabilitation and return to work in the event of work-related illnesses and accidents in the workplace, taking preventative measures;
- Assessing work-related risk (biological, chemical, physical and psychosocial) and putting the respective preventative measures into practice with the aim of eliminating/decreasing damages;
- Raising employees' and employers' awareness in order to create a prevention culture;
- Informing and training employees in the health and safety in the workplace domain.

In addition to compliance with its legal obligations and based on a global health perspective CGD's Medicine in the Workplace and operating in close collaboration with the Safety in the Workplace and Social Action areas, includes routine diagnostic examinations and specialised consultations such as nutrition, support for workers who travel on the job and breastfeeding support.

In compliance with legal obligations, there was a total number of 7,517 medical examinations (CGD and CGD Group companies) in 2016, comprising 6,926 periodic examinations, 69 interviews, 109 occasional examinations and 413 examinations at the initial hiring stage.

Although not required by law, the following was carried out in terms of illness prevention:

- Nutritional advice -1,253 weekly appointments with a nutritionist;
- Support for workers who travel on the job - 71 appointments;
- Breastfeeding facilities - 4 employees used the “Breastfeeding Corner”.

The main thrust in the psychology area, in 2016, continued to be the characterisation and oversight of problem areas involving crises and extended sick leave (lasting more than 60 consecutive days);

- Problematical situations identified – intermittent absenteeism, presenteeism, interpersonal conflicts, dissatisfaction, lack of motivation resulting in a total number of 1,186 interviews;
- Crisis situations - (assaults - 23, bereavement - 2), totalling 25 interviews;
- Extended sick leave – totalling 2,241 interviews.

No work-related illnesses were confirmed by the National Centre for Protection against Work-related Risks in 2016.

Safety in the workplace

CGD was involved in diverse Safety in the Workplace area activities, in 2016, in line with best practice:

- Health and Safety in the Workplace technical audits – following the work performed over the last three years, 2016 witnessed a change in the planning model for risk assessments in the workplace, with a proposal for preventative/corrective measures whenever applicable. Priority was given to premises being remodelled and/or with layout changes having a direct impact on workplaces. 27 audits were carried out on the branch office network, comprising 285 workstations, 8 audits of central departments, comprising 1,169 workplaces and 9 audits of Group companies, comprising 396 workplaces (workplaces – employees + service providers);
- Analysis and management of accidents in the workplace. An analysis was carried out on the circumstances involved in accidents in the workplace in 2016 (119 of which 4 were not accepted by FM and 3 referring to Group companies). Reports containing proposed preventative/corrective measures in applicable cases were produced;
- Analysis and management of incidents – following the communication of around 90 incidents, the circumstances in which they occurred were analysed and actions taken to reduce the impact of the occurrence and prevent future incidents;
- Assessment and ergonomic adjustments to workstations – ergonomic studies were carried out on 115 workstations, involving body posture and/or the disposition of workstations, in addition to the proposal for and implementation of measures designed to eliminate/reduce the source of the risk and interventions designed to improve working conditions;
- Analysis of high risk activities. Around 120 high risk activities were assessed, for which individual protective equipment was defined and accompanied by a proposal for the necessary preventative measures;
- Safety and Health in the Workplace training actions – 8 employee training actions were organised – 3 of which in the sphere of the welcoming plan for new employees; 1 seasonal support activity; 1 action in the sphere of the new university academic year and 3 actions in the sphere of the Training Plans for Employees on secondments within the Company.
- On-the-job training. This involves the design of on-the-job training actions at the time of technical audits and/or whenever justified.

1.8.2. SUSTAINABILITY

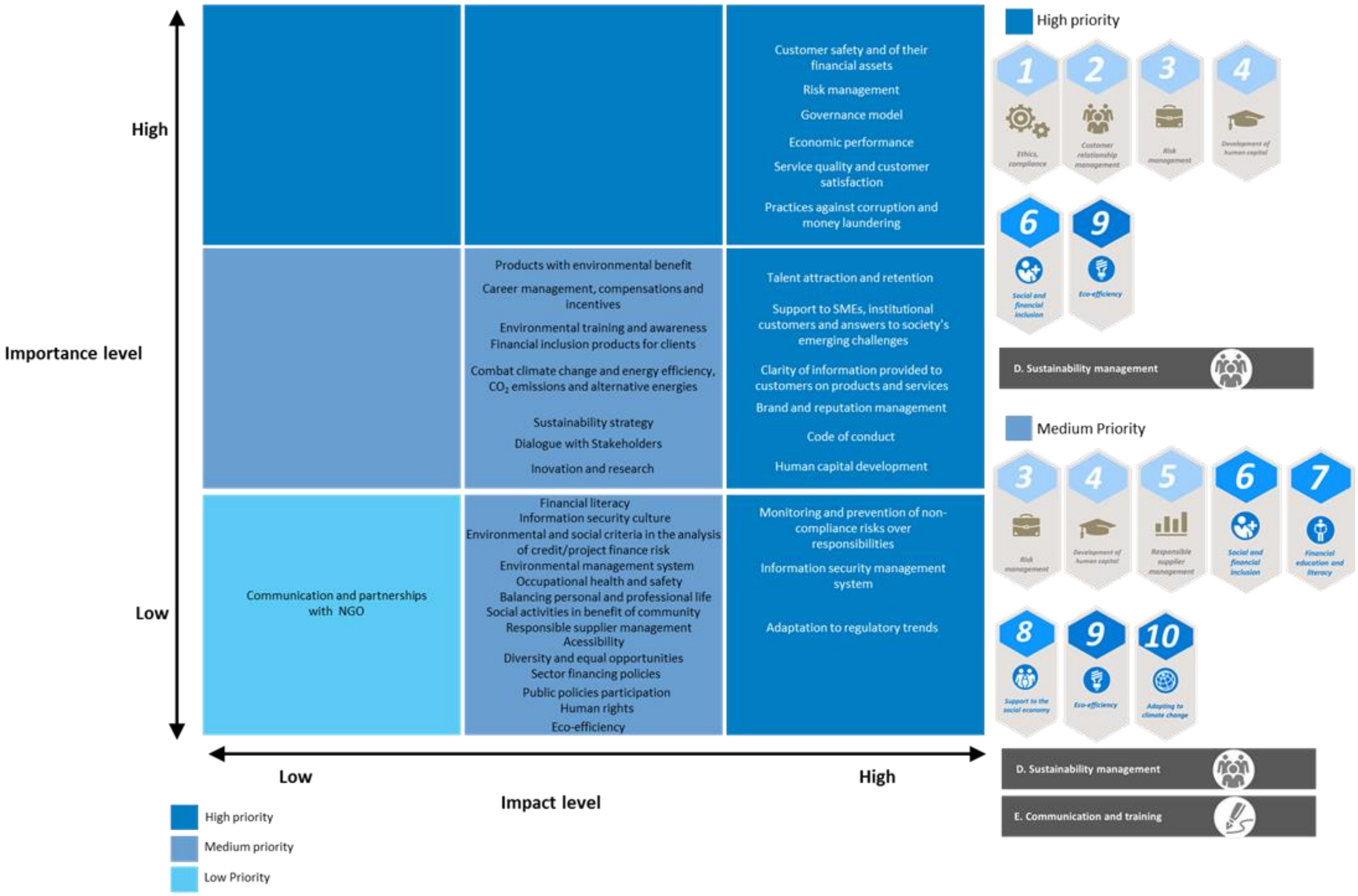
SUSTAINABILITY STRATEGY

In furthering its vision of sustainability and associated policies, in 2016, CGD continued to implement its Sustainability Strategy for the three year period 2015-2017. This strategy is split up into 3 thematic segments comprising 10 activity and 2 transversal areas, whose definition was based on materiality analysis from the results of consultation stakeholder. Each activity area comprises a series of initiatives and voluntary objectives that exceed CGD's statutory and compliance obligations. The status of implementation of these initiatives is reported in the 2016 Sustainability Report.


A. Responsible business
1
Ethics, compliance
Ensure the existence of a strong culture of ethics and compliance within the CGD Group.
2
Customer relationship management
Promote trusting relationships with Customers, while providing financial monitoring suited to the profile, thereby bringing about their satisfaction.
3
Risk management
Integrate environmental and social aspects in assessing credit risk, by promoting the dissemination of environmental and social risks with various stakeholders.
4
Development of human capital
Seek to develop employees as a distinguishing factor and recognize them, by promoting diversity and equal opportunities.
5
Responsible supplier management
Manage the upstream supply chain, by including sustainability criteria in supplier management.
B. Community
C. Environment
6
Social and financial inclusion
Create inclusion and financial acessibility mechanisms, including the availability of products promoting entrepreneurship assets, social business and response to social emergencies.
7
Financial education and literacy
Proceed with investment in Financial Education and Literacy by promoting education toward savings as well as toward conscious and informed consumption.
8
Support to the social economy
Support the development of social projects within a logic of creating sustained value for society, selecting, monitoring and measuring results based on pre-seat criteria
9
Eco-efficiency
Promote eco-effciency in operations, awareness-raising and involving concerned parties.
10
Adapting to climate change
Pursue the CGD strategy for Climate Change, including the availability of product and services that promote the adoptio of low-carbon behaviours and technologies.
D. Sustainability management
E. Communication and training

All relevant material issues are included in the Sustainability Strategy 2015-2017. The Economic Performance issue is considered transversal to the various strategic axes.

MATERIALITY MATRIX



Relevant material issues are reported throughout this document, as well as in the Annual Sustainability Report 2016, available on: www.cgd.pt. Policies associated with sustainability are available for consultation on the CGD website at:

https://www.cgd.pt/English/Institutional/Sustainability/Commitments-and-Policies/Pages/Commitments-Policies.aspx

INTERACTION WITH STAKEHOLDERS

DIALOGUE WITH STAKEHOLDERS

The diverse relationship channels with stakeholders were maintained with the aim of ensuring continuous, effective dialogue with the various groups.

CHANNELS FOR DIALOGUE WITH STAKEHOLDERS

Group of Stakeholders	Types of Relationship	Frequency
Shareholder / State	General meeting	Annual
	Report	Quarterly
	Sustainability Survey	Biannual
Individuals Customers	Satisfaction Surveys	Half yearly
	Cx Magazine	Quarterly
	WebSite CGD	Ongoing
	Newsletters Caixa Woman, Caixa News e Caixa Gold	When appropriate
	Portal Caixa Advantages	Ongoing
	Social networks	Ongoing
	Customer Area - Suggestions and Complaints Service	Ongoing
	Commercial Network	Ongoing
	Communication Campaigns	When appropriate
	Sustainability Survey	Biannual
Corporate Customers	Satisfaction Surveys	Half yearly
	Newsletter Caixa Empresas	Monthly
	Cx Magazine (digital)	Quarterly
	WebSite CGD	Ongoing
	Portal Caixa Advantages	Ongoing
	Social networks	Ongoing
	Sustainability Survey	Biannual
Regulators	Specific instructions from regulators	Ongoing
	Clarification requests	Ongoing
	Participation in Working Groups	Ongoing
	Face-to-face monitoring initiatives	Ongoing
	Public Consultations	Ongoing
	Production of reports	Ongoing
	Sustainability Survey	Biannual
Suppliers	Regular meetings and contacts	Quarterly
	Sustainability Survey	Biannual
Employees	Employees Committee	Monthly
	Intranet	Ongoing
	Portal Caixapessoal	Ongoing
	Website CGD	Ongoing
	Newsletter Caixa Notícias	Monthly
	Training Initiatives	When appropriate
	Performance Assessment	Annual
	Organizational Climate surveys	When appropriate
	Sustainability Survey	Biannual
	Microsite Nós Caixa	Ongoing
	Caixa Info	When appropriate
	Commercial Agenda	Monthly
	Internal publications (brochures, guides, manuals, leaflets and posters)	When appropriate
Community *	Foundation CGD Culturgest	Ongoing
	Protocols with Higher Education Institutions	Annual
	Website CGD	Ongoing
	Comunity Platform	Ongoing
	Sustainability Survey	Biannual
Media	Press advisory	Ongoing
	Website CGD	Ongoing
	Sustainability Survey	Biannual

*Private social welfare institutions (IPSS), Non-governmental organizations (NGO) and Universities.

RESPONSIBLE MANAGEMENT OF SUPPLIERS

CGD mainly selects national suppliers. In Portugal, 91% of Caixa's suppliers are national suppliers and comprise 96% of the respective expenditure. This is also one of the ways in which the Bank contributes to reinvigorating the national economy, while, at the same time, leveraging the creation of indirect employment.

CGD has transparent procedures in place for the acquisition of goods and services, geared to principles of economy and effectiveness. In the sphere of its sustainability strategy and considering that a high proportion of the Bank's environmental and social impacts are evidenced indirectly through the performance of its suppliers, it has been encouraging them to adopt sustainability principles as a means of mitigating environmental and social risks in its supply chain.

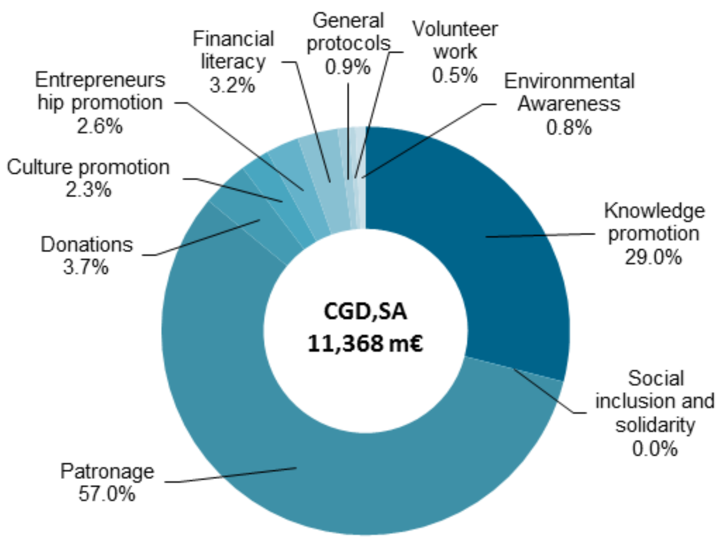
CGD continued to include Ethical Principles and Good Business Practice in its processes for the selection and contracting of suppliers and its service providers at its HQ building, must also comply with its Manual of Good Environmental, Safety and Health. In 2016, CGD had 810 active suppliers, in which 55 new contracts were entered into through the negotiating areas of Sogrupo Compras e Serviços Partilhados, ACE, 96,5% of which containing environmental and social clauses.

10 CGD suppliers were subject to environmental assessments across the year, in the sphere of internal and external audits of the Environmental Management System and in line with CGD's statutorily required conformity.

INVESTMENT IN THE COMMUNITY

CGD monitors investment in the community in order to understand its social impact and improve the efficiency of its support. Caixa's direct investment in the community across the year, in various operating areas, was around €11,368 thousand. CGD also donated 82 items of office furniture to 4 institutions – the Voluntary Fire Brigade and Parish of Penacova; the Infante D. Henrique Nautical College and the EB23 José Ferreira Pinto Basto school in Ílhavo. It also donated 5,034 items of computer equipment to 3 institutions, namely the Azambujense Cultural Cento, the Jesuit Refugee Service (SJR) and ENTREAJUDA for donations to institutions in need.

DIRECT INVESTMENT IN THE COMMUNITY



VOLUNTARY WORK

Young VolunTeam Programme

Young VolunTeam is a young people's volunteering programme mentored by CGD, in the sphere of its Involvement with the Community policy. Launched in 2012, the programme is geared to young people in primary and secondary education and has been developed in partnership with ENTRAJUDA and Sair da Casca, with the support of the Directorate General for Education of the Ministry of Education, the Portuguese Institute of Sport and Youth, the European Commission's "Youth in Action" programme and SEA – Agência de Empreendedores Sociais. Since its 2014/2015 edition, the fact that it has enjoyed the High Sponsorship of His Excellency the President of the Republic, confirms the value of this project in its reiteration of the objective of sponsoring ideas which first and foremost, are concerned with the future of Portugal.

The 2015/16 edition of the Young Volunteam programme, involving 200 schools and 2,185 young leaders or "ambassadors", had an impact on more than 9,000 students and raised more than €25,000 and a metric tonne of pedagogical material.

This edition's closing ceremony took place in July in the Culturgest Foundation, in which prizes were awarded to this edition's winning schools: Jacôme Ratton secondary school, Didáxis Educational Cooperative, São Roque do Pico Primary/Secondary School, Fernão Mendes Pinto Secondary school and the Ribatejo Technical/Professional School.

In 2016, the Young VolunTeam was distinguished in the "Volunteering" category of the "Recognition of SR Practice" initiative organised by APEE - Associação Portuguesa de Ética Empresarial.

Corporate Volunteering

CGD was involved in several volunteering actions across the year, enhancing its participating employees' feeling of belonging to the community both as individuals and Caixa employees, with a catalytic effect on the social economy.

Toy collections – Christmas action

Under the banner "Playing is essential", between 14 December and 6 January an action involving the collection of new or second hand toys in good condition for children in need up to the age of 10 benefiting from the support of various Private Social Welfare Institutions (IPSS), was organised in partnership with ENTRAJUDA and the collaboration of the SAS company. This initiative was articulated with the branch office network, with the identification of CGD branches in each municipal district on Continental Portugal and the Islands of Madeira and the Azores (totalling 20) and their local communities. A total number of 3,000 toys were collected and assistance provided to 23 IPSS, with an impact on around 2,780 children.

Orange picking activity in the gardens of Queluz Palace

An orange picking action, organised in the gardens of Queluz Palace, in partnership with ENTRAJUDA and the Food Bank, resulted in the distribution of 263 kilos of oranges for the needy who benefit from the support of welfare institutions.

Collecting of Electronic and Electrical Equipment at CGD's HQ building

Also in partnership with ENTRAJUDA, CGD organised an action involving the collection of electronic and electrical equipment at CGD's HQ building. A total amount of 170 kilos of equipment was collected of which 53% was redistributed to charitable institutions. The other equipment was sent for recycling.

Collection of school material for children in need, victims of fire

In September 2016, CGD employees met with the common objective of donating books and school material to families who were victims of fire and clearly in need, helping to fight poverty and promote social inclusion. By the time of the end of the action, a total amount of 566 kilos of goods had been collected. This included 386 kilos of school books and 180 kilos of school material. This material was delivered by ENTRAJUDA, as the partner in this action, to the institutions that will distribute them to these families.

CGD also organised two campaigns in the sphere of assistance to victims of fire. One comprised the collection of funds for Portuguese fire brigades for the acquisition of equipment and materials for distribution among the brigades most in need. The other comprised a collection of funds for the populations most affected by the fires in Madeira. A total amount of €399,012.18 was collected.

Junior Achievement Portugal – education for entrepreneurship

CGD's collaboration with Junior Achievement Portugal started in 2011, since when it has already had an impact on 3,581 students, totalling 2,474 volunteering hours. Thirty six CGD volunteers were involved in 39 programmes in the 2015/16 academic year, with an impact on 813 students, comprising a total number of 454 corporate volunteering hours.

FINANCIAL LITERACY

Saldo Positivo ("Positive Balance") is CGD's financial literacy programme. Its principal mission is to help people and companies to improve the management of their money and resources.

Reference should also be made to the Saldo Positivo page on Facebook which continues to grow and which had more than 132,000 followers at the end of December, up 26% over the end of December 2015.

As regards performance, the portal grew once again in 2016, registering its highest volume of visitors since its end of 2008 launch. A total number of 6.45 million visitors was recorded, up by a year-on-year 13%. There were 4.25 million unique visitors, up 12% over 2016.

ENVIRONMENTAL MANAGEMENT

CGD continued to commit to the environment, based on the Directives of its Environmental policy of complying with environmental legislation and other applicable requirements and adopting a proactive attitude towards the prevention of pollution, continuously improving its environmental performance.

It maintained the certification of its Environmental Management System (EMS) for its activities at its HQ buildingwith ISO 14001.

With the termination of the 2006-2015 strategic cycle of its Low Carbon Programme, CGD has started work on a review of its strategy for the 2020 timeframe, which involves various operational areas. It is currently at its completion stage and comprises the quantification and reduction of emissions, emission offset mechanisms, low carbon funding and community awareness-raising actions.

In addition to environmental awareness-raising actions with employees and the community, CGD's operations have translated into a definition of objectives and quantitative goals to reduce its environmental impact, focusing on optimising operational efficiency: energy, water consumption, mobility, waste, cost reductions and re-use of resources.

In 2016, CGD, SA continued to invest in environmental protection and management, totaling approximately €550 thousand, in terms of costs related to prevention, environmental management, and other environmental issues (eg waste, water).

ENVIRONMENTAL PERFORMANCE

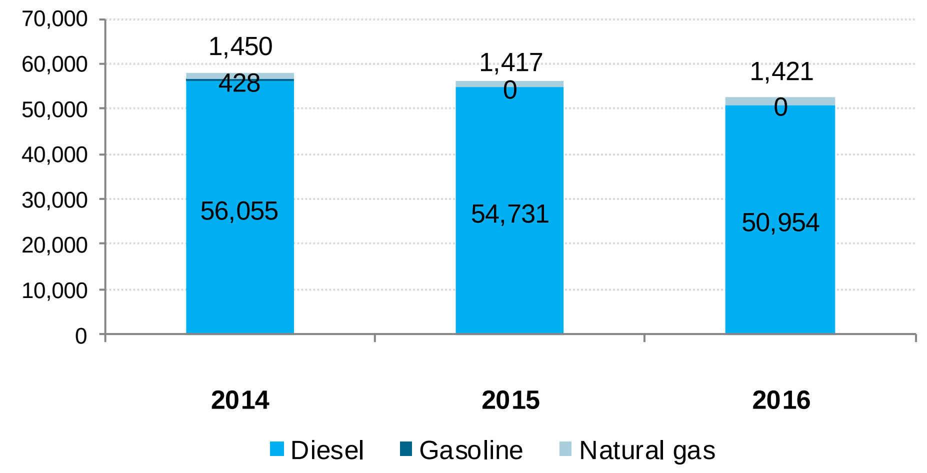
Caixa periodically monitors diverse environmental aspects in order to assess the impact of its activity on the environment.

Energy Consumption

Energy consumption of 316,017 GJ in the reporting year was down 6% over 2015. This reduction is due both to the evolution of the CGD activity and to the various measures of energy efficiency that CGD has implemented over the years and which it has continued to implement in 2016, associated with new lighting and more efficient air conditioning equipment. In the case of on-the-job mobility, CGD continues to encourage its employees to use public transport and distance communication media such as videoconferencing.

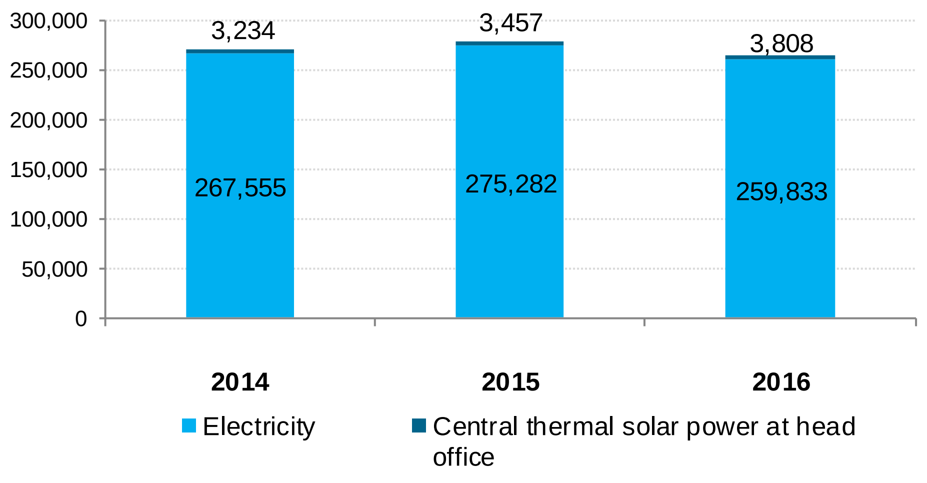
DIRECT ENERGY CONSUMPTION

(GJ)



INDIRECT ENERGY CONSUMPTION

(GJ)



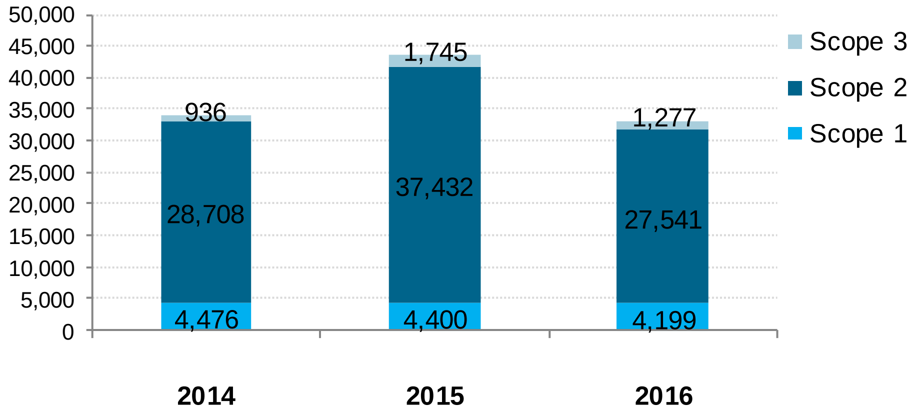
CGD headquarters continued to generate renewable energy from the solar panel installations on its roof and photovoltaic energy on its branch office network, in 2016, thus helping to reduce the national grid's carbon footprint. Solar power generated by CGD headquarters was up over 2015. All of the photovoltaic energy generated on the branch office network is sold to the national grid.

Emissions of greenhouse gas

CGD, in the sphere of its Low Carbon programme, has maintained its commitment to calculate the greenhouse gas emissions associated with its activity in accordance with Greenhouse Gas Protocol (GHG Protocol) guidelines.

EMISSIONS OF GREENHOUSE GAS

(tonnes of CO2e)



Caixa's greenhouse gas emissions, in 2016 – corresponding to a carbon intensity of 3.93 tCO2e/employee and 0.030 tCO2e/thousand euros of total operating income – totalled 33,017 tonnes of CO2e (tCO2e).

There was an overall reduction of greenhouse gas emissions of around 24% over 2015. This was more expressive in the case of *Scope 3* greenhouse gas emissions (associated on with on-the-job travel and waste management).

In the sphere of its Low Carbon Programme, CGD offsets part of the greenhouse gas emissions generated by CGD S.A.'s activity, namely associated with its commercial vehicles fleet; Caixa Geral de Depósitos Culturgest Lisbon and Porto Foundation (electricity and waste disposal); waste processing at CGD headquarters; and Caixa Empresas publications. In 2016, CGD will offset 3,124 t CO_2, based on its use of carbon credits from renewable energy projects. More information on offsetting operations has been published in CGD's annual sustainability report.

Caixa participates voluntarily in the climate change questionnaire mentored by CDP and, in 2016, for the sixth consecutive year, achieved a leading position, having been recognised for its carbon emissions management actions and its transparent approach to climate change. It is the only Portuguese company in the financial sector on the Climate A List.

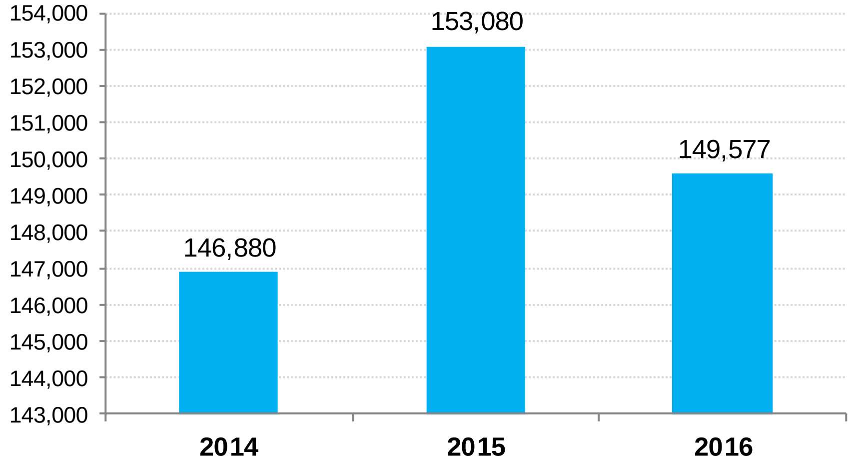
As part of a collaborative approach to climate change with its suppliers, CGD participated in the CDP Supply Chain programme in 2015, of whose results participants were informed in 2016. 63% of CGD suppliers participating in the CDP Supply Chain programme reported risks associated with climate change.

Water Consumption

CGD is concerned to encourage the efficient consumption of water resources on its premises having installed diverse water consumption reduction systems in its central buildings over the years. Water consumption was down 2% over 2015, in these buildings.

WATER CONSUMPTION

(m^3)



Material Consumption

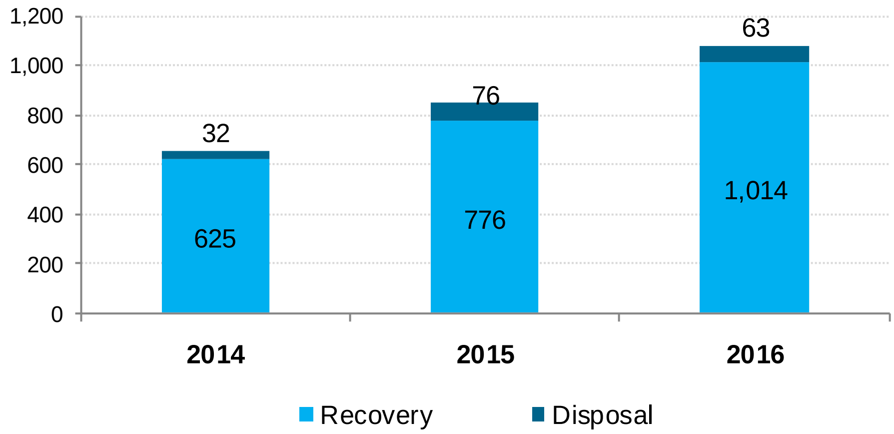
CGD's activity mainly consumes white paper. 537 tonnes of white photocopying paper, 38 tonnes of paper in the form of bank passbooks and 102 tonnes of envelopes were consumed in 2016. To control its consumption of materials, CGD controls the consumption of other materials such as plastic bank cards and cups.

Waste Management

CGD's activity produced 1,077 tonnes of waste in 2016, up 26% over 2015. The main two reasons for this increase are related with the increase in waste sent for processing associated with the elimination of paper from the Sacavém archives and changes in the collection of biodegradable waste from the kitchen and canteens.

WASTE PRODUCTION BY DESTINATION

(tonnes)



ENVIRONMENTAL AWARENESS

CGD has taken several steps to raise the awareness of its customers, suppliers and society of environmental problems such as climate change, the scarcity of resources and conservation of biodiversity.

Internal awareness

Internally, CGD maintained its in-house awareness-raising campaign geared to encouraging the adoption of good environmental practice with the display of posters on several floors of its HQ building; the supply of a dossier on environmental system practices (EMS) to resident suppliers; inclusion of contents on the EMS in the leaflet welcoming new employees which is distributed at the time of the mandatory visiting programme to the building, in addition to keeping its tutorial on the EMS active and making it available to all CGD employees.

Across the year and also in the sphere of the EMS, a centralised procedure for the collection of plastic bottle tops for charitable purposes was implemented in CGD's HQ building.

Floresta Caixa (Caixa Forest)

CGD assumes responsibility for the defence and preservation of the natural resources common to all citizens and Caixa Forest is one of the emblematic educational programmes managed by it on behalf of younger people.

Reforestation work continued to be carried out on the Tapada Nacional de Mafra across the year, with more than 310 trees having been planted in the Barroca/Encosta do Assobio zone, with the participation of schools in the municipal district of Mafra. 85% of the objective of planting 700 trees was achieved.

To commemorate Autochthonous Forest Day and Caixa Forest's 10th anniversary, CGD published a book for children entitled: "The Story of the Prince who was a King" which deals with the history of the Tapada de Mafra and strengthens our association with Portugal's natural heritage.

Partnership with the Zoo

CGD is the official sponsor of the Pedagogical Centre of the Lisbon Zoological Gardens that, in 2016, received around 75,000 visitors. In maintaining this partnership, CGD is actively involved in the conservation of nature and the planet's inhabitability for its species, helping to promote the environmental education of the younger generation.

Based on International Day of the Family commemorations, CGD organised a family-friendly pedagogical action for 3,504 visitors in the zoological gardens.

4,413 CGD customers also took up their entitlement to purchase tickets at special rates

Recycling of bank cards

CGD has developed a bank card recycling project designed to reduce a part of the environmental impacts deriving from its activity, in the sphere of its Environmental Management System.

Around 5.4 metric tonnes of cards were sent for recycling in 2016, accompanied by the first delivery of urban furniture under the terms of the project.

This project was distinguished, in 2016, in the "Environment: Reduction of Impacts" category of the Recognition of SR Practices initiative organised by APEE - Associação Portuguesa de Ética Empresarial.

This project has aroused enormous interest in the community and was selected as an example in the ECO.NOMIA portal, which is a Ministry of the Environment initiative on the issue of the “Circular Economy”.

An episode of Quercus’s “Minuto Verde” programme, exclusively dedicated to this project was also broadcast by RTP.

"Projecting the future: Education for Sustainability" conference

With the objective of encouraging thought and disseminating good sustainable development examples, CGD sponsored the “Projecting the Future: Education for Sustainability” conference, which was held at Culturgest’s small auditorium.

The conference was attended by 111 participants, including important representatives in the Education for Sustainable Development area on a European level, such as Roland Gérard from the “École et Nature” programme, “CFEEDD” and Julia Heiss, from the UNESCO secretariat in Paris, the “Global Action Programme on ESD”. The event’s opening session was attended by José Sá Fernandes, councillor of the "Green Structure and Energy” of Lisbon city hall, Jean-François Blarel, the French Ambassador and João Pedro Matos Fernandes, Minister of the Environment.

Lisbon Green Hackathon 2016

CGD was the main sponsor of the Lisbon Green Hackathon 2016 initiative. This event is part of an international Green Hackathon series, organised by Oficina das Energias that includes MSc students of the Integrated Masters in Energy and Environmental Engineering course of the Science Faculty of Lisbon University and enjoys the support of the Geographical Engineering, Geophysics and Energy Department.

This hacker-based Sustainability approach comprises an intensive 24 hours marathon, with 40 participants in 10 teams, who developed ideas for a greener future, creation and presentation of prototypes to a jury.

HISTORICAL, CULTURE AND HERITAGE

In furthering its policy of involvement with the community, Caixa continued to invest in promoting culture.

Caixa Geral de Depósitos - Culturgest Foundation

In 2016, the Caixa Geral de Depósitos - Culturgest Foundation sponsored projects for around € 1,104 thousand, having, inter alia, continued to back various projects in diverse areas - music, arts and letters, cinema and documentaries, photography and journalism.

MAIN ACTIVITIES IN 2016

	No. shows/ activities	No. sessions
Music	30	30
Theatre	14	50
Dance	9	18
Cinema	-	144
Conferences and readings	11	35
Educational service	525	-
Courses and visits	10	24
Exhibitions - Lisbon and Oporto Galleries	10	-

Historical Heritage

CGD's Historical Heritage Office (GPH) helps to safeguard, preserve and disclose information on CGD's heritage, enabling the reconstitution of CGD's culture and its evolution. Its large collection enhances the knowledge of people in general regarding banking activity and its evolution.

In providing information on CGD's history, it makes the Bank's heritage available to people, researchers, students and culture; helps to preserve the memory of how money and banking have developed while, at the same time, helping to strengthen the image of a responsible corporate citizen, interested in its public and the community of which it is a member.

The Historical Heritage Office comprises 3 specific areas: Historical Archive, Museum and Collectors' Items and Libraries.

The Historical Archives area includes the Historical Archives of CGD and the former BNU. Several works were carried out in this area across 2016, of which particular reference should be made to the document classification operations (in line with international ISAD (G) rules issued by the International Council on Archives) of the CGD Fund relative to Mutualist Agricultural Savings Institutions (CCAM), the BNU Fund in respect of Human Resources and Social Action, the Fiduciary Fund, Acquired Banks and Statutory Bodies and CGD's Photography Archive with the completion of the Internal Public Relations photography archive and first External Public Relations processing stage. An exhibition was also organised at the Belém branch, to mark the occasion of the commemoration of CGD's 140th anniversary.

The area also published texts produced by employees and in the European Association for Banking History (EABH) magazine on "Banks and Buildings", in the form of an article entitled: "Caixa Geral de Depósitos – Sustainable Architecture".

The Museum and Collectors' Items area that houses the museological collection, renewed labels and cleaned the zincographs and printing presses, undertook museological classifications and oversaw the request for the loan of the 16th century tapestry: "Vasco da Gama's Arrival in Calicut" for the "In Search of Utopia" exhibition at Belgium's Leuven Museum.

The main functions of the Libraries and "Mediatheque" (multimedia library) areas are to manage the Overseas Library and the Vieira Machado Library, both of which headquartered in Lisbon; overseeing and supervising the 9 external libraries (mediatheques) headquartered in Mozambique (3 mediatheques), Cape Verde (3 mediatheques), S. Tomé e Príncipe (2 mediatheques) and East Timor (1 mediatheque); reinvigorating libraries and mediatheques; helping to set up overseas mediatheques, either belonging to CGD or third parties in accordance with instructions from higher authority.

As regards the performance of activities, in 2016, reference should be made to the selection, acquisition and documentary classification of all bibliographical works acquired for the 9 mediatheques (3 in Mozambique, 3 in Cape Verde, 2 in São Tomé e Príncipe and 1 in East Timor), and the magazines of the Overseas Library; oversight, management and monitoring of mediatheques; technical missions to the mediatheques in Cape Verde and S. Tomé e Príncipe; production of a project for the expansion of the Praia mediatheque; change of installations of the Maputo mediatheque; collaboration on the production of a masters thesis entitled: “The Mediatheques of Caixa Geral de Depósitos – Case Study of S. Tomé e Príncipe 2004-2016”; production of texts providing information on the collection of the Overseas Library and the activity of the mediatheques; in addition to setting up a service to assist the visually impaired at the Praia and Mindelo mediatheques.

In promoting the economic development of the countries in which it provides a banking activity, CGD also aims, with this project, to provide its customers and general public with easy access to a huge range of information, both necessary and pertinent to their formative and intellectual development. The objective behind this project has always been related with the opening of the market to business units, in the form of social responsibility.

Facilitating access to cultural development, providing scarce resources in the regions, exploiting the synergies afforded by the existing commercial structure, as aspects valued by Portuguese Cooperation and the Camões Institute, were naturally accompanied by access to information and knowledge, the advance of human capital, the integral development of populations, divulgence of the Portuguese language and promotion of its use.

More detailed sustainability information is available in the Sustainability Report 2016, 2016 GRI Content Index, Sustainability Indicators 2016 and Methodological Notes 2016 available in the sustainability area at www.cgd.pt.

1.9. Closing Remarks

On 31 May 2016, Maria João Borges Carioca Rodrigues and Nuno Maria Pinto de Magalhães Fernandes Thomaz ceased functions as members of the Board of Directors and Executive Committee, following their resignation. The remaining members in functions presented their resignation on 21 June 2016, being 31 July 2016 the date of termination of their service.

On 26 July the Minister of Finance wrote to CGD's Board of Directors, asking it to remain in office for a further month up to the end of August, to permit the successful completion of the procedure for the appointment of the new Board of Directors, which was formally initiated on 22 July 2016. The acting Board expressed its availability to remain in office up to 31 August 2016.

On 31 August 2016, the members of Caixa Geral de Depositos´ statutory bodies for the period 2016-2019 were appointed as follows:

<u>Board of the Shareholder's Meeting</u>

President: Paulo Mota Pinto

Vice-President: Elsa Roncon Santos

Secretary: José Lourenço Soares

<u>Board of Directors</u>

Chairman: António Domingues

Vice-chairman: Emílio Rui da Veiga Peixoto Vilar

Executive Members:

Emídio José Bebiano e Moura da Costa Pinheiro

Henrique Cabral de Noronha e Menezes

João Paulo Tudela Martins

Paulo Jorge Gonçalves Pereira Rodrigues da Silva

Pedro Humberto Monteiro Durão Leitão

Tiago Ravara Belo de Oliveira Marques

Non-executive Members:

Angel Corcóstegui Guraya

Herbert Walter

Pedro Lopo de Carvalho Norton de Matos

<u>Supervisory Board</u>

Chairman: Guilherme Valdemar Pereira de Oliveira Martins

Members: António Luís Traça Borges de Assunção

Luis Manuel Baptista Branco

Deputy: Manuel Sotto-Mayor Coelho de Sousa

On 28 November 2016 António Domingues submitted his resignation as Chairman of the Board of Directors. At the same date also submitted their resignation as members of the Board of Directors Emídio José Bebiano e Moura da Costa Pinheiro, Henrique Cabral de Noronha e Menezes, Paulo Jorge Gonçalves Pereira Rodrigues da Silva, Pedro Lopo de Carvalho Norton de Matos, Angel Corcóstegui Guraya and Herbert Walter.

The term of office of Pedro Humberto Monteiro Durão Leitão and Tiago Ravara Belo de Oliveira Marques, members of the Board of Directors of CGD, S.A., previously elected for the period 2016-2019 was extinguished, with effect from 31 January 2017.

On 31 January 2017 the following members of the Board of Directors of CGD, S.A. were elected for the 2017-2020 period of office:

Non-executive Chairman: Emílio Rui da Veiga Peixoto Vilar

Vice-chairman and CEO: Paulo José de Ribeiro Moita de Macedo

Executive members:

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

At the same date, it was decided that all members of the Board of Directors were taking up office on 01 February 2017, except for Maria João Borges Carioca Rodrigues who should take up office on 06 March 2017.

On 17 March 2017 the following non-executive members of the Board of Directors of CGD, S.A. were elected for the 2017-2020 period, with effect from 20 March 2017:

Non-executive members:

Ana Maria Machado Fernandes

Maria dos Anjos Melo Machado Nunes Capote

João José Amaral Tomaz

José Maria Monteiro de Azevedo Rodrigues

Concerning the Supervisory Board on 12 December 2016 CGD announced that Manuel Baptista Branco and Manuel Sotto-Mayor Coelho de Sousa submitted their resignation as, respectively, member and deputy member of the referred to board. On 24 April 2017 Manuel Lázaro Oliveira de Brito and Nuno Filipe Abrantes Leal da Cunha Rodrigues were elected as member and deputy member respectively of the Supervisory Board.

1.10. Subsequent Events

During the 1st quarter of 2017 the members of the Board of Directors of CGD, S.A. for the 2017-2020 period of office were elected (see chapter 1.9. Closing Remarks).

On 4 January and 30 March 2017 it took place the two phases of CGD's recapitalization process described in chapter 1.5.2. Recapitalization Plan. The conclusion of these important phases of the referred to plan and subsequent solvency reinforcement allow Caixa to focus on the execution of its strategic plan 2017-2020 detailed in chapter 1.5.3. Strategic Plan.

1.11. Proposal for the Appropriation of Net Income

Pursuant to the terms of article 66 no. 5, sub-paragraph f) and article 376 of the Commercial Companies Code and article 33 of Caixa Geral de Depósitos's articles of association, it is proposed that CGD's separate net losses of €2,050,413,020 for the year be fully integrated into the "Other Reserves and Retained Earnings" balance sheet account.

Lisbon, 27 April 2017

Board of Directors

Chairman:

Emílio Rui da Veiga Peixoto Vilar

Deputy Chairman:

Paulo José Ribeiro Moita de Macedo

Members:

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

Ana Maria Machado Fernandes

Maria dos Anjos Melo Machado Nunes Capote

João José Amaral Tomaz

José Maria Monteiro de Azevedo Rodrigues

1.12. Declaration on the Conformity of the Financial Information Presented

Under the terms of sub-paragraph c) of no. 1 of article 245 of the Securities Market Code, we declare that the financial statements for 2016 and other accounting documents 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' report gives an accurate account of its business evolution and the performance and position of the referred to entities and contains a description of the principal risks and uncertainties they face.

Lisbon, 27 April 2017

Board of Directors

Chairman:

Emílio Rui da Veiga Peixoto Vilar

Deputy Chairman:

Paulo José Ribeiro Moita de Macedo

Members:

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

Ana Maria Machado Fernandes

Maria dos Anjos Melo Machado Nunes Capote

João José Amaral Tomaz

José Maria Monteiro de Azevedo Rodrigues

1.13. Separate and Consolidated Financial Statements

CAIXA GERAL DE DEPÓSITOS, SA

BALANCE SHEET (SEPARATE)

(EUR)

ASSETS	31-12-2016 Amounts before impairment, amortisation and depreciation	31-12-2016 Impairment and amortisation and depreciation	31-12-2016 Net assets	31-12-2015 Net assets (pro-forma)	01-01-2015 Net assets (pro-forma)	LIABILITIES AND EQUITY	31-12-2016	31-12-2015 (pro-forma)	01-01-2015 (pro-forma)
Cash and cash equivalents at central banks	867,353,054	-	867,353,054	1,773,856,681	1,201,671,351	Resources of central banks	2,090,869,446	1,342,753,278	1,606,621,698
Cash balances at other credit institutions	372,437,105	-	372,437,105	463,820,995	419,994,761	Financial liabilities held for trading	1,675,736,682	1,706,524,417	2,171,879,513
Financial assets held for trading	6,421,549,004	-	6,421,549,004	2,578,228,584	2,225,763,404	Resources of other credit institutions	3,862,999,211	4,364,064,438	4,413,264,954
Other financial assets at fair value through profit or loss	547,813,357	-	547,813,357	570,118,126	584,021,929	Customer resources and other loans	58,649,320,230	61,950,120,128	61,761,688,826
Available-for-sale financial assets	9,601,757,238	(571,843,829)	9,029,913,409	17,200,895,138	17,878,654,218	Debt securities	4,216,640,865	6,686,130,948	7,120,411,742
Financial assets with repurchase agreement	421,943,549	-	421,943,549	770,710,862	1,094,405,815	Financial liabilities associated with transferred assets	4,087,764,305	4,347,759,072	4,567,390,845
Loans and advances to credit institutions	4,187,897,166	(7,125,000)	4,180,772,166	4,937,541,462	3,645,595,429	Hedging derivatives	2,196,746	15,290,889	20,040,095
Loans and advances to customers	57,118,250,411	(5,076,157,753)	52,042,092,658	54,390,609,766	56,168,287,837	Provisions	1,073,415,829	867,698,386	717,278,453
Hedging derivatives	9,541,270	-	9,541,270	46,468,319	80,307,888	Current tax liabilities	10,693,451	8,038,132	2,378,843
Non-current assets held for sale	530,116,913	(188,631,323)	341,485,590	386,812,900	377,740,213	Deferred tax liabilities	152,158,782	120,471,381	149,803,876
Investment properties	3,336,623	-	3,336,623	3,000,623	2,950,623	Other subordinated liabilities	2,622,284,634	2,604,404,329	2,606,273,352
Other tangible assets	1,224,462,680	(905,526,804)	318,935,876	347,940,082	378,349,512	Other liabilities	2,047,083,595	1,957,061,319	1,698,383,327
Intangible assets	709,509,439	(631,727,320)	77,782,119	81,038,423	85,527,243	Total Liabilities	80,491,163,776	85,970,316,717	86,835,415,524
Investments in associates, subsidiaries and joint ventures	4,450,277,453	(785,944,699)	3,664,332,754	3,765,078,021	3,321,219,760	Share capital	5,900,000,000	5,900,000,000	5,900,000,000
Current tax assets	9,548,262	-	9,548,262	15,637,964	22,763,497	Revaluation reserves	115,882,937	368,024,607	473,928,811
Deferred tax assets	2,319,512,461	-	2,319,512,461	1,262,862,974	1,265,465,201	Other reserves and retained earnings	(1,548,481,165)	(1,601,928,993)	(1,722,182,125)
Other assets	2,737,099,309	(457,296,038)	2,279,803,271	2,230,580,295	2,734,443,529	Net income for the year	(2,050,413,020)	188,788,884	-
						Total Equity	2,416,988,752	4,854,884,498	4,651,746,686
Total Assets	91,532,405,294	(8,624,252,766)	82,908,152,528	90,825,201,215	91,487,162,210	**Total Liabilities and Equity**	82,908,152,528	90,825,201,215	91,487,162,210

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

Chairman

Emílio Rui da Veiga Peixoto Vilar

Deputy Chairman

Paulo José de Ribeiro Moita de Macedo

Members

Francisco Ravara Cary

João Paulo Tudela Martins

José António da Silva de Brito

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CAIXA GERAL DE DEPÓSITOS, SA

INCOME STATEMENT (SEPARATE)

(EUR)

	31-12-2016	31-12-2015 (pro-forma)
Interest and similar income	1,939,389,109	2,241,502,687
Interest and similar costs	(1,274,441,155)	(1,617,336,475)
NET INTEREST INCOME	664,947,954	624,166,212
Income from equity instruments	57,539,861	438,591,911
Income from services and commissions	435,054,897	440,284,516
Costs of services and commissions	(85,573,242)	(92,769,052)
Net results of assets and liabilities measured at fair value through profit or loss	(76,088,917)	88,799,414
Net gain on available-for-sale financial assets	95,464,157	210,871,999
Net foreign exchange revaluation gain	13,450,422	12,570,457
Net gain on the sale of other assets	(17,159,230)	147,592,889
Other operating income	10,237,620	34,240,232
TOTAL OPERATING INCOME	1,097,873,522	1,904,348,578
Employee costs	(503,720,298)	(590,814,777)
Other administrative costs	(321,970,422)	(345,374,703)
Depreciation and amortisation	(65,774,525)	(69,508,172)
Provisions net of reversals	(300,150,685)	(27,530,230)
Credit impairment net of reversals	(2,229,282,009)	(481,480,842)
Impairment of other financial assets net of reversals	(187,833,939)	(95,650,143)
Impairment of other assets net of reversals	(372,888,849)	(3,691,722)
INCOME BEFORE TAX	(2,883,747,205)	290,297,989
Income tax		
Current	291,546,542	(84,915,451)
Deferred	541,787,643	(16,593,654)
	833,334,185	(101,509,105)
NET INCOME FOR THE YEAR	(2,050,413,020)	188,788,884
Average number of ordinary shares outstanding	1,180,000,000	1,180,000,000
Earnings per share (in Euros)	(1.74)	0.16

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

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CAIXA GERAL DE DEPÓSITOS, SA

STATEMENT OF COMPREHENSIVE INCOME (SEPARATE)

(EUR Thousand)

	31-12-2016	31-12-2015 (pro-forma)
Balances subject to reclassification to profit or loss		
Adjustments to fair value of available-for-sale financial assets		
Gains / (losses) arising during the year	(441,617)	(48,193)
Adjustments of fair value reserves reclassified to net income		
Impairment recognized in the year	190,202	113,292
Disposal of available-for-sale financial assets	(95,464)	(210,872)
Tax effect	94,737	39,869
Currency changes in Branches	(6,822)	(9,362)
Other	(150)	(43)
Subtotal	(259,114)	(115,309)
Balances not subject to reclassification to profit or loss		
Benefits to employees - actuarial gains and losses		
Change in the year	(165,854)	77,845
Tax effect	37,485	51,814
Subtotal	(128,368)	129,659
Total comprehensive net income for the year recognised in reserves	(387,482)	14,350
Net income for the year	(2,050,413)	188,789
Total comprehensive net income for the year	(2,437,895)	203,139

CAIXA GERAL DE DEPÓSITOS, SA

CASH FLOW STATEMENTS (SEPARATE)

(EUR Thousand)

OPERATING ACTIVITIES	31-12-2016	31-12-2015
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	2,421,600	2,723,812
Interest, commissions and similar costs paid	(1,148,442)	(1,577,055)
Recovery of principal and interest	12,874	13,774
Payments to employees and suppliers	(721,070)	(761,597)
Payments and contributions to pensions funds and other benefits	(102,350)	(100,823)
Other results	19,023	29,895
	481,636	328,005
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	2,820,081	206,483
Assets held for trade and other assets at fair value through profit or loss	(3,955,956)	(717,688)
Other assets	(284,216)	338,865
	(1,420,090)	(172,340)
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	250,211	(312,374)
Customer resources and other loans	(3,197,085)	423,139
Other liabilities	(185,488)	387,505
	(3,132,362)	498,270
Net cash from operating activities before taxation	(4,070,817)	653,935
Income tax	(49,822)	(22,330)
Net cash from operating activities	(4,120,639)	631,605
INVESTING ACTIVITIES		
Capital gains from subsidiary and associated companies	43,765	413,633
Capital gains from available-for-sale financial assets	13,775	30,569
Acquisition of investments in subsidiary and associated companies, net of disposals	(6,344)	(207,570)
Acquisition of available-for-sale financial assets, net of disposals	5,837,321	537,092
Acquisition of tangible and intangible assets, net of disposals	(40,435)	(36,596)
Net cash from investing activities	5,848,081	737,128
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(76,308)	(120,518)
Interest on debt securities	(213,288)	(225,055)
Issue of subordinated liabilities, net of repayments	(21,000)	-
Issue of debt securities, net of repayments	(2,400,871)	(424,206)
Net cash from financing activities	(2,711,467)	(769,779)
Increase (decrease) in cash and cash equivalents	(984,025)	598,954
Cash and cash equivalents at beginning of the year	2,223,258	1,621,666
Effects of the exchange rate change on cash and cash equivalents	557	2,638
Net change of cash and cash equivalents	(984,025)	598,954
Cash and cash equivalents at end of the year	**1,239,790**	**2,223,258**

CAIXA GERAL DE DEPÓSITOS, SA

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (SEPARATE)

(EUR Thousand)

	Share capital	Revaluation reserves				Other reserves and retained earnings			Net income for the year	Total
		Fair value reserves	Reserves for deferred tax	Fixed assets	Total	Legal reserve	Other reserves	Total		
Balances at December 31, 2014	5,900,000	500,349	(136,846)	110,425	473,929	862,906	(2,320,072)	(1,457,166)	(1,139,320)	3,777,442
Appropriation of net income for 2014:										
Transfer to reserves and retained earnings	-	-	-	-	-	-	(1,139,320)	(1,139,320)	1,139,320	-
Balances at January 1, 2015 (pro-forma)	5,900,000	500,349	(136,846)	110,425	473,929	862,906	(3,459,393)	(2,596,486)	-	3,777,442
Effects of accounting policy change (Notice 5/2015)	-	-	-	-	-	-	874,304	874,304	-	874,304
Other entries directly recorded in equity:										
Measurement gain / (losses) on available-for-sale financial assets	-	(145,773)	39,869	-	(105,904)	-	-	-	-	(105,904)
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	129,659	129,659	-	129,659
Currency changes in Branches	-	-	-	-	-	-	(9,362)	(9,362)	-	(9,362)
Net income for the year	-	-	-	-	-	-	-	-	188,789	188,789
Other	-	-	-	-	-	-	(43)	(43)	-	(43)
Total gains and losses for the year recognised in equity	-	(145,773)	39,869	-	(105,904)	-	120,254	120,254	188,789	203,139
Balances at December 31, 2015 (pro-forma)	5,900,000	354,576	(96,977)	110,425	368,025	862,906	(2,464,835)	(1,601,928)	188,789	4,854,884
Appropriation of net income for 2015:										
Transfer to reserves and retained earnings	-	-	-	-	-	2,442	186,347	188,789	(188,789)	-
Other entries directly recorded in equity:										
Measurement gain / (losses) on available-for-sale financial assets	-	(346,878)	94,737	-	(252,142)	-	-	-	-	(252,142)
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	(128,368)	(128,368)	-	(128,368)
Currency changes in Branches	-	-	-	-	-	-	(6,822)	(6,822)	-	(6,822)
Net income for the year	-	-	-	-	-	-	-	-	(2,050,413)	(2,050,413)
Other	-	-	-	-	-	-	(150)	(150)	-	(150)
Total gains and losses for the year recognised in equity	-	(346,878)	94,737	-	(252,142)	-	(135,341)	(135,341)	(2,050,413)	(2,437,895)
Balances at December 31, 2016	5,900,000	7,698	(2,240)	110,425	115,883	865,348	(2,413,829)	(1,548,480)	(2,050,413)	2,416,990

CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED BALANCE SHEET

(EUR)

ASSETS	Notes	31-12-2016 Amounts before impairment, amortisation and depreciation	31-12-2016 Impairment, amortisation and depreciation	31-12-2016 Net assets	31-12-2015 Net assets	LIABILITIES AND EQUITY	Notes	31-12-2016	31-12-2015
Cash and cash equivalents at central banks	4	1,840,559,558	-	1,840,559,558	2,879,644,947	Resources of central banks and other credit institutions	20	5,799,711,598	5,433,070,365
Cash balances at other credit institutions	5	757,725,926	-	757,725,926	773,163,078	Customer resources and other loans	21	69,680,129,918	73,426,264,596
Loans and advances to credit institutions	6	3,224,921,545	(7,125,000)	3,217,796,545	4,011,514,933	Debt securities	22	4,183,728,713	6,700,080,595
		5,823,207,029	(7,125,000)	5,816,082,029	7,664,322,958			73,863,858,631	80,126,345,191
Financial assets at fair value through profit or loss	7	7,153,925,169	-	7,153,925,169	3,365,876,836	Financial liabilities at fair value through profit or loss	10	1,695,481,388	1,738,596,859
Available-for-sale financial assets	8	7,908,387,688	(478,875,921)	7,429,511,767	15,620,441,746	Hedging derivatives	10	2,196,746	10,811,589
Financial assets with repurchase agreement	9	800,419,488	(687,907)	799,731,581	1,081,165,720	Non-current liabilities held for sale	13	693,368,617	-
Hedging derivatives	10	9,541,270	-	9,541,270	46,468,319	Provisions for employee benefits	23	613,093,998	642,958,345
Held-to-maturity investments	11	433,130,778	-	433,130,778	-	Provisions for other risks	23	514,217,921	349,505,535
		16,305,404,393	(479,563,828)	15,825,840,565	20,113,952,621	Current tax liabilities	18	50,784,075	15,863,740
Loans and advances to customers	12	68,500,222,281	(5,633,396,793)	62,866,825,488	65,759,032,656	Deferred tax liabilities	18	191,045,337	253,224,010
Non-current assets held for sale	13	1,948,171,043	(522,099,304)	1,426,071,739	830,401,601	Other subordinated liabilities	24	2,424,133,457	2,428,925,499
Investment properties	14	978,263,387	-	978,263,387	1,125,044,372	Other liabilities	25	3,816,579,962	3,718,456,505
Other tangible assets	15	1,649,019,170	(1,072,516,350)	576,502,820	619,369,853	Total liabilities		89,664,471,730	94,717,757,638
Intangible assets	16	848,837,413	(732,658,920)	116,178,493	135,031,733	Share capital	26	5,900,000,000	5,900,000,000
Investments in associates and jointly controlled entities	17	312,337,565	-	312,337,565	277,495,750	Fair value reserves	27	(38,346,901)	258,815,935
Current tax assets	18	41,778,055	-	41,778,055	37,126,344	Other reserves and retained earnings	27	(983,706,284)	(690,701,792)
Deferred tax assets	18	2,545,785,070	-	2,545,785,070	1,473,917,513	Net income attributable to the shareholder of CGD	27	(1,859,522,727)	(171,452,959)
Other assets	19	3,444,497,111	(402,849,457)	3,041,647,654	2,865,771,882	Equity attributable to the shareholder of CGD		3,018,424,088	5,296,661,184
						Non-controlling interests	28	864,417,047	887,048,461
						Total equity		3,882,841,135	6,183,709,645
Total assets		102,397,522,517	(8,850,209,652)	93,547,312,865	100,901,467,283	**Total liabilities and equity**		93,547,312,865	100,901,467,283

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

Chairman

Emílio Rui da Veiga Peixoto Vilar

Deputy Chairman

Paulo José de Ribeiro Moita de Macedo

Members

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

Ana Maria Machado Fernandes

Maria dos Anjos Melo Machado Nunes Capote

João José Amaral Tomaz

José Maria Monteiro de Azevedo Rodrigues

CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED INCOME STATEMENT

(EUR)

	Notes	31-12-2016	31-12-2015 (pro-forma)
Interest and similar income	29	2,628,031,676	2,904,572,000
Interest and similar expenses	29	(1,483,164,080)	(1,819,871,000)
Income from equity instruments	30	52,388,866	74,266,993
NET INTEREST INCOME		1,197,256,462	1,158,967,993
Income from services rendered and commissions	31	584,068,272	621,565,000
Cost of services and commissions	31	(120,489,112)	(123,408,000)
Results from financial operations	32	79,456,870	345,857,000
Other operating income	33	(193,141,130)	(4,172,000)
TOTAL OPERATING INCOME		1,547,151,362	1,998,809,993
Employee costs	34	(705,850,024)	(803,948,000)
Other administrative costs	36	(439,615,216)	(458,302,000)
Depreciation and amortisation	15 and 16	(94,870,317)	(102,413,000)
Provisions net of reversals	23	(232,828,581)	(37,211,037)
Loan impairment net of reversals and recoveries	37	(2,396,398,765)	(556,206,000)
Other assets impairment net of reversals and recoveries	37	(387,714,049)	(121,987,348)
Results of subsidiaries held for sale	13	10,820,621	8,705,000
Results of associates and jointly controlled entities	17	47,479,786	47,098,830
INCOME BEFORE TAX AND NON CONTROLLING INTERESTS		(2,651,825,183)	(25,453,562)
Income tax			
Current	18	247,019,132	(147,729,000)
Deferred	18	579,634,628	91,642,000
		826,653,760	(56,087,000)
CONSOLIDATED NET INCOME FOR THE YEARS of which:		(1,825,171,423)	(81,540,562)
Non-controlling interests	28	(34,351,304)	(89,912,000)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD		(1,859,522,727)	(171,452,562)
Average number of ordinary shares outstanding	26	1,180,000,000	1,180,000,000
Earnings per share (in Euros)		(1.58)	(0.15)

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

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CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR Thousand)

	31-12-2016			31-12-2015		
	Continuing operations	Discontinued or discontinuing operations	Total	Continuing operations	Discontinued or discontinuing operations	Total
Amounts that may be reclassified to net income						
Adjustments to fair value of available-for-sale financial assets						
Gains / (losses) arising during the year	(468,682)	591	(468,091)	(99,195)	(693)	(99,889)
Adjustments of fair value reserves reclassified to net income						
Impairment recognized in the year for available-for-sale financial assets	146,125	-	146,125	65,318	-	65,318
Disposal of available-for-sale financial assets	(93,985)	-	(93,985)	(204,159)	-	(204,159)
Tax effect	102,880	(399)	102,481	59,723	315	60,038
Foreign exchange difference						
Gains / (losses) arising during the year	(29,970)	22,526	(7,444)	(139,140)	(23,783)	(162,923)
Adjustments of exchange reserves reclassification to results						
Impairment recognized in the year for available-for-sale financial assets						
- Investment units in foreign currency	(3,011)	-	(3,011)	4,797	-	4,797
Tax effect	824	-	824	(1,312)	-	(1,312)
Other	(8,172)	-	(8,172)	(16,704)	-	(16,704)
	(353,990)	22,718	(331,272)	(330,672)	(24,161)	(354,833)
Amounts that will be not reclassified to net income						
Employee benefits - actuarial gains and losses						
Gains / (losses) arising during the year	(165,854)	-	(165,854)	77,845	-	77,845
Tax effect	37,485	-	37,485	51,814	-	51,814
	(128,368)	-	(128,368)	129,659	-	129,659
Total comprehensive net income for the year recognised in reserves	(482,358)	22,718	(459,641)	(201,013)	(24,161)	(225,174)
Net income for the year	(1,835,992)	10,821	(1,825,171)	(90,246)	8,705	(81,541)
TOTAL COMPREHENSIVE NET INCOME FOR THE YEAR of which:	(2,318,351)	33,538	(2,284,812)	(291,259)	(15,456)	(306,715)
Non-controlling interests	8,500	-	8,500	(4,030)	-	(4,030)
TOTAL COMPREHENSIVE NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	(2,309,850)	33,538	(2,276,312)	(295,289)	(15,456)	(310,745)

CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED CASH FLOWS STATEMENTS

(EUR Thousand)

OPERATING ACTIVITIES	31-12-2016	31-12-2015
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	3,240,295	3,631,669
Interest, commissions and similar expenses paid	(1,418,609)	(1,818,036)
Recovery of principal and interests	19,211	21,786
Payments to employees and suppliers	(1,057,035)	(1,126,606)
Payments and contributions to pension funds and other benefits	(102,350)	(105,783)
Other results	72,439	113,423
	753,951	716,453
(Increases) decreases in operating assets		
Loans and advances to credit institutions and customers	2,784,540	(1,113,100)
Assets held for trade and other assets at fair value through profit or loss	(3,874,464)	(601,722)
Other assets	(572,792)	592,829
	(1,662,716)	(1,121,993)
Increases (decreases) in operating liabilities		
Resources of central banks and other credit institutions	355,385	(560,408)
Customer resources	(3,258,075)	2,505,364
Other liabilities	88,471	327,810
	(2,814,219)	2,272,765
Net cash from operating activities before taxation	(3,722,983)	1,867,225
Income tax	(134,397)	(103,484)
Net cash from operating activities	(3,857,380)	1,763,741
INVESTING ACTIVITIES		
Dividends received from equity instruments	52,389	74,267
Acquisition of investments in subsidiary and associated companies, net of disposals	(277,440)	(226,753)
Acquisition of available-for-sale financial assets, net of disposals	6,008,917	154,208
Acquisition of tangible and intangible assets and investment property, net of disposals	(102,324)	(93,667)
Net cash from investing activities	5,681,542	(91,945)
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(76,939)	(120,857)
Interest on debt securities	(213,622)	(227,697)
Issue of subordinated liabilities, net of repayments	(42,168)	-
Issue of debt securities, net of repayment	(2,406,669)	(453,102)
Net cash from financing activities	(2,739,398)	(801,656)
Increase (decrease) in cash and cash equivalents	(915,237)	870,140
Cash and cash equivalents at the beginning of the year	3,652,808	2,996,326
Transfer of balances to non-current assets held for sale	(21,272)	-
Foreign exchange differences in cash and cash equivalents	(118,014)	(213,658)
Net change of cash and cash equivalents	(915,237)	870,140
Cash and cash equivalents at the end of the year	2,598,285	3,652,808

CAIXA GERAL DE DEPÓSITOS, SA

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR Thousand)

			Other reserves and retained earnings						
	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Net income for the year	Subtotal	Non-controlling interests	Total
Balances at December 31, 2014	5,900,000	411,810	1,814,558	(2,252,495)	(437,937)	(348,044)	5,525,829	966,931	6,492,760
Appropriation of net income for 2014:									
Transfer to reserves and retained earnings	-	-	791,276	(1,139,320)	(348,044)	348,044	-	-	-
Other entries directly recorded in equity:									
Gain/(losses) on available-for-sale financial assets	-	(152,994)	(21,568)	-	(21,568)	-	(174,562)	(4,130)	(178,692)
Employee benefits - actuarial gains and losses	-	-	129,659	-	129,659	-	129,659	-	129,659
Foreign currency differences in subsidiaries and branches	-	-	(77,039)	-	(77,039)	-	(77,039)	(82,399)	(159,438)
Other	-	-	(17,351)	-	(17,351)	-	(17,351)	647	(16,704)
Net income for the year	-	-	-	-	-	(171,453)	(171,453)	89,912	(81,541)
Total gains and losses for the year recognised in equity	-	(152,994)	13,701	-	13,701	(171,453)	(310,745)	4,030	(306,715)
Written-put over non controlling interests - Partang	-	-	81,578	-	81,578	-	81,578	(64,447)	17,131
Investments carried out by non-controlling interests	-	-	-	-	-	-	-	(567)	(567)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(18,899)	(18,899)
Reclassifications between reserves and retained earnings	-	-	(482)	482	-	-	-	-	-
Balances at December 31, 2015	5,900,000	258,816	2,700,632	(3,391,333)	(690,702)	(171,453)	5,296,661	887,048	6,183,710
Appropriation of net income for 2015:									
Transfer to reserves and retained earnings	-	-	(171,453)	-	(171,453)	171,453	-	-	-
Other entries directly recorded in equity:									
Gain/(losses) on available-for-sale financial assets	-	(297,163)	(14,869)	-	(14,869)	-	(312,032)	(1,437)	(313,469)
Employee benefits - actuarial gains and losses	-	-	(128,368)	-	(128,368)	-	(128,368)	-	(128,368)
Foreign currency differences in subsidiaries and branches	-	-	26,073	-	26,073	-	26,073	(35,705)	(9,632)
Other	-	-	(2,462)	-	(2,462)	-	(2,462)	(5,710)	(8,172)
Net income for the year	-	-	-	-	-	(1,859,523)	(1,859,523)	34,351	(1,825,171)
Total gains and losses for the year recognised in equity	-	(297,163)	(119,626)	-	(119,626)	(1,859,523)	(2,276,312)	(8,500)	(2,284,812)
Written-put over non-controlling interests - Mercantile	-	-	(1,925)	-	(1,925)	-	(1,925)	-	(1,925)
Entry of companies in the consolidation perimeter	-	-	-	-	-	-	-	668	668
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(14,799)	(14,799)
Reclassifications between reserves and retained earnings	-	-	(1,115,832)	1,115,832	-	-	-	-	-
Balances at December 31, 2016	5,900,000	(38,347)	1,291,795	(2,275,501)	(983,706)	(1,859,523)	3,018,424	864,417	3,882,841

2. NOTES, REPORTS AND OPINIONS ON THE ACCOUNTS

2.1. Notes to the Consolidated Financial Statements

(Amounts expressed in thousands of 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.

At December 31, 2016, CGD operated a nationwide network of 717 branch offices, with a branch in France having 48 offices, a branch in Timor with 14 offices, a branch in Luxembourg with 2 offices and branches in Spain, London, New York, Cayman Islands, Zhuhai and Macau.

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 and 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, real estate, asset management, specialised credit, e-commerce and cultural activities. Caixa also has equity stakes in companies operating in non-financial sectors of the Portuguese economy.

The consolidated financial statements, at December 31, 2016, were approved by the Board of Directors on April 27, 2017.

CGD's financial statements, at December 31, 2016 and those of a part of its subsidiaries, associates and jointly controlled entities require the approval of their corresponding general meetings. Caixa's Board of Directors, however, considers that the financial statements used for the preparation of the consolidated accounts will be approved without any significant changes.

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

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 the Group's results.

In spite of having fulfilled almost all of its commitments, CGD continued to account for losses across the period 2013 to 2015. 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 levels of annual impairment. This was accompanied by an increase in regulatory requirements across the period, to strengthen capital ratios.

As a consequence, the efficiency levels were lower than initially agreed and CGD found itself unable to pay its Coco undertakings. The Portuguese state, accordingly, initiated a new negotiation process to ensure CGD's adequate recapitalization *vis-à-vis* its required solvency levels.

This involved the production of a strategic 4 year plan (2017-2020), based on a prudent macroeconomic scenario evidencing the capacity to generate a level of return on capital similar to that required of a private investor, with the current plan no longer considered as being state aid.

CGD's new Recapitalisation Plan comprised two stages, occurring at different times.

The first stage, completed on January 4, 2017, comprised:

- The use of free reserves and the legal reserve for the amount of €1,412,460 thousand 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 Coco bonds for the amount of €900,000 thousand (Note 24), plus the respective accrued interest for the amount of €45,148 thousand;
- A €6,000,000 thousand reduction in 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.

The second stage, completed on March 30, 2017, comprised:

- An increase in share capital of €2,500,000 thousand, through the issuance of 500,000,000 new ordinary shares with a nominal value of €5 each, subscribed for and paid up by the sole shareholder (Portuguese state) and the issuance of €500,000 thousand in securities representing Additional Tier 1 own funds, fully subscribed for by private investors.

Under the recapitalisation plan agreed upon conditions, Caixa will also issue additional subordinated debt instruments for the amount of €430,000 thousand within a period of 18 months from the date of this first issuance.

The completion of this important phase of the Recapitalization Plan and consequent strengthening of its solvency will enable Caixa to concentrate on implementing its strategic plan 2017-2020. This plan, designed to strengthen CGD's own funds solvency ratios, is based on four pillars:

Pillar 1

Pillar 1 focuses on restructuring CGD's asset portfolio and strengthening its risk management and governance models through the reduction of balance sheet risk, new credit management policies and new specialised recovery processes. For these purposes, the following measures shall be implemented:

a) Integrating finance and business priorities with risk management, namely in the context of strategy/risk appetite, budgeting and performance management;
b) Implementing a full three-lines-of-defense risk management model;
c) Improvement of the internal control system;
d) Revising all the risk management processes;
e) Adjustment of risk management models to the highest sector standards (SREP);
f) Implementation of a new risk-driven credit analysis model; and
g) Strengthening credit monitoring and recovery.

Pillar 2

The second pillar of the Strategic Plan focuses on the adjustment of the operational infrastructure of CGD to increase efficiency.

The key initiatives to be implemented in order to adjust the operational infrastructure focus on:

a) Adjusting the branch office network and central support areas;
b) Organisational restructuring;
c) Improving the management of Human Resources, including training; and
d) Improving service levels and customer service through process digitalization.

Pillar 3

Pillar 3 is centred on the restructuring of the international portfolio with the aim of focusing on selected geographies.

At the end of 2015, CGD's international portfolio was mainly composed of nine subsidiaries and nine branches. Within the overarching principle of reducing international risk and focusing on core geographies, the restructuring of the international portfolio is characterized by

a) Carrying out a focused approach and maintaining assets only in specific and pre-determined geographies, ensuring that a review of their business and governance models is undertaken in order to warrant a positive contribution to the Group's profitability;
b) Selling or rationalizing other geographies, ensuring a framework agreement to support domestic clients.

Pillar 4

Pillar 4 of the Strategic Plan focuses on the modernization of the commercial franchise of domestic operations to ensure sustainability.

The key initiatives of this pillar include:

a) The revision of the segmentation and upgrade of the retail offer;
b) Digitalization of the customer experience;
c) Revision of bancassurance and asset management models to support retail value propositions and the penetration of off-balance sheet products;
d) The definition of a plan to improve share of wallet (SoW) in small and medium sized enterprises (SMEs), capturing treasury and/or cash-management fees;
e) The introduction of a risk- and capital-adjusted performance management system; and,
f) Credit process optimization.

One of the conditions of CGD's recapitalization process defined in the agreement set between the Portuguese State and the European Commission, without being qualified as state aid was to carry out an independent valuation of the asset portfolio. The Executive Committee, herein, decided to review the assets portfolio, with reference to June 30, 2016, employing the criteria and assumptions that a private investor would use if intending to make a major investment in CGD. The criteria used also reflect the objective of reducing NPL (non-performing loans) levels, in order to increase the pace of deleveraging on such asset types. This different approach led to the revision of several impairment measurement criteria in force up to June 30, 2016.

The following asset categories were subject to review:

- Loans and advances to customers;
- Real estate assets;
- Securities portfolio;
- Other assets and contingencies.

For the purposes of the 2016 end of year accounts, a new exhaustive review of the criteria and methodologies used in the assets valuation exercise was undertaken, with a revaluation of the main customers subject to separate impairment assessments, backed by proposals issued by the Commercial and Recovery Divisions and revised by the Risk Management Division, in addition to a reassessment of the impairment on real estate by the Real Estate Business Division. The results were received by CGD's Executive

Committee, in due consideration of the occurrence of events following the date of the completion of the former review.

The impairment assessment criteria adopted resulted in an increase of the coverage rate of credit past due for more than 90 days from 102.2%, in December 2015, to 123.9% in December 2016.

This significant increase in impairment coverage will enable CGD to sustainedly and progressively reduce its non-performing credit, with a view to fulfilling its Strategic Plan 2017-2020.

In turn, the evolution of CGD's cost of credit risk reflects endeavours made to cover credit in default from 0.78% in December 2015 to 3.42% in December 2016.

2. ACCOUNTING POLICIES

2.1. Presentation Bases

The consolidated financial statements, at December 31, 2016, were prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted in the European Union, following European Council and Parliament Regulation 1606/2002(EC) of July 19, and Decree Law 35/2005 of February 17.

The preparation of the financial statements under IFRS requires the Executive Committee to formulate judgments, estimates and assumptions that affect the application of the accounting policies and value of assets, liabilities, income and costs. The Executive Committee was appointed on February 01, 2017, with the assumptions and criteria in the closure of the consolidated financial statements, with reference to December 31, 2016, taking into consideration the information collected from an internal analysis and contacts with the Bank of Portugal, European Central Bank and Ministry of Finance, in the sphere of the recapitalization process completed in March 2017 having been used. The associated estimates and assumptions are based on past experience and other factors considered to be reasonable in accordance with the circumstances and as a basis for judgments on amounts of assets and liabilities, when not evident from other sources.

The accounting policies described in this Note have been consistently applied across all of the periods set out in the financial statements.

2.2. Adoption of (new or revised) standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), as adopted by the European Union

Caixa adopted the standards and interpretations issued by the IASB and IFRIC, respectively, in the preparation of its financial statements, during the course of 2016, provided that the said standards were endorsed by the European Union, to be applied in the economic years beginning on or after January 01, 2016. The following changes were relevant to CGD:

- IAS 1 – "Presentation of Financial Statements" (amendment) – The framework of the changes made to the wording of IAS on 1 December 2014 aims to ensure the evolution and, in parallel, simplification of the normative requirements for the application of IAS/IFRS. This amended standard must be implemented in economic years beginning on or after January 01, 2016.

- "Annual Improvements to IFRS 2012-2014 Cycle"

  This document, published by the IASB in September 2014 aims to make a series of amendments to IFRS 5 – "Non-current assets held-for-sale and discontinued operations", IFRS 7 – "Financial instruments: Disclosures", IAS 19 – "Employee Benefits" and IAS 34 – "Interim Financial Reporting". The amendments made must be implemented in economic years beginning on or after January 01, 2016, although they may be adopted in advance. Reference should be made to the following amendments:

  - IFRS 7 – "Financial Instruments: Disclosures". These specific guidelines for the classification of continued servicing agreements in operations for the transfer of financial assets, as well as the disclosure requirements they must comply with.

  - IAS 19 – "Employee Benefits". This clarifies that the high quality debt issuances used as a benchmark for assessing the discount rate on liabilities for benefits, should be denominated in the same currency in which the liabilities are liquidated.

- IAS 27 – "Separate Financial Statements" (amendment). As a result of the changes made to the wording of this standard in August 2014, the IASB allowed the reintroduction of the possibility of the use of the equity accounting method to measure the value of investments in associates, joint investments and investments in subsidiaries, in the separate statements of an entity producing consolidated financial statements. The amendments made must be implemented in economic years beginning on or after January 01, 2016.

- IAS 16 – "Tangible fixed assets" and IAS 38 – "Intangible assets" (amendments). The changes made to the wording of these standards in June 2014, enable the clarification of what are considered to be acceptable methods for the depreciation of tangible and intangible fixed assets. The amendments to this standard must be implemented in economic years beginning on or after January 01, 2016.

- IFRS 11 – "Joint Arrangements" (amendment). The change made to the wording of this standard clarified that IFRS 3 is applicable to the initial accounting of joint interests (or latter increase thereof) whenever they comprise a business as previously designated in the same standard. The amendment to this standard must be implemented in economic years beginning on or after January 01, 2016.

- IFRS 10 – "Consolidated financial statements", IFRS 12 – "Disclosures of interests in other entities" and IAS 28 – "Investments in associates" (amendments). The objective of the changes to the wording of this standard in December 2014 is to clarify several issues related to the application of the exception in the consolidation attributed to investment entities, namely as regards the extending of the referred to exception to consolidation sub-groups or to entities providing services related to the Group's investment activities. The amendments to these standards must be implemented in economic years beginning on or after January 01, 2016.

The adoption of these standards, interpretations, amendments and revisions did not have any impact on the Group's equity.

The following standards and interpretations issued by the IASB and endorsed by the European Union were available for early adoption at December 31, 2016:

- IFRS 9 – "Financial instruments" (and subsequent amendments). The objective of this standard, initially published by the IASB in November 2009 and latterly republished in July 2014, was the staged replacement of the current wording of IAS 39 – "Financial Instruments: Recognition and measurement". Changes have been made to the current recognition and measurement criteria on financial assets, registration of impairment, application of hedge accounting (excluding macro hedging) and the derecognition of financial instruments. This standard must be implemented in economic years beginning on or after January 01, 2018, but may, with certain limitations, be adopted in advance.

- IFRS 15 – "Revenue from contracts with customers". This standard, published by the IASB in May 2014 specifies the form and timing of the recognition of revenue and also provides information on the prescribed disclosure requirements for entities subject to its application. IFRS 15 provides for a recognition model based on five principles whose application should be extendible to all contractual relationships entered into with customers. This standard must be implemented in economic years beginning on or after January 01, 2017.

The following standards and interpretations, as yet not endorsed by the European Union, were also issued up to the date of the approval of these financial statements:

- IFRS 14 – "Regulatory deferral accounts". This standard established the reporting requirements for entities adopting IFRS on regulatory deferral accounts for the first time.

- IFRS 16 – "Leases". This standard, published by the IASB in January 2016, changes and redefines the recognition, measurement and presentation principles on leasing operations, considering both from the viewpoint of the lessor and lessee. This standard must be implemented in economic years beginning on or after January 01, 2019.

- IFRS 10 – "Consolidated financial statements" and IAS 28 – "Investments in associates" (amendments). The changes made to the wording of these standards, derive from the existence of a conflict in the processing thereof in the sphere of a sale or a contribution of assets between the investor and the associate or a jointly controlled entity.

- IAS 12 – "Income tax" (amendments). The changes made to the wording of this standard in January 2016, aim to clarify the circumstances underlying the recognition of deferred tax assets on unrealised losses on debt instruments. The amendments to this standard must be implemented in economic years beginning on or after January 01, 2017.

- IAS 7 – "Statement of cash flows" (amendments). The changes made to the wording of this standard in January 2016 introduce additional disclosure requirements particularly geared to the financing components of institutions' activities. The amendments to this standard must be implemented in economic years beginning on or after January 01, 2017.

- IFRS 15 – "Revenue from contracts with customers" (amendments). These amendments introduce various clarifications to the wording of the standard with the aim of eliminating the possibility of divergent interpretations on several topics. The amendments to this standard must be implemented in economic years beginning on or after January 01, 2018.

- IAS 40 – "Investment properties" (amendments) – These amendments clarify that the change of recognition from or to an investment property should only be made when there is evidence of a change in the asset's use. The amendments to this standard must be implemented in economic years beginning on or after January 01, 2018.

- "Annual Improvements to IFRS 2014-2016 Cycle"

  These changes involve the clarification of several aspects related to IFRS 1 - "First time adoption of the International Financial Reporting Standards" and eliminates several short term exemptions and IFRS 12 - "Disclosures on interests in other entities": clarifying the scope of the standard as regards its application to interests recognised as being held-for-sale or for discontinuation under IFRS 1. The proposed changes to IFRS 1 must be implemented in economic years beginning on or after January 01, 2018 and the proposed changes to IFRS 12 in economic years beginning on or after January 01, 2017.

- IFRIC 22 – "Foreign currency transactions and advance consideration" (interpretation). This interpretation establishes the date of the transaction for the purposes of calculating the exchange rate for recognising the revenue. This interpretation must be implemented in economic years beginning on or after January 01, 2018.

The Board of Directors considers that the adoption of the above referred to standards and interpretations, especially focusing on the requirements introduced by IFRS 9 – "Financial instruments" may create changes of some significance on a level of the preparation and presentation of Caixa's financial statements in addition to the extent and content of the disclosures to be made. A detailed analysis of the implications inherent to the application of these standards has not been completed and they cannot therefore be quantified.

2.3. Consolidation principles

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

Under IFRS 10, 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 relevant capacity to superintend their activities, take control of them (*de facto* power).

CGD subsidiaries were consolidated by the global integration method. Transactions and significant balances between the consolidated companies were 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 25), whose corresponding changes are recognised in a respective profit and loss account.

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

2.4. Concentrations of business activities 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, upon the purchase date, 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, with no additional goodwill being 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. In the same way, 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 cash flow projections at discount rates the Group considers appropriate.

Impairment losses on goodwill are recognised in profit and loss for the year and cannot be reversed.

Up to January 01, 2004, as permitted 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 and as the Group did not make any changes to this recognition procedure, goodwill, generated on operations, up to January 01, 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.

2.5. Investments in associates and jointly controlled entities

"Associates" are companies 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 it can be clearly shown that this is not the case. In parallel, no significant influence is 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, 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;

. 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 entities"), usually structured on a basis of the sharing of voting rights and similar decisions.

Investments in associates and jointly controlled entities are recognised by the equity accounting method. Under this method, investments 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 entities, 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 in recognition of such losses.

In the case of materially relevant differences, 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.

Goodwill, comprising the positive difference between the acquisition cost and fair value attributed to the acquisition of the respective assets, liabilities and contingent liabilities, continues to be recognised in the investment's carrying amount, whose full balance sheet amount is subject to annual impairment tests.

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

2.6. Translation of balances and transactions in foreign currency

The separate 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 in Caixa's and its subsidiaries' separate 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 differences, assessed on translation, are recognised in profit and loss for the period, except for differences deriving from non-monetary financial instruments recognised at fair value, such as shares classified as held-for-sale financial assets which are recognised in a specific equity account until disposal.

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 expenses which are translated at the average rate for the period. Under this method, exchange rate gains/losses are recognised in equity in "Other reserves" with their respective balance being transferred to profit and loss at the time of the disposal of the respective subsidiaries.

As permitted by IFRS 1, 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 01, 2004 will be reclassified to profit and loss for the period.

The accumulated amount of the exchange rate gains/losses recognised as a charge to "Other Reserves" in the consolidation of entities whose disinvestment is part of the rationalisation of the Group's international presence under its undertakings to the European entities in the sphere of the new Restructuring Plan, at December 31, 2016, amounted to losses of €115,866 thousand (including the equity investment in Mercantile Bank Holdings).

2.7. Financial instruments

a) <u>Financial assets</u>

Financial assets are recognised at their respective fair value at the agreement date. In the case of financial assets measured at fair value through profit or loss, the costs directly attributable to the transaction are recognised in "Cost of services and commissions". In other cases, such costs are added to the asset's book value. Upon initial recognition, such assets are classified in one of the following IAS 39 categories:

i) <u>Financial assets at fair value through profit or loss</u>

This category includes:

- Financial assets held-for-trading, essentially comprising securities acquired for the purpose of making a profit on short term market price fluctuations. This category also includes derivatives, excluding derivatives complying with hedge accounting requirements; and

- Financial assets irrevocably designated at fair value through profit or loss ("Fair Value Option") upon initial recognition. This designation is restricted to situations in which their adoption results in the production of more relevant financial information, i.e.

  - If their application eliminates or significantly reduces an accounting mismatch which would otherwise have occurred as a result of measuring related assets and liabilities or an inconsistency in the recognition of profit or loss thereon.

  - Groups of financial assets, financial liabilities, or both, which are managed and whose performance is assessed on a fair value basis, in accordance with formally documented risk management and investment strategies and when information thereon is internally distributed to management bodies.

  - Financial instruments containing one or more embedded derivatives may also be classified herein, unless:

    - The embedded derivatives do not significantly modify the cash flows which would otherwise have been produced under the contract;

    - It is evident, with little or no analysis, that the implicit derivatives should not be separated out.

Financial assets classified in this category are recognised at fair value with profit and loss on their subsequent valuation being recognised in profit and loss in "Income from financial operations". Interest is recognised in appropriate "Interest and similar income" accounts.

ii) Held-to-maturity Investments

Fixed-income securities the Group intends and is able to hold to maturity are recognised in this category.

These financial assets are recognised at amortised cost. In accordance with this method, the financial instruments' carrying amount at each balance sheet date comprises their initial cost, net of repayments of principal and impairment losses and adjusted for amortisation, based on the effective interest rate method on any difference between the initial cost and the amount of the repayment.

iii) Loans and accounts receivable

These are financial assets with fixed or determinable payments which are not listed in an active market. This category includes loans and advances to Group customers (including securitised credit), amounts to be received from other credit institutions and for the provision of services or disposals of assets, recognised in “Other assets”.

These assets are initially recognised at fair value, net of any commissions included in the effective rate, plus all incremental costs directly attributable to the transaction. The assets are subsequently recognised in the balance sheet at amortised cost net of impairment losses.

iv) Available-for-sale financial assets

This category includes the following financial instruments:

- Variable-income securities not classified as financial assets at fair value through profit or loss, including stable equity investments;
- Bonds and other fixed-income securities;
- Investment units in unit trust investment funds.

Available-for-sale financial assets are measured at fair value, except for equity instruments not listed in an active market whose fair value cannot be reliably measured, which continue to be recognised at cost. Profit or loss on the revaluations are recognised directly in “Fair value reserves” in shareholder’s equity. At the time of sale or if considered impaired, accumulated fair value changes are transferred to profit or costs for the year and recognised in “Income from financial operations” or “Impairment of other assets, net of reversals and recoveries”, respectively.

To assess the proceeds on sale, assets sales are measured at their average weighted acquisition cost.

Interest on debt instruments in this category is calculated by the effective interest rate method recognised in “Interest and similar income” in profit and loss.

Dividends from equity instruments in this category are recognised as income in “Income from equity instruments”, when the Group’s right to receive them has been established.

Reclassification of financial assets

The entry into force of the amendment to the wording of IAS 39 on October 13, 2008 entitled the Group to reclassify several financial assets recognised as “Financial assets held-for-trading” or “Available-for-sale financial assets” to other financial assets categories. Reclassifications to “Financial assets at fair value through profit or loss” categories continued to be prohibited. Under this standard, the reference date of reclassifications made by November 01, 2008 was accordingly July 01, 2008. Latter reclassifications had an impact on the referred to transfer between different categories of financial instruments as from the reference date.

Information on reclassifications made under the terms of the referred to amendment is set out in Note 8.

Fair value

As referred to above, financial assets recognised in “Fair value through profit or loss” and “Available-for-sale financial assets” categories are measured at fair value.

The fair value of a financial instrument comprises 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) and include:
  - Bid prices published by financial information services such as Bloomberg and Reuters, including market prices available on recent transactions;
  - Bid prices obtained from financial institutions operating as market-makers;
  - 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 risks.
- The value of investment funds not traded in active markets is measured on the basis of the last available NAV (net asset value). Whenever considered adequate NAV many 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;
- The value of unlisted equity instruments allocated to venture capital activity is based on the following:
  - Prices of materially relevant transactions made by independent entities over the last six months;
  - Multiples of comparable companies in terms of sector of activity, size and profitability;
  - Discounted cash flows, whose discount rates are tailored to the risk attached to the assets held.

  Measurements incorporate discount factors reflecting the securities’ lack of liquidity. In the event of a right or contractual obligation to dispose of a specific asset, its respective valuation will also lie within a range between the values resulting from the above referred to measurement methods and the present value of the asset’s disposal price, adjusted, when applicable, to reflect counterparty credit risk.
- Other unlisted equity instruments whose fair value cannot be reliably measured (e.g. no recent transactions) continue to be recognised at cost, net of any impairment losses.

Amortised cost

Financial instruments 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.

Whenever estimated payments or collections associated with financial instruments measured at amortised cost are revised, their respective book value is adjusted to reflect the revised cash flows. The new amortised cost is calculated on the present value of future cash flows discounted at the financial instrument's initial effective interest rate. The adjustment of amortised cost is recognised in profit and 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 at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivatives with negative revaluation value, in addition to the short selling of fixed and variable-income securities. These liabilities are recognised at fair value. Profit or loss resulting from their subsequent valuation are recognised in "Income from financial operations".

ii) Other financial liabilities

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

The value of these financial liabilities is measured at amortised cost with any interest thereon being recognised by the effective interest rate method.

c) Derivatives and hedge accounting

The Group performs derivative operations as part of its activity 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 using models incorporating measurement techniques based on discounted cash flows, which also reflect the counterparties' credit risk effect and own credit risk (credit value adjustments and debt value adjustments – CVA/DVA).

Embedded derivatives

Derivatives embedded in other financial instruments are separated out from the host contract and processed separately under IAS 39, whenever:

- The embedded derivative's economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract as defined in IAS 39; and
- The total combined financial instrument is not recognised at fair value, with the respective changes being recognised in profit and loss.

The main impact of this procedure on the Group's activity consists of the need to separate out and value 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 comprising the difference between the total value of the combined contract and the initial revaluation of the derivative. Therefore, no profit is recognised on the operation's initial recognition.

Hedge derivatives

These derivatives are contracted to hedge the Group's exposure to the risks attached to its activity. Classification as a hedge derivative and use of hedge accounting rules, as described below, are contingent upon compliance with IAS 39 requirements.

At December 31, 2016 and 2015, the Group only hedged its exposure to changes in the fair value of financial instruments recognised in its balance sheet, 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 risk(s) hedged;
- Identification and description of hedged and hedging financial instruments;
- Hedge effectiveness and periodicity of assessment method.

Hedge effectiveness tests are performed and documented monthly by comparing the change in fair value of the hedge instrument and hedged item (part attributable to the hedged risk). To enable the use of hedge accounting under IAS 39, the ratio should lie within a range of 80% to 125%. Prospective effectiveness tests are also performed to estimate the hedge's future effectiveness.

Hedge derivatives are recognised at fair value, with the results being assessed daily in income and costs for the year. If the hedge is seen to be effective, i.e. an effectiveness ratio of between 80% and 125%, the Group also recognises the change in fair value of the hedged item attributable to the hedged risk in profit and loss for the period 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 or if Caixa revokes this designation. In such situations the adjustments made to hedged items 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 financial asset's or liability's maturity, 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.

Trading derivatives

Trading derivatives include all derivatives not associated with effective hedge relationships in accordance with IAS 39, i.e.

- Derivatives hedging 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 hedge accounting requirements, owing to the difficulty in specifically identifying the hedged items, in cases other than micro-hedges or if the results of the effectiveness tests fall outside the range permitted by IAS 39;
- Derivatives contracted for trading purposes.

Trading derivatives are recognised at fair value, with daily 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 at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss”, respectively.

d) Impairment of financial assets

Financial assets at amortised cost

The Group periodically analyses impairment on its financial assets recognised at amortised cost, namely: “Investments in credit institutions, “Loans and advances to customers” and amounts receivable, recognised in “Other assets”.

Signs of impairment are assessed separately in the case of financial assets with significant exposure amounts and collectively in the case of like-for-like assets, whose debtor balances are not individually relevant.

Under IAS 39, the following events are considered to be signs of impairment on financial assets at amortised cost:

- Breach of contract, such as overdue payments of interest or principal;
- Incidents of default in the financial system;
- Any existing operations deriving from credit restructuring operations or from credit restructuring negotiations in progress;
- Difficulties in terms of the capacity of partners and management, i.e. when key partners or principal senior staff leave the company and disagreements between partners;
- A debtor’s or debt issuing entity’s significant financial difficulties;
- Strong probability of a debtor’s or debt issuing entity’s bankruptcy;
- A decrease in the debtor’s competiveness;
- Historical records of collections suggesting that the nominal value will never be fully recovered.

Whenever there are any signs of impairment on separately assessed assets, any impairment loss comprises the difference between the present value of cash flow receivable projections (recoverable value) discounted at the asset’s effective original interest rate and book value at the time of the analysis.

Assets which have not been separately analysed are included in a collective impairment analysis, having, for the said purpose, been classified in like-for-like groups with similar risk characteristics (based on counterparty and credit type) assessed on the basis of the identification of the above referred to impairment indices. Cash flow is projected on the basis of historical information on defaults and recoveries of assets with similar characteristics.

Separately analysed assets on which no objective signs of impairment have been identified are also included in collective impairment assessments, as described in the preceding paragraph.

Impairment losses, calculated in the collective analysis, include the time effect of the discounting of cash flow receipt projections on each operation at the balance sheet date.

The amount of impairment is recognised in "Impairment of loans, net of reversals and recoveries" and "Impairment of other assets, net of reversals and recoveries", in costs and recognised separately in the balance sheet as a deduction from the amount of the respective assets.

Write-offs/downs of principal and interest

The Group periodically writes off its non-recoverable credit from assets by declaring impairment after a specific analysis has been performed by the structural bodies responsible for the oversight and recovery of loans and the Board of Directors' approval. The following are also eligible to be written off from assets by Caixa, implying an impairment level of 100%: i) loans overdue for more than 24 months; ii) loans without a real guarantee.

Any recoveries of credit written-off from assets are recognised in profit and loss in "Impairment of credit, net of reversals and recoveries".

In accordance with the policies in force, interest on overdue credit without a real guarantee is written-off within three months from an operation's due date or first overdue instalment. Unrecognised interest on the above referred to loans is only recognised in the year in which it is collected.

Interest on overdue credit on mortgage-backed loans or loans with other real guarantees is not written-off/down if the accumulated amount of outstanding principal and overdue interest is less than the amount of the collateral.

Available-for-sale financial assets

As referred to in Note 2.7. a), available-for-sale financial assets are recognised at fair value. Changes in fair value are recognised in the "Fair value reserve" in equity.

Whenever there is any objective evidence of impairment, accumulated capital losses recognised in reserves, are transferred to costs for the period in the form of impairment losses and recognised in "Impairment of other assets, net of reversals and recoveries".

In addition to the above referred to signs of impairment on financial assets at amortised cost, IAS 39 also provides for the following specific signs of impairment on equity instruments:

- Information on significant changes having an adverse effect on the technological, market, economic or legal environment in which the issuing entity operates, indicating that the cost of the investment may not be fully recovered;
- A significant or prolonged decline in market value at below cost.

The Group performs an impairment analysis on available-for-sale financial assets at each financial statement's reference date, taking the referred to assets' nature and specific, separate characteristics into consideration.

In addition to the results of the analysis, the following events were considered to be signs of objective evidence of impairment on equity instruments:

- Existence of unrealised capital losses of more than 50% of the respective acquisition cost;
- When the fair value of a financial instrument remains below its respective acquisition cost for a period of more than 24 months.

The existence of unrealised capital losses of more than 30% for a period of more than nine months was also considered to be objective evidence of impairment.

As impairment losses on equity instruments cannot be reversed, any unrealised capital gains arising after the recognition of impairment losses are recognised in the “Fair value reserve”. Impairment is always considered to exist if additional capital losses are assessed at a later stage, recognised in profit and loss for the year.

The Group also performs periodic impairment analyses on financial assets recognised at cost, i.e. unlisted equity instruments whose fair value cannot be reliably measured. The recoverable value, herein, is the highest projection of the cash flows receivable on the asset, discounted at a rate that adequately reflects the risk attached to holding the asset.

The amount of the impairment loss is directly recognised in profit and loss for the period. Impairment losses on such assets cannot be reversed.

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

IFRS 5 – “Non-current assets held-for-sale and discontinued operations” applies to separate 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 “groups of assets and liabilities for disposal”).

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;
- 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 the assets’ book value exceeds their 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 separately 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 by 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.

Separate impairment analyses consider the property's specific characteristics as well as the intended disinvestment strategy and incorporates available information on demand, supply and other specific risks such as licences, investment needs, occupancy status, rental contracts 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:

(ii) The amount resulting from haircuts on the valuations obtained since the listing of the property 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 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 the estimated sales costs, is less than its balance sheet value.

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

2.9. Investment properties

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

Investment properties are not depreciated and are recognised at fair value, by appraisers.

Investment properties acquired on loan recovery operations are also included in the scope of the analysis of the separate and collective impairment assessment model applied to property classified as non-current assets held-for-sale (Note 2.8.), 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.

2.10. Other tangible assets

Other tangible assets are recognised at their acquisition cost, revalued under the 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 expenditure".

Up to January 01, 2004, Caixa and several of its subsidiaries had revalued their tangible assets under the terms of the applicable legislation. As permitted under IFRS 1, in the transition to IFRS, their book value, incorporating the effect of the referred to revaluations, was considered 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:

	Years of useful life
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 carried out. Impairment losses are recognised in profit and loss for the period in "Impairment of other assets net of reversals and recoveries" 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 periodically assesses the adequacy of its tangible assets' estimated useful lives.

2.11. 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, 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 contract's repayments schedule. Interest included in the instalments is recognised in "Interest and similar income".

2.12. Intangible assets

This account essentially comprises the cost of acquiring, developing or preparing software used for the development of the Group's activities. In cases in which the requirements of IAS 38 – "Intangible assets" are met, the direct internal costs incurred on the development of software 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 expenses are recognised as a cost for the year in which they are incurred.

2.13. Income tax

Current tax

CGD is subject to the fiscal regime set out in the IRC (Corporate Income Tax) Code and is 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, comprises 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 under the principle of the taxation of global profit provided for in article 4 of the IRC Code. In addition to being subject to IRC, in Portugal, branch profit may also be subject to local taxes in the countries/territories in which they are established. Local taxes are deductible from the Group's tax bill under article 91 of the respective Code.

Current tax is calculated on taxable profit for the period, which differs from accounting income owing to adjustments resulting from expenses or income which is not relevant for fiscal purposes or only considered in future 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 imputed to Caixa, 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 08, or (ii) when it is not subject therein to income taxes which are identical or similar to IRC, or (iii) when the applicable income tax payable on its activity is equal to or less than 60% of the IRC rate.

  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.

- *Impairment of credit*

  Caixa applied the following standards in assessing its taxable income for 2015:

  - The dispositions of no. 2 of article 28-A of the IRC Code, under which provisions for (i) general credit risks (assessed under the Bank of Portugal's *Official Notice* 3/95), and (ii) country risk, were not tax deductible;

- The dispositions of article 28-C of the IRC Code and Regulatory Decree 19/2015 of December 30, under which provisions for specific credit risk (assessed under the Bank of Portugal's *Official Notice* 3/95) namely credit collateralised by real rights over immoveable assets) was not tax deductible;

During the course of 2016, owing to the application of the Bank of Portugal's *Official Notice* 5/2015 which revoked *Official Notice* 1/2005 and consequently the assessment of credit losses in accordance with the Bank of Portugal's *Official Notice* 3/95, Caixa began to prepare its financial statements on its separate activity in accordance with International Financial Reporting Standards as adopted, at any time, under European Union legislation, considering, from January 01 of the referred to period, IAS 39 requirements on credit provisions and other amounts receivable.

The change in the accounting regulations required the need to define the fiscal framework applicable from January 01, 2016. Regulatory Decree 5/2016, which, in general terms, continued to adopt the same fiscal regime in force in 2015 on impairment losses and other value adjustments for specific credit risk in 2016, i.e. limiting tax deductions to the amounts assessed in accordance with the dispositions of the Bank of Portugal's *Official Notice* 3/95 provided that such loans were not collateralised by real rights over immoveable assets, was published on November 18, 2016, with this objective.

The referred to Regulatory Decree, in line with the taxpayer's option, also included a transitory regime on write-offs or reductions of impairment losses recognised by the change in the accounting reference, as the result of the application of *Official Notice* 5/2015. Under the transitional regime, the positive difference between the amount of impairment losses on credit assessed with reference to the dispositions of *Official Notice* 3/95 and the impairment assessed in accordance with the new accounting standard, assessed on January 01, 2016, is considered when assessing taxable income but only in respect of the part in which exceeds the carry-back of still unused fiscal losses in taxation periods beginning on or after January 01, 2012.

Caixa exercised its option to apply the referred to transitory regime on its taxable income for 2016, having, for the purpose, used up its carry-back of still unused tax losses balance, originating in the years 2013 and 2014 for the amount of €1,531,349 thousand.

Caixa retains deferred tax assets associated with non tax deductible impairment on credit operations which had already been written-off from assets, as it expects that they will be included in taxable material in 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 current legislation, on December 31, 2016, comprising Regulatory Decree 5/2016 (referred to above), 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 under the supervision of the Bank of Portugal are considered to be tax deductible

With the publication of Law 42/2016, article 51-C of the Corporate Tax Code was changed by an addendum to no. 6, which rules that, for 2017 and following periods, impairment losses and other value adjustments of equity investments or other own equity instruments included as part of taxable income, are considered to be positive components of the taxable profit for the taxation period in which the respective sale took place. As a result of this situation, Caixa, in 2016, recognised deferred tax liabilities on impairment on tax deductible financial investments at the time the investments were made and in respect of which there was an intention to sell or liquidate (or when in progress), for the amount of €95,906 thousand.

At December 31, 2016, the amount of unrecognised deferred tax liabilities on 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, namely no prospects of sale or liquidation in the foreseeable future, amounted to €71,348 thousand.

- *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 funds. 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 regulations, limited by the amount of the contribution effectively made to 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 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, are recognised as a deduction from taxable profit, in equal parts, in the ten years beginning on or after January 01, 2012.

At December 31, 2016 and 2015 Caixa had not recognised deferred tax on actuarial or financial profit and loss with its pension plan for active workers.

- *Settlement results*

Under article 92 of the IRC code, changed by the State Budget 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) had not enjoyed fiscal benefits and (ii) had not made supplementary contributions to pension funds and the like to cover retirement pension liabilities as a result of the application of international accounting standards

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

CGD did not make any adjustment to the assessment of its taxable income for 2016 and 2015 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 for assessing taxable profit.

Whereas deferred tax liabilities are normally recognised for all temporary taxable differences, deferred tax assets are only recognised to the extent that it is probable that sufficient future taxable profit allowing the use of the corresponding deductible tax differences or carry-back of tax losses is generated. Neither are deferred tax assets recognised in cases in which their recoverability may be questionable owing to other situations, including issues regarding the interpretation of current tax legislation.

Notwithstanding the above, 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 is not recognised.

The main situations originating temporary differences on a CGD level are provisions, impairment and employee benefits 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.

2.14. Provisions and contingent liabilities

A provision is set up whenever a current (legal or constructive) obligation resulting from past events involving the probable future expenditure of resources exists 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 require no more than 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;
- Legal, fiscal and other contingencies resulting from the Group's activity.

2.15. Employee benefits

Liabilities for employee benefits are recognised in accordance with the principles of IAS 19 – Employee benefits. The main 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 as described in Note 35. Other Group companies, such as Banco Comercial do Atlântico, Banco Caixa Geral and Banco Nacional Ultramarino (Macau) also have defined benefit plans liabilities.

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 its 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 recognised in the balance sheet comprises the difference between the present value of liabilities and fair value of pension funds' assets. The total amount of liabilities is assessed annually by specialised actuaries using the unit credit projected method and actuarial assumptions considered adequate (Note 35). The discount 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 effective amounts regarding the evolution of liabilities and pension fund yield projections, as well as on changes in actuarial assumptions is 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 accordingly 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 "no longer employed" status of employees with whom it has entered into suspension of labour agreements. This provision is also recognised as a charge to profit and loss in "Employee costs".

Liabilities for healthcare costs are recognised in a "Provisions for the costs of employee benefits" account (Note 23).

<u>Other long term benefits</u>

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

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

Liabilities for the costs of seniority bonuses and death grants are recognised in "Other liabilities" (Note 25) and "Provisions for the costs of employee benefits" (Note 23), respectively.

<u>Short term benefits</u>

Short term benefits, including employees' productivity bonuses, are recognised on an accrual basis in "Employee costs" for the respective period.

2.16. Commissions

As referred to in Note 2.7., 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.

2.17. 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 classified in accordance with the criteria defined in IAS 32. 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 complying with these requirements are recognised in “Non-controlling interests” in the consolidated balance sheet.

2.18. 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.

2.19. Cash and cash equivalents

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

2.20. Critical accounting estimates and more 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 have the greatest impact in the Group's consolidated financial statements set out below.

Assessment of impairment losses on loans and other amounts receivable

The assessment of impairment losses on loans is based on the methodology defined in Note 2.7. d). Impairment on separately analysed assets, is, accordingly, based on a specific assessment made by Caixa, based on its knowledge of a customer’s situation and guarantees associated with the operations in question.

Collective impairment is assessed on historical parameters for comparable types of operations, considering default and recovery estimates.

Caixa considers that the assessment of impairment based on this methodology enables the risks on its loan portfolio to be adequately recognised, in line with the requirements of IAS 39.

Assessment of impairment losses on assets measured as a charge to fair value reserves

According to the measurement requirements on such assets, capital losses on the depreciation of the assets’ market value are recognised as a charge to the “Fair value” reserve. Whenever objective evidence of impairment exists, the accumulated capital losses recognised in the "Fair value” reserve should be transferred to costs for the year.

Assessments of impairment losses on equity instruments may be subjective. The Group assesses whether impairment on such assets exists on the basis of a specific analysis at each balance sheet date, considering the signs defined in IAS 39 (see Note 2.7. d)). As a general rule, impairment is assessed whenever the amount invested is unlikely to be fully recovered owing to the size of the capital loss.

In the case of debt instruments recognised in this category, capital losses are transferred from the “Fair value reserve” to profit and loss, whenever there are any signs of a possible default on contractual cash flows, i.e. owing to the issuing entity’s financial difficulties, defaults on other financial liabilities or a significant rating downgrade.

Measurement of financial instruments not traded in active markets

Under IAS 39, the Group measures all financial instruments at fair value, unless recognised at amortised cost. The valuation models and techniques described in Note 2.7. 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 measurement of such financial instruments is assessed by a body that is independent from the trading function.

Employee benefits

As referred to in Note 2.15. above, the Group’s liabilities for its employees’ post-employment and other long term benefits are assessed on an actuarial basis. The actuarial calculations incorporate, *inter alia,* financial and actuarial assumptions on mortality, disability, wages and pension growth, asset yields for hedging this liability and discount rates. The assumptions adopted are the Group’s and its actuaries’ best estimates of the future performance of the respective variables.

Impairment of goodwill

As referred to in Note 2.4. above, the Group performs impairment tests on balance sheet goodwill at least once a year. These tests are based on each business unit’s cash flow projections, discounted at appropriate rates.

The projections include a broad range of assumptions on the evolution of the business units’ future activities, which may or not materialise. Such assumptions, however, reflect the Group’s best estimate at the balance sheet date.

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 CGD 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 accounting income and considering the plan for the reduction of non-performing assets submitted to the supervisors. The fiscal income projections have been prepared on the basis of the future approval of a preliminary draft of the amendment to article 28-C of the IRC Code, which provides for a transitional regime for the deduction of taxed credit impairment existing at December 31, 2016 across 15 years with growing percentages. The recoverability of deferred tax assets is, therefore, contingent upon the successful implementation of the strategy by Caixa’s Board of Directors, namely the capacity to generate the estimated taxable income, interpretation of fiscal legislation and the approval of the above referred to legislation (see Note 18).

Property valuations

The valuation of properties recognised in "Non-current assets held-for-sale" and "Investment properties" considers a set of judgmental assumptions which are contingent upon each asset's specific characteristics and the Group's respective commercialisation 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 2.14. above, provisions are recognised whenever a present (legal or constructive) obligation involves a probable future payment and when this may be reliably assessed.

Contingent liabilities are not recognised in the 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 the expected confirmation of cash flow projections, based on the best information available on the date upon which the financial statements are filed.

3. GROUP COMPANIES AND TRANSACTION IN PERIOD

The Group's structure in terms of its main subsidiaries, by sector of activity and respective financial data taken from their separate statutory financial accounts, unless otherwise specified, is summarised below:

Activity / Entity	Head office	31-12-2016			31-12-2015	
		% Effective participating interest	Equity (a)	Net income	Equity (a)	Net income
Holding Companies						
Caixa - Gestão de Activos, SGPS, S.A.	Lisbon	100.00%	26,949	9,245	25,057	7,353
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	66,253	(2,574)	104,514	36,943
Caixa Desenvolvimento, SGPS, S.A.	Lisbon	99.75%	315	(48)	363	(73)
Caixa Seguros e Saúde, SGPS, S.A.	Lisbon	100.00%	1,248,638	32,492	1,224,661	49,460
Parbanca, SGPS, S.A.	Madeira	100.00%	35,593	12,222	67,947	19,164
Parcaixa SGPS, S.A.	Lisbon	51.00%	1,010,697	(5,419)	1,009,518	57,624
Partang, SGPS, S.A.	Lisbon	100.00%	175,465	33,541	145,283	27,956
Wolfpart, SGPS, S.A.	Lisbon	100.00%	(118,289)	(133,471)	15,182	(25,578)
Banking						
Banco Caixa Geral, S.A.	Vigo	99.79%	462,626	25,400	459,750	25,222
Banco Comercial do Atlântico, S.A.	Praia	57.91%	47,869	3,121	44,174	3,345
Banco Comercial e de Investimentos, S.A.R.L.	Maputo	52.13%	149,639	19,661	211,815	39,547
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	98,060	2,621	72,576	(8,405)
Banco Interatlântico, S.A.R.L.	Praia	70.00%	15,871	108	15,830	104
Banco Nacional Ultramarino, S.A. (Macau)	Macau	100.00%	776,987	63,356	720,997	57,598
Caixa - Banco de Investimento, S.A. (b)	Lisbon	99.75%	316,929	1,433	321,399	7,057
CGD - North America Finance	Delaware	100.00%	1	-	1	-
CGD Investimentos CVC, S.A.	São Paulo	99.87%	1,049	244	432	(3,387)
Mercantile Bank Holdings, Ltd. (b)	Johannesburg	100.00%	149,124	10,821	119,190	10,379
Banco Caixa Geral Angola, S.A.	Luanda	51.00%	297,360	72,433	272,159	84,728
Specialised Credit						
Caixa Leasing e Factoring - Instituição Financeira de Crédito, S.A.	Lisbon	51.00%	107,535	141	107,393	24,256
Promoleasing - Sociedade de Locação Financeira, S.A.	Praia	57.91%	303	9	298	7
Asset Management						
Caixagest - Técnicas de Gestão de Fundos, S.A.	Lisbon	100.00%	28,707	2,207	32,642	6,439
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	7,651	1,448	6,703	2,070
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisbon	100.00%	3,808	1,608	4,700	2,500
Venture Capital						
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	45.30%	3,145	(47)	3,201	(40)
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	99.75%	27,315	2,462	24,853	4,508
Real Estate						
Imobci, Lda.	Maputo	45.21%	116	(123)	340	18
Imocaixa - Gestão Imobiliária, S.A.	Lisbon	100.00%	(11,808)	(18,626)	6,818	(1,978)
Caixa Imobiliário, S.A.	Lisbon	100.00%	(43,077)	(63,215)	20,138	(22,552)
Inmobiliaria Caixa Geral S.A.U.	Madrid	100.00%	(69,738)	(8,214)	(61,524)	(9,560)
Cibergradual, Investimento Imobiliário, S.A.	Lisbon	100.00%	(96,760)	(37,326)	(59,434)	(8,968)
Other Financial Entities						
CGD Finance	Cayman	100.00%	2,549	(20)	2,569	1
Caixa Geral Finance (c)	Cayman	0.00%	111,215	(4)	111,219	-
Interbancos, S.A.R.L.	Maputo	29.71%	1,586	398	-	-

(a) Equity includes net income for the year.

(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 31-12-2016).

Activity / Entity	Head office	31-12-2016 % Effective participating interest	31-12-2016 Equity (a)	31-12-2016 Net income	31-12-2015 Equity (a)	31-12-2015 Net income
Other Companies						
Caixanet - Telemática e Comunicações, S.A.	Lisbon	80.00%	1,871	37	1,842	37
Caixatec, Tecnologias de Comunicação, S.A.	Lisbon	100.00%	(1,371)	85	(1,349)	(231)
HPP International - Luxembourg, S.A.R.L.	Luxembourg	-	-	-	(33,698)	(14)
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%	206,482	(25,006)	231,488	(4,015)
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	17,978	(2,820)	20,798	2,791
Fundo de Capital de Risco Caixa Fundos	Lisbon	100.00%	202,657	7,006	195,650	1,510
Fundo de Capital de Risco Caixa Crescimento	Lisbon	100.00%	91,306	(558)	61,864	26
Fundo de Capital de Risco Caixa Tech Trsf Accelerator Ventures	Lisbon	100.00%	5,607	(289)	5,896	(104)
Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	Lisbon	100.00%	110,805	(3,636)	114,441	(557)
Fundo Especial de Investimento Aberto Estratégias Alternativas	Lisbon	74.08%	12,333	(449)	13,118	(129)
Caixa Imobiliário - Fundo de Investimento Fechado de Arrendamento Habitacional	Lisbon	100.00%	38,387	(3,708)	42,095	(1,857)
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	41.10%	116,108	5,236	137,036	19,698
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Lisbon	42.12%	199,348	(2,184)	273,115	18,346
Caixagest Infra-Estruturas - Fundo Especial de Investimento	Lisbon	22.51%	106,433	12,567	106,401	16,832
Beirafundo - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	(517)	(712)	195	(5,672)
Cidades de Portugal - Fundo de Investimento fechado de Arrendamento Habitacional	Lisbon	100.00%	29,878	175	29,703	(1,212)
Caixa Reabilita - Fundo Especial de Investimento Imobiliário	Lisbon	-	-	-	4,906	(374)
Fundolis - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	49,744	(7,506)	57,250	(2,069)
Fundimo - Fundo de Investimento Imobiliário Aberto	Lisbon	58.16%	562,723	404	597,781	2,421
Fundo especial de investimento - Obrigacoes Rendimento Nacional	Lisbon	29.73%	100,371	3,669	97,166	1,956
Fundiestamo - Fundo de Investimento Imobiliário Fechado	Lisbon	78.08%	145,283	4,026	145,209	4,750
Fundo Especial de Investimento Imobiliário Fechado - Iberia	Lisbon	100.00%	82,162	(1,276)	23,461	(1,352)

(a) Equity includes net income for the year.

(b) Data taken from consolidated financial statements.

Although the statutory accounts used to produce this note are the most up-to-date available, they may, in several situations, be amended up until the date of their approval by the general meeting.

The main movements in the Group's subsidiaries, in 2016 and 2015, were as follows:

Banco Comercial e de Investimentos, S.A.

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

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.

Interbancos

Interbancos which is 57% owned by Banco Comercial e de Investimentos, S.A., was formed by a public deed of August 01, 2001, with the object of performing an electronic means of payment activity and provision of diverse connected or complementary services. At December 31, 2016, the subscribed and fully paid up share capital of Interbancos, totalled MZN 5,451 thousand, with shareholders maintaining the proportion of their initial share ownership.

Ibéria - Fundo Especial de Investimento Imobiliário

On January 08, 2016, the investors meeting approved a capital increase of €59,977 thousand in *Fundo Especial de Investimento Imobiliário*, to be paid up in kind. This operation comprised the transfer of a collection of properties owned by Caixa Imobiliário, S.A. to *Ibéria - Fundo Especial de Investimento Imobiliário* to realise the amount of capital subscribed for in this operation.

Fundo de Capital de Risco Caixa Crescimento

Fundo Caixa Crescimento, FCR, formed on June 28, 2013, operates in the venture capital area by investing in SMEs or midcaps headquartered in Portugal which require funding for their respective investment plans to strengthen their production capacity, expand into new markets, sustain their growth strategies or reinforce structural funding needs for their operating cycle.

An increase in the Fund's capital was approved in first half 2016, based on the issuance of 30,000 investment units for a nominal amount of €1,000 each, fully paid up by Caixa. This capital increase follows the €30,000 thousand capital increase made in 2015, which was also subscribed for by CGD.

Fundo de Capital de Risco Caixa Tech Transfer Accelerator Ventures

The *Caixa Tech Transfer Accelerator Ventures 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 *Fundo de Capital de Risco Caixa Fundos.*

The Fund's corporate object is 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.

Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional – Caixa Arrendamento (FIIAH – Caixa Arrendamento)

CGD took a minority stake of 8.83% in *FIIAH - Caixa Arrendamento* for the amount of €10,278 thousand from Fidelidade - Companhia de Seguros, S.A. during the course of 2015. This transaction was complemented by the acquisition of residual equity investments from *Fundo de Pensões Império Bonança* and FIIF - Fundicapital (3.09% and 0.23%, respectively). These operations gave Caixa full ownership of the Fund's capital.

Fundo Especial de Investimento Imobiliário Fechado (FEII – Caixa Reabilita)

Based on a resolution of its sole shareholder, Caixa Geral de Depósitos, Caixa Reabilita, formed as a corporate vehicle for the Group's equity investment in the sphere of the JESSICA Community initiative, sold its equity investment in *Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional - Cidades de Portugal* to CGD (*Fundo Cidades de Portugal*), representing 30% of its capital, at the Fund's closing value at November 30, 2016. This operation gave Caixa Geral de Depósitos the direct ownership of the full amount of the equity of *Fundo Cidades de Portugal.*

Following the completion of this operation, Caixa Reabilita ceased its operations, with the liquidation proceeds being paid into the disbursement accounts of the JESSICA (*Fundo de Desenvolvimento Urbano FDU*) line of credit.

Fundo de Capital de Risco Grupo CGD

Formed in 1995, CGD Group's venture capital fund has a subscribed and paid up capital of €296,145 thousand in the form of 5,680 investment units following the capital reduction based on the October 2015 elimination of 1,420 investment units comprising 20% of the Fund's capital.

Accompanying the capital reduction operation, CGD acquired the investment units hitherto held by Caixa - Banco de Investimento, S.A and Caixa Capital - Sociedade de Capital de Risco, S.A., therefore becoming the Fund's sole investor.

Gerbanca, SGPS, S.A.

The dissolution and liquidation process of Gerbanca, SGPS, S.A. was completed during the course of first half 2015, in compliance with the resolution of its shareholders, Caixa Geral de Depósitos, S.A. and Caixa Participações, SGPS, S.A., at a general meeting of December 31, 2014.

The company's net equity, essentially comprising its equity stake in Caixa - Banco de Investimento, S.A, was apportioned among its shareholders in proportion to their respective investments (90% and 10%, respectively).

Wolfpart, SGPS, S.A.

The conversion of partners' loans of €236,626 thousand into accessory capital payments, to increase the company's equity was approved at the general meeting of shareholders held in March 2015.

Caixa Imobiliário, S.A.

The conversion of partners' loans of €158,200 thousand into accessory capital payments to increase the company's equity was approved at the general meeting of shareholders held in February 2015.

Caixa Seguros e Saúde, SGPS, S.A. (Caixa Seguros e Saúde) and Fidelidade - Companhia de Seguros, S.A. (Fidelidade)

According to the provisions of the agreement for the sale of Fidelidade – Companhia de Seguros, S.A., Caixa Seguros e Saúde, SGPS, S.A., would have a maximum stake of 15% with the sale of 5% of its capital to its workers. The public sale took place on October 15, 2014 with the sale of 16,860 shares to its workers. The remaining shares making up 5% of the equity of Fidelidade – Companhia de Seguros, S.A., were acquired by Fosun Group on January 08, 2015.

The disposal of these investments led to a reduction of the percentage held by the Group in several of its subsidiaries, namely those held by Fidelidade – Companhia de Seguros, S.A.

In parallel and during the course of first half 2015, providing continuity to the process of reorganising its investments, Caixa Seguros e Saúde, SGPS, S.A. completed the procedures for the liquidation of HPP International (Ireland). It also completed the procedures for the liquidation of HPP International (Lux) in January 2016.

Banco Caixa Geral Angola, S.A.

On July 08, 2015, Banco Santander Totta, S.A. and Santotta - Internacional, SGPS, Sociedade Unipessoal, Lda. exercised their put option on 49% of the equity of Partang, SGPS, S.A. under the terms of an agreement entered into between the three entities in July 2009. Following the exercising of this option, CGD acquired 1,072,348,380 shares for the amount of €173,696 thousand (USD 191,483,786) giving it 100% of the share capital of Partang, SGPS, S.A., which, in turn, has a 51% equity stake in Banco Caixa Geral Totta Angola, S.A.

LCS - Linha de Cuidados de Saúde, S.A.

On September 27, 2013 a promissory purchase agreement was entered into between Caixa Seguros e Saúde, SGPS, S.A., Optimus - Comunicações, S.A. (Nos Comunicações, S.A.) and Teleperformance Portugal, S.A. for the full amount of the equity shares of the company LCS - Linha de Cuidados de Saúde, S.A. The operation took place in July 2015 after the necessary regulatory permits were issued by the regulators, for an amount of €5 thousand, with the Group having recognised capital losses of €1,610 thousand on the said date.

Subsequent events

Parcaixa

As a result of the heads of agreement between the Portuguese state and the European Commission and as part of Caixa Geral de Depósitos, S.A.'s recapitalization process, the state shareholder passed a resolution on January 04, 2017, transferring its equity investment in the company Parcaixa, SGPS, S.A. to CGD, comprising the payment in kind of 490,000,000 equity shares for the amount of €498,996 thousand, as the book value of the Portuguese state's investment in the referred to company. This transaction gave Caixa Geral de Depósitos, S.A. 100% of the share capital of this holding company.

4. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This account comprises the following:

	31-12-2016	31-12-2015
Cash	710,051	720,949
Demand deposits in central banks	1,130,502	2,158,642
	1,840,553	2,879,591
Interest on demand deposits in central banks	6	54
	1,840,560	2,879,645

The objective of Caixa's sight deposits with the Bank of Portugal is to comply with the European Central Banks System's (ECBS's) minimum cash reserves requirements. 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 the ECBS's minimum cash reserve requirements.

The funds deposited at central banks by Caixa and Group banks at December 31, 2016 and 2015, 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:

	31-12-2016	31-12-2015
Cheques for collection		
- Portugal	69,112	59,753
- Abroad	37,401	23,120
	106,513	82,873
Demand deposits		
- Portugal	158,935	159,039
- Abroad	491,086	528,725
	650,022	687,763
Accrued interest	1,192	2,527
	757,726	773,163

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

6. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This account comprises the following:

	31-12-2016	31-12-2015
Term deposits		
- Portugal	31,095	129,762
- Abroad	1,286,027	1,938,720
Loans		
- Portugal	332	321
- Abroad	152,800	172,786
Other applications		
- Portugal	2,506	59,312
- Abroad	1,588,983	1,593,770
Purchase operations with resale agreement	157,598	125,540
Overdue loans and interest	7,152	7,158
	3,226,492	4,027,370
Adjustments to assets under hedging operations	-	(4,473)
Accrued interest	2,215	2,341
Deferred income	(3,786)	(2,327)
	3,224,922	4,022,909
Impairment (Note 37)	(7,125)	(11,394)
	3,217,797	4,011,515

As a result of the reorganisation process on the assets and liabilities structure of the former Banco Português de Negócios, S.A. (BPN), currently Banco BIC Português, S.A. (BIC), in the sphere of the said financial institution's reprivatisation (completed in first quarter 2012), Caixa entered into a commercial paper programme with this entity with a limit of €400,000 thousand.

The referred to programme, enjoyed the backing of the Portuguese state up to its maturity in March 2015. Caixa also issued a current account line of credit up to a limit of €300,000 thousand, which matured in March 2016, whose possibility of use was conditioned by the amount of the deposits of the former BPN's customers.

During the course of the disposal operation of the former BPN, ownership of the corporate vehicles Parvalorem, S.A., Parups, S.A. and Parparticipadas S.A. (holding a collection of assets transferred from BPN as a result of its post-privatisation restructuring process) and *ipso facto* the debts contracted for by these companies with Caixa Geral de Depósitos in the form of loans and advances to customers and bond issuances, were transferred to the Portuguese state. At December 31, 2016 and 2015, the nominal value of the bond issuances was €1,714,421 thousand and €2,097,771 thousand (Notes 8 and 12), with the remaining loans having been paid off in full on the said dates.

The state also assumed liabilities for the commercial paper programme subscribed for by Caixa for €1,000,000 thousand, owing to the transfer of the contractual position between

BPN and Parvalorem (Note 12). Therefore, beginning March 30, 2012, Parvalorem became the issuing entity of the referred to commercial paper programme.

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.

At December 31, 2016 and 2015, the accumulated impairment balance on investments in credit institutions included €7,125 thousand and €11,392 thousand, respectively, on exposures to banks headquartered in the Republic of Iceland.

At December 31, 2016 and 2015, 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. The referred to 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 and usually in the form of surety deposits.

Information on impairment movements on investments in credit institutions, in 2016 and 2015, is set out in Note 37.

7. FINANCIAL ASSETS HELD-FOR-TRADING AND OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

These accounts comprise the following:

	31-12-2016			31-12-2015		
	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	2,655	-	2,655	11,127	-	11,127
. Treasury bills	2,296,420	-	2,296,420	-	-	-
. Bonds of other public						
Foreign	2,569,590	-	2,569,590	897,040	-	897,040
- Other issuers:						
. Bonds and other securities:						
Issued by residents	587	-	587	3,260	5,014	8,274
Issued by non-residents	17,747	4,969	22,715	13,876	1,667	15,543
	4,886,999	4,969	4,891,968	925,303	6,681	931,984
Equity instruments						
Residents	2,729	57,602	60,332	472	71,803	72,275
Non-residents	34,438	107,759	142,198	44,111	98,766	142,878
	37,168	165,361	202,529	44,583	170,570	215,153
Other financial instruments						
- Trust fund units						
Residents	-	100,343	100,343	-	175,428	175,428
Non-residents	-	449,219	449,219	-	464,043	464,043
- Other						
Non-residents	-	-	-	15	-	15
	-	549,562	549,562	15	639,471	639,486
Derivatives with positive fair value (Note 10)						
- Swaps	1,203,386	-	1,203,386	1,330,986	-	1,330,986
- Futures and other forward operations	21,884	-	21,884	13,614	-	13,614
- Options - shares and currency	64,269	-	64,269	57,639	-	57,639
- Caps and floors	220,328	-	220,328	176,985	-	176,985
- Other	-	-	-	30	-	30
	1,509,867	-	1,509,867	1,579,254	-	1,579,254
	6,434,034	719,892	7,153,925	2,549,155	816,722	3,365,877

Financial assets held-for-trading and other financial assets at fair value through profit or loss, at December 31, 2016 and 2015, included investment units in unit trust funds managed by Group entities, for the amounts of €49,269 thousand and €102,698 thousand, respectively and also included €9,916 thousand in investment units in property investment funds.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account comprises the following:

	31-12-2016	31-12-2015
Debt instruments		
- Public debt	3,436,812	8,637,184
- Other public issuers	1,399,105	1,619,286
- Other issuers	1,432,236	3,923,359
	6,268,153	14,179,830
Equity instruments		
- Measured at fair value	263,557	255,483
- Measured at historical cost	178,335	182,653
	441,891	438,136
Other instruments	1,198,344	1,363,175
	7,908,388	15,981,141
Impairment (Note 37)		
- Equity instruments	(126,238)	(112,532)
- Debt instruments	(9,927)	(1,029)
- Other instruments	(342,711)	(247,138)
	(478,876)	(360,699)
	7,429,512	15,620,442

At December 31, 2016 and 2015 the “Debt instruments – public debt” account included securities allocated to the issuance of covered bonds with a book value of €142,693 thousand and €144,294 thousand, respectively (Note 22).

The “Debt instruments – issued by other entities” account, at December 31, 2015, included €2,276,990 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 (Note 6). These bonds are backed by a Portuguese state guarantee. The bonds were reclassified to Loans and advances to customers in 2016 (Note 12).

At December 31, 2016, “Other instruments” and “Impairment - other instruments” included €779,414 thousand and €241,297 thousand, respectively (€876,078 thousand and €159,381 thousand respectively at December 31, 2015) in subscriptions for investments in corporate vehicles set up in the sphere of assignments of financial assets (loans and advances to customers).

Following the transfer of the referred to assets (to the company itself or other companies held by the corporate vehicle in which the Group has a stake), the latter were derecognised from the balance sheet, as it was considered that the respective IAS 39 requirements, i.e. the transfer of a substantial part of the risks and benefits associated with credit operations and their respective control had been met. The corporate vehicles in which the Group has a non-controlling interest continue to be autonomous in terms of 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 corporate vehicles. Following their initial recognition, these positions reflect the revaluation of such companies' equity.

Information on the Group’s exposure, at December 31, 2016 and 2015, is given below:

	31-12-2016			
	Securities acquiried on asset transfer operations			
	Value before impairment	Accumulated impairment	Net	Fair value reserve
Fundo Imobiliário Aquarius	163,961	(46,797)	117,164	-
Fundo Recuperação, FCR	161,629	(46,805)	114,824	-
Flit-Ptrel SICAV	110,243	(21,442)	88,801	-
Discovery Portugal Real Estate Fund	110,514	(25,121)	85,393	7,600
OXI Capital, SCR	79,388	(3,329)	76,059	56
Fundo Recuperação Turismo, FCR	46,159	(13,597)	32,562	392
Fundo Imobiliário Vega	32,645	(13,663)	18,983	1,358
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	6,383	(2,053)	4,330	-
Vallis Construction Sector	68,491	(68,491)	-	-
	779,414	(241,297)	538,116	9,407

	31-12-2015			
	Securities acquiried on asset transfer operations			
	Value before impairment	Accumulated impairment	Net	Fair value reserve
Fundo Imobiliário Aquarius	201,484	(38,590)	162,893	7,776
Fundo Recuperação, FCR	180,000	(44,323)	135,677	-
Flit-Ptrel SICAV	117,927	(10,536)	107,391	11,044
Discovery Portugal Real Estate Fund	125,319	(25,121)	100,197	22,014
OXI Capital, SCR	81,102	(3,329)	77,774	1,771
Vallis Construction Sector	70,936	(10,197)	60,739	7,536
Fundo Recuperação Turismo, FCR	53,890	(13,597)	40,293	8,124
Fundo Imobiliário Vega	39,028	(12,199)	26,829	-
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	6,393	(1,490)	4,903	10
	876,078	(159,381)	716,697	58,274

At December 31, 2016 the measurement 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, as calculated and disclosed by the management companies. At December 31, 2016 and 2015 provisions for additional depreciation were also recognised in "Provisions for other risks and liabilities" for the amount of €5,019 thousand and €49,067 thousand, respectively (Note 23). During the course of 2016 a part of the balance on this provision was used to reduce the net balance sheet carrying amount of these funds.

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 balance sheet carrying amount of €51,857 thousand and €50,833 thousand, respectively, at December 31, 2016 and 2015, fully provisioned (Note 19).

At December 31, 2016 and 2015, the balance sheet amount and impairment value of securities and real estate funds managed by Group entities and recognised in the held-for-sale financial assets portfolio, were as follows:

	Balances at 31-12-2016		Balances at 31-12-2016	
	Securities Investment Funds	Real Estate Investment Funds	Securities Investment Funds	Real Estate Investment Funds
Book value	10,257	30,450	8,115	30,264
Impairment	-	(12,108)	-	(5,071)
	10,257	18,342	8,115	25,193

At December 31, 2016 and 2015, equity instruments included the following investments:

	31-12-2016						
	Banking	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net amounts	Fair value reserve	Effective participating interest (%)
Measured at fair value							
SICAR NovEnergia II	-	68,654	68,654	-	68,654	26,231	11.12
Inapa - Investimentos, Participações e Gestão, S.A.	-	26,800	26,800	(14,889)	11,911	-	16.84
Galp Energia, SGPS, S.A.	-	15,120	15,120	-	15,120	2,544	0.07
La Seda Barcelona, S.A.	52,878	-	52,878	(52,878)	-	-	14.24
Finpro, SGPS, S.A.	-	23,818	23,818	(23,818)	-	-	17.17
A.Silva & Silva - Imobiliário e Serviços, S.A.	-	21,300	21,300	(21,300)	-	-	19.64
VISA Inc Classe C (série US92826C3007)	14,433	-	14,433	-	14,433	12,848	-
VISA Inc Classe C (série US92826C7974)	7,520	-	7,520	-	7,520	(492)	-
Foreign entities' shares	1,605	21,415	23,020	(2,375)	20,645	6,396	
Other	-	10,015	10,015	(5,236)	4,779	(812)	
	76,435	187,122	263,557	(120,495)	143,062	46,716	
Measured at historical cost							
Águas de Portugal, S.A.	153,003	-	153,003	-	153,003	-	9.69
VAA - Vista Alegre Atlantis, S.A.	4,058	-	4,058	(1,178)	2,880	-	4.48
Other			21,274	(4,565)	16,709	-	
	157,061	-	178,335	(5,743)	172,592	-	
	233,496	187,122	441,891	(126,238)	315,653	46,716	

	31-12-2015						
	Banking	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net amounts	Fair value reserve	Effective participating interest (%)
Measured at fair value							
SICAR NovEnergia II	-	63,996	63,996	-	63,996	21,574	11.12
Visa Europe Limited	22,341	-	22,341	-	22,341	22,341	0.01
Inapa - Investimentos, Participações e Gestão, SA	22,333	-	22,333	-	22,333	(4,467)	16.84
Galp Energia, SGPS, S.A.	11,423	-	11,423	-	11,423	(1,153)	0.07
La Seda Barcelona, S.A.	52,878	-	52,878	(52,878)	-	-	14.24
Finpro, SGPS, S.A.	-	23,818	23,818	(23,818)	-	-	17.17
A.Silva & Silva - Imobiliário e Serviços, S.A.	-	21,300	21,300	(21,300)	-	-	19.64
Foreign entities' shares	1,732	-	1,732	-	1,732	641	
Other	3	35,659	35,662	(6,593)	29,070	9,411	
	110,710	144,773	255,483	(104,588)	150,895	48,347	
Measured at historical cost							
Águas de Portugal, S.A.	153,003	-	153,003	-	153,003	-	9.69
VAA - Vista Alegre Atlantis, S.A.	4,058	711	4,769	(1,178)	3,591	-	4.48
Other	24,522	359	24,881	(6,766)	18,115	-	
	181,583	1,070	182,653	(7,944)	174,709	-	
	292,293	145,843	438,136	(112,532)	325,604	48,347	

The following criteria were used to prepare the above tables:

- The “Investment banking and venture capital” column includes the securities held by Caixa - Banco de Investimento and the Group’s venture capital area, including consolidated venture capital funds (Note 3);
- Securities held by other entities were allocated to “Banking activity”.

Information on the amount of impairment on equity instruments recognised by the Group as a charge to profit and loss for 2016 and 2015 is set out in the following table (Note 37):

	31-12-2016	31-12-2015
Finpro, SGPS, S.A.	-	4,635
Inapa - Investimentos, Participações E Gestão, S.A	14,889	-
Other	943	1,134
	15,832	5,768

Information on the held-for-sale financial assets fair value reserve at December 31, 2016 and 2015 is given below:

	31-12-2016	31-12-2015
Fair value reserve (Note 27)		
(gross amount before non-controlling interests)		
Debt instruments	(146,242)	163,632
Equity instruments	46,716	48,347
Other instruments	50,714	118,783
	(48,813)	330,762
Deferred tax reserve	5,207	(91,358)
	(43,607)	239,404
Balance attributable to non-controlling interests	3,058	1,646
	(40,548)	241,050

The principal movements relating to equity instruments classified as held-for-sale financial assets, in 2016 and 2015, were as follows:

VISA Europe Limited and VISA Incorporated Category C

Deriving from the reorganisation process on its operations undertaken by the Visa network and after obtaining the necessary approvals from the relevant regulatory authorities, Visa Inc's proposal for the acquisition of Visa Europe was successfully completed in June 2016. As a result of this transaction, Caixa recognised capital gains of €36,256 thousand on the transfer of ownership of its investment in Visa Europe for a nominal value of €10 (Note 32).

The assessment of the profit made on the operation included the valuation of the diverse components incorporated in the procedure agreed for the settlement of the transaction, including (i) a cash payment made on the sale's closure date, (ii) a deferred cash payment to be made on the sale's third anniversary and (iii) the delivery of 9,608 convertible preference shares (Category C).

The referred to preference shares' balance sheet carrying amount, at December 31, 2016, totalled €7,520 thousand.

Finangeste, S.A.

Caixa disposed of 247,375 Finangeste shares for a global amount of €1,582 thousand, in June 2015, making capital losses of €931 thousand (Note 32) on this operation.

Reclassification of securities

Caixa Geral de Depósitos

In 2008 and first half 2010, under the terms of the October 2008 amendments to IAS 39, as described in further detail in Note 2.7. and owing to the exceptional circumstances noted in the financial markets in the referred to periods, Caixa transferred a collection of securities from “Financial assets held-for-trading” to “Available-for-sale financial assets” categories.

Caixa’s reclassifications, deriving from the instability of and volatility in the financial markets, particularly in 2010, as regards the evolution of credit markets which were badly affected by the disturbances in the funding of eurozone countries’ sovereign debt, changed Caixa’s outlook on the sale of these assets which were no longer expected to be sold over the short term. The transfer of securities in first half 2010 essentially comprised sovereign debt instruments, securities issued by government agencies and other credit instruments issued by financial institutions directly affected by the turmoil in eurozone public debt markets.

Caixa also reclassified bonds from “Available-for-sale financial assets” to “Loans and advances to customers” in first half 2010.

The bonds issued by the companies Parvalorem S.A., Parups S.A. and Parparticipadas S.A. were also reclassified from “held-for-sale financial assets” to “Loans and advances to customers” in the last quarter of 2016. The referred to vehicles were created to manage the assets acquired by the Portuguese state in the sphere of the reprivatisation of the former BPN, with the referred to issuance being collateralised by a state issued guarantee. The reclassification was decided on account of the specific characteristics of the origin of such issuances, not tradable by nature and considering CGD’s intention and capacity to hold on to these securities in the foreseeable future.

The impact of the reclassification of those securities in profit and loss and fair value reserves was as follows:

Securities reclassified in 2008

	31-12-2016	31-12-2015
	Financial assets at fair value as a charge to revaluation reserves	Financial assets at fair value as a charge to revaluation reserves
Book value at reclassification date	57,491	151,002
Book value	60,098	139,266
Fair value of securities reclassified	60,098	139,266
Fair value reserve of securities reclassified	3,252	27,496
Gains / (losses) associated with the change of the fair value of securities		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	(24,244)	4,433
Impairment for the year	-	-
Other gains and losses recognised as a charge to net income	25,616	9,293

Securities reclassified in 2010

	31-12-2016	31-12-2015
	Financial assets at fair value as a charge to revaluation reserves	Financial assets at fair value as a charge to revaluation reserves
Book value at reclassification date	101	101
Book value	136	160
Fair value of securities reclassified	136	160
Fair value reserve of securities reclassified	(113)	(94)
Gains / (losses) associated with the change of the fair value of securities		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	(18)	(360)
Other gains and losses recognised as a charge to net income	-	268

Securities reclassified in 2016

	31-12-2016
	Financial assets at amortised cost
Book value at reclassification date	2,246,210
Book value	1,797,173
Fair value of securities reclassified	1,810,914
Fair value reserve of securities reclassified to be amortized	81,656

The amounts do not include the fiscal effect.

“Profit/(loss) includes the proceeds from the disposal of securities after the reclassification date and foreign exchange revaluations and excludes income and costs on interest and commissions.

The reclassification of bonds issued by the companies Parvalorem S.A., Parups S.A., and Parparticipadas S.A., from “Held-for-sale financial assets” to “Loans and advances to customers", was followed by repayments of capital and payment of interest for the amounts of €383,350 thousand and €70,610 thousand, respectively.

The amounts of securities reclassified as financial assets at fair value as a charge to reserves, in 2008, included investment units in funds latterly included in the consolidation perimeter. Information on this asset, at December 31, 2016 and 2015, is set out below:

	31-12-2016	31-12-2015
Financial assets at fair value as a charge to revaluation reserves		
Book value	11,128	52,600
Fair value of securities reclassified	11,128	52,600
Fair value reserve of securities reclassified	3,948	9,367
Gains / (losses) associated with the change of the fair value of securities		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	(5,419)	4,321
Other gains and losses recognised as a charge to net income	7,358	-

9. FINANCIAL ASSETS WITH REPURCHASE AGREEMENT

Information on the breakdown of financial assets with repurchase agreements, at December 31, 2016 and 2015, is set out below:

	31-12-2016	31-12-2015
At fair value through revaluation reserves		
Debt instruments		
- From public issuers:		
. Portuguese debt securities	354,252	290,317
. Foreign debt securities	4,431	4,651
- From other issuers:		
. Bonds and other securities:		
Residents	187,114	120,686
Non-residents	19,793	246,646
	565,590	662,300
At fair value through revaluation reserves		
Debt instruments		
Residents	234,830	418,866
	234,830	418,866
Impairment (Nota 37)	(688)	-
	799,732	1,081,166

The Group entered into sales operations on financial assets with purchase agreements at a future date and predefined price with financial institutions and customers in 2016 and 2015.

Financial instruments ceded in sales operations with repurchase agreements are not derecognised in 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 contract.

Liabilities on the repurchase agreement are recognised in “Other credit institutions’ resources – Sales operations with repurchase agreements” (Note 20) and “Customer resources and other loans – Other resources – Sales operations with repurchase agreements” (Note 21).

10. DERIVATIVES

The Group’s activity includes derivative operations 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.

These operations were measured in conformity with the criteria set out in Note 2.7.c), at December 31, 2016 and 2015. Information on the respective notional and balance sheet value, at the said dates, is set out below:

	31-12-2016							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading (Note 7)	Liabilities held for trading	Hedging derivatives - Assets	Hedging derivatives - Liabilities	Total
Forward foreign exchange transactions								
Forwards exchange				1,479	(3,356)	-	-	(1,877)
Purchase	1,147,758	-	1,147,758					
Sale	1,150,080	-	1,150,080					
NDF's (Non Deliverable Forward)				9,048	(1,894)	-	-	7,154
Purchase	107,718	-	107,718					
Sale	96,773	-	96,773					
FRA (forward rate agreements)	-	-	-	-	-	-	-	-
Swaps								
Currency swaps				22,283	(1,456)	-	-	20,827
Purchase	724,257	-	724,257					
Sale	703,404	-	703,404					
Shares and indexes				-	(19)	-	-	(19)
Purchase	2,041	-	2,041					
Sale	2,041	-	2,041					
Interest rate swaps and cross currency interest rate swaps				1,181,103	(1,382,482)	9,541	(2,197)	(194,035)
Purchase	51,921,273	128,628	52,049,901					
Sale	51,818,663	132,293	51,950,956					
Credit default swaps				-	(69)	-	-	(69)
Purchase	75,894	-	75,894					
Sale	47,434	-	47,434					
Futures								
Currency				-	-	-	-	-
Long positions	126,105	-	126,105					
Short positions	99,092	-	99,092					
Interest rate				-	(155)	-	-	(155)
Long positions	150,382	-	150,382					
Short positions	3,720,197	-	3,720,197					
Shares and indexes				1,105	(343)	-	-	762
Long positions	7,816	-	7,816					
Short positions	5,420	-	5,420					
Other			-	10,252	-	-	-	10,252
Long positions	366,856	-	366,856					
Short positions	814,139	-	814,139					
Options								
Currency				1,608	(1,774)	-	-	(166)
Purchase	78,936	-	78,936					
Sale	68,221	-	68,221					
Shares and indexes				62,661	(68,292)	-	-	(5,631)
Purchase	700,192	-	700,192					
Sale	709,698	-	709,698					
Commodities				1	(1)	-	-	-
Purchase	90,000	-	90,000					
Sale	-	-	-					
Interest rates (Caps & Floors)				220,327	(229,673)	-	-	(9,346)
Purchase	2,268,823	-	2,268,823					
Sale	2,595,807	-	2,595,807					
Other	-	-	-	-	(3,802)	-	-	(3,802)
	119,599,020	260,921	119,859,941	1,509,867	(1,693,316)	9,541	(2,197)	(176,105)

	31-12-2015							
	Notional value			Book value				
						Hedging derivatives		
	Trading derivatives	Hedging derivatives	Total	Assets held for trading (Note 7)	Liabilities held for trading	Assets	Liabilities	Total
Forward foreign exchange transactions								
Forwards exchange				2,145	(14,823)	-	-	(12,678)
Purchase	833,099	-	833,099					
Sale	845,006	-	845,006					
NDF's (Non Deliverable Forward)				961	(3,496)	-	-	(2,535)
Purchase	212,628	-	212,628					
Sale	216,481	-	216,481					
FRA (forward rate agreements)	10,000		10,000	-	(13)	-	-	(13)
Swaps								
Currency swaps				1,965	(3,757)			(1,792)
Purchase	661,197	-	661,197					
Sale	663,566	-	663,566					
Interest rate swaps and cross currency interest rate swaps				1,329,001	(1,459,131)	46,468	(10,812)	(94,474)
Purchase	58,562,454	236,205	58,798,659					
Sale	58,463,001	239,099	58,702,100					
Credit default swaps				21	(305)	-	-	(284)
Purchase	73,482	-	73,482					
Sale	70,926	-	70,926					
Futures								
Currency				-	-	-	-	-
Long positions	153,166	-	153,166					
Short positions	251,182	-	251,182					
Interest rate				-	-	-	-	-
Long positions	951,203	-	951,203					
Short positions	932,690	-	932,690					
Shares and indexes				547	(234)	-	-	313
Long positions	12,169	-	12,169					
Short positions	4,657	-	4,657					
Other			-	9,960	-	-	-	9,960
Long positions	323,250	-	323,250					
Short positions	497,762	-	497,762					
Options								
Currency				3,043	(3,227)	-	-	(184)
Purchase	417,466	-	417,466					
Sale	391,024	-	391,024					
Shares and indexes				54,596	(61,821)	-	-	(7,225)
Purchase	460,616	-	460,616					
Sale	392,220	-	392,220					
Interest rates (Caps & Floors)				176,985	(183,274)	-	-	(6,289)
Purchase	2,630,247	-	2,630,247					
Sale	3,159,459	-	3,159,459					
Other	-	-	-	30	(8,516)	-	-	(8,486)
	131,188,951	475,304	131,664,255	1,579,254	(1,738,597)	46,468	(10,812)	(123,687)

The “Liabilities held-for-trading” account, at December 31, 2016, also includes €2,165 thousand for liabilities on the short selling of debt instruments.

Derivatives recognised in "Assets held-for-trading", "Liabilities held-for-trading", "Hedge derivatives - assets" and "Hedge derivatives - liabilities", at December 31, 2016 and 2015, included operations collateralised by surety accounts with the aim of ensuring 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 25) and "Other assets - Debtors and other assets - Other debtors" accounts (Note 19), respectively.

At December 31, 2016 the balance sheet carrying amount of operations with derivatives having positive and negative fair values, collateralised by surety deposits or securities, totalled €859,236 thousand and €1,577,530 thousand, respectively (€977,340 thousand and €1,596,755 thousand, respectively in December 2015).

Detailed information on CVA (credit value adjustments) and DVA (debit value adjustments) is given in Note 41.

Information on the distribution of the Group’s derivatives operations by period to maturity, at December 31, 2016 and 2015, is set out below:

	31-12-2016					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Forward foreign exchange transactions						
Purchase	653,585	125,793	368,380	-	-	1,147,758
Sale	654,814	126,067	369,199	-	-	1,150,080
NDF's (Non Deliverable Forward)						
Purchase	30,831	61,635	15,252	-	-	107,718
Sale	28,161	54,109	14,503	-	-	96,773
Swaps						
Currency swaps						
Purchase	589,639	131,671	2,947	-	-	724,257
Sale	569,848	130,786	2,770	-	-	703,404
Shares and indexes						
Purchase	752	-	-	1,289	-	2,041
Sale	752	-	-	1,289	-	2,041
Interest rate swaps and cross currency interest rate swaps						
Purchase	1,528,680	1,520,110	4,473,283	21,437,392	23,090,436	52,049,901
Sale	1,526,922	1,519,364	4,479,017	21,420,493	23,005,160	51,950,956
Credit default swaps						
Purchase	47,434	28,460	-	-	-	75,894
Sale	47,434	-	-	-	-	47,434
Futures						
Currency						
Long positions	126,105	-	-	-	-	126,105
Short positions	98,946	146	-	-	-	99,092
Interest rate						
Long positions	-	-	150,382	-	-	150,382
Short positions	1,595,046	1,458,436	402,551	251,682	12,482	3,720,197
Shares and indexes						
Long positions	7,816	-	-	-	-	7,816
Short positions	5,420	-	-	-	-	5,420
Other						
Long positions	191,390	-	164,371	-	11,095	366,856
Short positions	203,873	-	321,910	288,356	-	814,139
Options						
Currency						
Purchase	83	4,322	27,805	46,726	-	78,936
Sale	1,881	8,769	18,205	39,366	-	68,221
Shares and indexes						
Purchase	70,718	68,912	493,565	59,463	7,534	700,192
Sale	63,132	73,482	501,588	64,877	6,619	709,698
Commodities						
Purchase	50,000	40,000	-	-	-	90,000
Interest rates (Caps & Floors)						
Purchase	78,054	100,000	100,000	1,904,832	85,937	2,268,823
Sale	3,054	100,000	256,400	2,167,331	69,022	2,595,807
	8,174,370	5,552,062	12,162,128	47,683,096	46,288,285	119,859,941

	31-12-2015					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Forward foreign exchange transactions						
Purchase	551,033	63,902	217,883	281	-	833,099
Sale	547,232	77,686	219,803	285	-	845,006
NDF's (Non Deliverable Forward)						
Purchase	191,769	15,382	5,477	-	-	212,628
Sale	194,637	15,878	5,966	-	-	216,481
FRA (forward rate agreements)	-	-	-	10,000	-	10,000
Swaps						
Currency swaps						
Purchase	373,017	285,389	2,791	-	-	661,197
Sale	375,805	284,989	2,772	-	-	663,566
-	-	-	-	-	-	-
-	-	-	-	-	-	-
Interest rate swaps and cross currency interest rate swaps						
Purchase	2,852,294	1,750,094	4,501,608	25,748,443	23,946,220	58,798,659
Sale	2,856,977	1,750,725	4,494,960	25,721,359	23,878,079	58,702,100
Credit default swaps						
Purchase	-	-	-	73,482	-	73,482
Sale	-	-	25,000	45,926	-	70,926
Futures						
Currency						
Long positions	153,166	-	-	-	-	153,166
Short positions	249,925	193	906	158	-	251,182
Interest rate						
Long positions	100,097	295,086	556,020	-	-	951,203
Short positions	184,664	394,512	77,074	265,507	10,933	932,690
Shares and indexes						
Long positions	12,169	-	-	-	-	12,169
Short positions	2,286	2,371	-	-	-	4,657
Other						
Long positions	90,955	27,349	129,719	63,978	11,249	323,250
Short positions	95,686	30,733	125,008	246,335	-	497,762
Options						
Currency						
Purchase	53,471	161,692	78,158	124,145	-	417,466
Sale	54,465	162,066	70,690	103,803	-	391,024
Shares and indexes						
Purchase	130,233	42,862	89,048	190,977	7,496	460,616
Sale	135,410	75,207	76,854	98,131	6,618	392,220
Interest rates (Caps & Floors)						
Purchase	18,371	397,495	145,000	1,654,248	415,133	2,630,247
Sale	300,000	353,024	55,000	1,995,653	455,782	3,159,459
Other	-	-	-	-	-	-
	9,523,662	6,186,635	10,879,737	56,342,711	48,731,510	131,664,255

Information on the Group's distribution of derivatives operations, by counterparty type, at December 31, 2016 and 2015, is set out below:

	31-12-2016		31-12-2015	
	Notional value	Book value	Notional value	Book value
Forward foreign exchange transactions				
Foreign exchange				
Financial institutions	2,146,471	(205)	1,385,619	181
Customers	151,367	(1,672)	292,486	(12,859)
	2,297,838	(1,877)	1,678,105	(12,678)
NDF's (Non Deliverable Forward)				
Customers	204,491	7,154	429,109	(2,535)
	204,491	7,154	429,109	(2,535)
FRA (forward rate agreements)				
Financial institutions	-	-	10,000	(13)
	-	-	10,000	(13)
Swaps				
Currency swaps				
Financial institutions	1,380,673	19,078	1,278,003	(2,977)
Customers	46,988	1,749	46,760	1,185
	1,427,661	20,827	1,324,763	(1,792)
Shares and indexes				
Financial institutions	4,082	(19)	-	-
	4,082	(19)	-	-
Interest rate swaps and cross currency interest rate swaps				
Financial institutions	97,110,765	(402,514)	107,970,007	(398,393)
Customers	6,890,092	208,479	9,530,752	303,919
	104,000,857	(194,035)	117,500,759	(94,474)
Credit default swaps				
Financial institutions	123,328	(69)	144,408	(284)
	123,328	(69)	144,408	(284)
Futures				
Currency				
Stock exchange	225,197	-	404,348	-
	225,197	-	404,348	-
Interest rate				
Stock exchange	3,870,579	(155)	1,875,717	-
Financial institutions	-	-	8,176	-
	3,870,579	(155)	1,883,893	-
Shares and indexes				
Stock exchange	13,236	762	14,455	313
Financial institutions	-	-	2,371	-
	13,236	762	16,826	313
Other				
Stock exchange	1,169,900	-	809,763	-
Financial institutions	11,095	10,252	11,249	9,960
	1,180,995	10,252	821,012	9,960
Options				
Currency				
Financial institutions	147,157	1,384	675,366	1,571
Customers	-	(1,550)	133,124	(1,755)
	147,157	(166)	808,490	(184)
Shares and indexes				
Financial institutions	1,409,890	8,853	852,836	7,212
Customers	-	(14,484)	-	(14,437)
	1,409,890	(5,631)	852,836	(7,225)
Commodities				
Financial institutions	90,000	1	-	-
Customers	-	(1)	-	-
	90,000	-	-	-
Interest rates (Caps & Floors)				
Financial institutions	4,494,739	(161,845)	5,080,514	(104,334)
Customers	369,891	152,499	709,192	98,045
	4,864,630	(9,346)	5,789,706	(6,289)
Other				
Financial institutions	-	(3,802)	-	(3,833)
Customers	-	-	-	(4,653)
	-	(3,802)	-	(8,486)
	119,859,941	(176,105)	131,664,255	(123,687)

11. HELD-TO-MATURITY INVESTMENTS

The composition of the balances of investments to be held to maturity at December 31, 2016, was as follows:

	31-12-2016
Debt instruments	
- Other public issuers	413,850
- Other issuers	
Other non-residents	19,281
	433,131

The debt instruments recognised in this category, on this date, fundamentally refer to the sovereign debt instruments of the Banco Caixa Geral Angola portfolio.

12. LOANS AND ADVANCES TO CUSTOMERS

This account comprises the following:

	31-12-2016	31-12-2015
Domestic and foreign loans		
Loans	44,344,939	47,701,256
Current account loans	2,225,127	2,523,881
Other loans	6,091,760	6,038,376
Other loans and amounts receivable - securitised		
. Commercial Paper	2,774,710	2,767,128
. Other	3,978,425	1,948,366
Property leasing operations	1,042,915	1,179,946
Discounts and other loans secured by bills	1,037,704	1,267,535
Equipment leasing operations	708,131	736,179
Factoring	924,196	840,682
Overdrafts	322,563	397,602
	63,450,470	65,400,951
Adjustment to assets under hedging operations	-	95
Accrued interest	184,266	241,548
Deferred income, commissions and other cost and income associated with amortised cost	(83,217)	(80,788)
	63,551,519	65,561,806
Overdue loans and interest	4,948,703	5,394,933
	68,500,222	70,956,739
Impairment (Note 34)	(5,633,397)	(5,197,706)
	62,866,825	65,759,033

"Domestic credit – Other loans", at December 31, 2016 and 2015, included €61,797 thousand and €67,625 thousand, respectively, relating to mortgage and personal loans issued by CGD to its employees.

The "Other loans and amounts receivable – securitised" account at December 31, 2016 included €1,797,173 thousand for 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 (Note 6). These bonds are backed by a Portuguese state guarantee.

The "Other loans and amounts receivable – securitised – commercial paper" account, at December 31, 2016 and 2015, included liabilities deriving from the commercial paper programme subscribed for by Caixa with the former BPN for the amount of €1,000,000 thousand, formalised by the transfer of the contractual position between the Bank and Parvalorem (Note 6).

Caixa disposed of several mortgage loans, across 2016, for the amount of €82,690 thousand, with a book value, before impairment, on the said date, of €148,060 thousand.

The referred to operations were fully matured. The losses made on these loans were recognised in profit and loss as “Credit impairment, net of reversals”.

Deriving from the changes in loan write-off policies, in 2016, more detail on which is given in Note 41, operations for €1,747,483 thousand, fully covered by impairment, were derecognised from Caixa’s balance sheet in the referred to period.

In 2015, impairment included €47,343 thousand on outstanding debt balances based on the calling in of guarantees issued to customers and recognised in "Other assets" (Note 19).

The “Loans” account, at December 31, 2016 and 2015, included mortgage loans issued by Caixa in the sphere of securitisation operations. Movements in this account, in 2015 and 2016, were as follows:

	Nostrum Mortgages nº1	Nostrum Mortgages nº2	Total
Balances at 31-12-2014	315,646	4,494,931	4,810,577
Sale of new loans	448	-	448
Payments	(23,551)	(190,701)	(214,252)
Repurchase	(291,827)	(10,951)	(302,778)
Other	(716)	(27,742)	(28,458)
Balances at 31-12-2015	-	4,265,537	4,265,537
Sale of new loans	-	109	109
Payments	-	(231,856)	(231,856)
Repurchase	-	(10,720)	(10,720)
Other	-	(27,952)	(27,952)
Balances at 31-12-2016	-	3,995,118	3,995,118

The liabilities associated with this operation are fully held by the Group and therefore eliminated in the sphere of the preparation of the consolidated financial statements.

In accordance with condition 8.6.2 of the Terms and Conditions, the early repayment option for the Nostrum Mortgages 2003-1 Securitisation Transaction was exercised on September 15, 2015. Under the terms of the “Mortgage Assets Repurchase Agreement”, CGD repurchased the securitised loans held by Fundo Nostrum Mortgages 2003-1 FTC, with the sales price of €291,379 thousand, corresponding to the net book value of the loans with reference to August 31, 2015. The amounts received by the Fund, under the loan repurchase, were used by the company to make early repayment of the nominal amount of the loan securitisation units subscribed for by Nostrum Mortgages 2003-1 PLC, which vehicle, in turn, invested the funds received from the repayment of the bond issuances to finance the acquisition of the referred to securitisation units. As a consequence of these operations and in conformity with the terms of the Fund Management Regulation, the latter was liquidated on the date of the transfer of the securitised loans to CGD.

At December 31, 2016 and 2015, the “Loans” account included mortgage loans with a book value of €9,432,153 thousand and €10,478.994 thousand, respectively, allocated to the issuance of covered bonds.

The assets pool collateralising the referred to issuances, at December 31, 2016 and 2015, also included debt securities with a book value of €142,693 thousand and €144,294 thousand, respectively (Note 8).

Information on the structure of the seniority of “Overdue loans and interest”, at December 31, 2016 and 2015, is set out below:

	31-12-2016	31-12-2015
Up to three months	402,991	308,758
Three to six months	214,591	125,146
Six months to one year	464,215	226,858
One to three years	1,044,416	1,353,364
Over three years	2,822,490	3,380,807
	4,948,703	5,394,933

13. NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE

Information on the composition of non-current assets and liabilities held-for-sale balances, at December 31, 2016 and 2015, is set out below:

	31-12-2016	31-12-2015
ASSETS		
Property and equipment	1,111,959	1,241,911
Subsidiaries		
Mercantile Bank Holdings, Ltd	836,212	-
	1,948,171	1,241,911
Impairment (Note 37)		
property and equipment	(504,099)	(411,509)
Subsidiaries	(18,000)	-
	(522,099)	(411,509)
	1,426,072	830,402
LIABILITIES		
Subsidiaries		
LCS - Linha de Cuidados de Saúde	693,369	-
	693,369	-

The income generated by held-for-sale business units, in 2016 and 2015, is itemised in the consolidated profit and loss statement as "Income from subsidiaries held-for-sale", as set out below:

	31-12-2016	31-12-2015
Results of subsidiaries held for sale		
LCS - Linha de Cuidado de Saúde	-	(1,610)
Mercantile Bank Holdings, Ltd.	10,821	10,315
	10,821	8,705

Mercantile Bank Holding Ltd

In the framework of the commitments entered into between the Portuguese state, as Caixa's sole shareholder and the competent European authorities, for the recapitalization of CGD (Introductory Note), Caixa initiated the procedures for the disposal of the Group's equity stake in Mercantile Bank Holdings, Ltd., in 2016, namely as regards matters leading to the identification of and contact with potential investors, assessment of the legal aspects pertaining to the operation and informing the relevant supervisors of its intentions. There is also a strong possibility that the sale will take place in 2017, with no procedural or other type of impediments to the implementation of this schedule having, to-date, been identified.

Accordingly and in conformity with the dispositions of IFRS 5, at December 31, 2016, the business units' assets and liabilities were aggregated and recognised in "Non-current assets and liabilities held-for-sale – subsidiaries". Also in conformity with IFRS 5 requirements, the results generated by this unit are set out in profit and loss, with the comparative periods having been re-expressed in conformity. Impairment of €18,000 thousand was also declared in 2016, in recognition of the spread between the equity value of the assets and liabilities of Mercantile Bank Holdings, Ltd and their fair value, net of disposal costs (Note 37).

Information on Mercantile Bank Holdings, Ltd's main data, at December 31, 2016, is set out below:

ASSETS	31-12-2016
Advances and cash balances at other credit institutions	84,608
Financial assets at fair value through profit or loss	2,037
Available-for-sale financial assets	35,611
Other tangible assets	9,020
Intangible assets	12,337
Loans and advances to customers	599,146
Other assets	93,453
TOTAL ASSETS	836,212
LIABILITIES AND EQUITY	
Resources of credit institutions	51,434
Customer resources	573,436
Debt securities	41,302
Financial liabilities at fair value through profit or loss	3,025
Provisions for employee benefits	2,463
Provisions for other risks	16
Current tax liabilities	460
Deferred tax liabilities	1,359
Other liabilities	19,873
TOTAL LIABILITIES	693,369
TOTAL EQUITY, of which:	142,843
Reserves of revaluation	4,000
	836,212

	31-12-2016	31-12-2015
Other income and cost		
Interest and similar income	61,672	54,642
Interest and similar costs	(31,558)	(25,854)
Income from services rendered and commissions	20,590	20,387
Cost of services and commissions	(7,314)	(7,060)
Results from financial operations	4,134	4,154
Staff costs	(16,821)	(16,093)
Other administrative costs	(7,812)	(8,072)
Depreciation of tangible and intangible assets	(3,524)	(3,483)
Impairment net of reversals and recovery	(1,831)	(1,053)
Other	(2,351)	(3,067)
	15,186	14,501
Income tax	(4,311)	(4,122)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	10,875	10,379
Non-controlling interests	(54)	(64)
NET INCOME	10,821	10,315

As referred to in Note 2.6., at the time of the disposal of the equity stakes denominated in a functional currency other than the euro, the exchange rate gains/losses 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.

At December 31, 2016, the accumulated amount of the exchange rate gains/losses recognised as a charge to "Other reserves" in the sphere of Mercantile Bank Holdings Ltd's consolidation, comprised losses of approximately €56,191 thousand.

Property and equipment

As described in Note 2.8., non-current assets held-for-sale also include property and other assets auctioned for credit recovery purposes.

Information on the above asset movements for 2016 and 2015 is set out below:

	Balances at 31-12-2015							Balances at 31-12-2016	
	Gross value	Accumulated impaiment	Changes in consolidation perimeter	Additions	Sales and write-offs	Other transfers and adjustments	Impaiment (Note 37)	Gross value	Accumulated impaiment
Non-current assets held for sale									
Property	1,238,438	(409,788)	-	193,458	(269,655)	(20,220)	(125,708)	1,108,658	(502,133)
Other	3,473	(1,721)	198	4,639	(5,009)	581	(827)	3,301	(1,966)
	1,241,911	(411,509)	198	198,098	(274,664)	(19,639)	(126,535)	1,111,959	(504,099)

	Balances at 31-12-2015							Balances at 31-12-2016	
	Gross value	Accumulated impaiment	Changes in consolidation perimeter	Additions	Sales and write-offs	Other transfers and adjustments	Impaiment (Note 37)	Gross value	Accumulated impaiment
Non-current assets held for sale									
Property	1,173,486	(373,410)	-	295,771	(217,188)	(517)	(49,492)	1,238,438	(409,788)
Other	4,688	(2,687)	-	8,558	(9,773)	1,327	(360)	3,473	(1,721)
	1,178,173	(376,098)	-	304,329	(226,961)	809	(49,852)	1,241,911	(411,509)

The net losses made on non-current assets held-for-sale, in 2016 and 2015, amounted to €16,865 thousand and €22,316 thousand, respectively (Note 33), of which €5,414 thousand and €9,778 thousand for the costs of maintaining the referred to assets in the period prior to the disposal. 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 an assessment of the amount of the operation's capital gains/losses being made in comparison to the respective acquisition cost.

14. INVESTMENT PROPERTIES

Information on "Investment properties" movements, in 2016 and 2015, is set out below:

Balances at 31-12-2014	1,189,246
Acquisitions	86,526
Revaluations (Note 33)	(38,890)
Sales	(134,600)
Transfers from tangible assets and non-current assets held for sale	18,139
Other	4,623
Balances at 31-12-2015	1,125,044
Acquisitions	60,783
Revaluations (Note 33)	(217,136)
Sales	(40,837)
Transfers from tangible assets and non-current assets held for sale	62,057
Other	(11,648)
Balances at 31-12-2016	978,263

Investment properties owned by the Group, at December 31, 2016 and 2015, are recognised at fair value. Profit and loss on the revaluation of these properties are recognised as a charge to "Other operating income" (Note 2.9.) in profit and loss.

"Investment properties", at December 31, 2016 and 2015, included €745,875 thousand and €754,002 thousand, respectively, in property owned by the Fundimo and Fundiestamo Funds negative revaluations of €23,288 thousand were made on the property included in these Funds in 2016.

The other properties recognised in this account essentially derive from overdue credit recoveries.

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 obtained from 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 (similar) properties. It generally uses statistical methods after harmonising the various market data. This is the main 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 applies 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 copy 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 costs, depreciation charges 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 main approach when no market information is available on transactions of similar property and no potential income associated with it has been identified.

The availability of relevant data and its relative subjectivity may affect the choice of the valuation method/techniques. The choice, in each case, should particularly be 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

– the presumed sales price per sqm or presumed sales price per unit (when what is relevant is not the area but rather the use provided by 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

– 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 provided by the property, e.g. car parks). In active markets, these variables are provided by directly or indirectly observable data in the 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. These variables may vary in line with the function and type of property and 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 in the absence of reasonably available information indicating that market players would employ assumptions.

– capitalisation rate associated with the risk on capital invested, income, liquidity, tax burden, risk-free interest rate, 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, for a certain geography and a specific property product, with an identical risk and identical evolution of rents.

Discounted cash flow technique

There may be diverse variables contributing 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 and it is usually necessary to include a risk adjustment factor based on the uncertainty of this type of measurement.

– discount rate, which 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 is a variable which is essentially reliant on the construction characteristics of the property but in which a contributory factor is the place of construction. 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 separate and collective impairment valuation model applied to property and recognised as non-current assets held-for-sale, whose main characteristics are described in Note 2.8. In these cases, the respective fair value is assessed with reference to the assessment of the recoverable amount.

In compliance with IFRS 13 requirements, the following table sets out information on the Group portfolio's investment properties, at December 31, 2016, classified by type, development status as regards their preparation for use and current occupancy, considering the methodologies used to measure fair value:

			31-12-2016			
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Shoping center	Concluded	Rented	54,443	Income capitalisation method	Estimated rental value per m2	5
			4,752	Income capitalisation method	Estimated rental value per m2	[724 - 779]
			59,195			
Offices	Concluded	Rented	7,968	Income capitalisation method	Estimated rental value per m2	5-7,5
			2,660	Market comparable method / Income capitalisation method	Discount rate	5-7,5
			107,649	Market comparable method / Income capitalisation method	Discount rate	[6,25%-11%]
			300,595	Market comparable method	Estimated sale value per m2	[903 - 3775]
		Capitalisation / sale	6,646	Replacement cost method / DCF / Market comparable method	Estimated rental value per m2	1750-1900
	Under construction	Capitalisation / sale	12,173	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1750-1900
			437,691			
Housing	Concluded	Rented	144	Income capitalisation method	Estimated rental value per m2	4,2
			25,293	Income capitalisation method / Market comparable method	Discount rate	6,75%-7,75%
			34,078	Market method / Cost method	Estimated rental value per m2	[1025-1100] 2
			83,611	Income capitalisation method / Market comparable method	Estimated rental value per m2	[0-910] [280-2026]
		Capitalisation / sale	150	Income capitalisation method / Market comparable method	Estimated rental value per m2	0,4-4,8
				Income capitalisation method / Market comparable method	Estimated rental value per m2	4,0-13,3
	Under construction	Capitalisation / sale	19,751	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[500-625] [1400-1875]
			163,027			
Stores	Concluded	Rented	73,602	Market comparable method	Estimated sale value per m2	700-1700
			36	Income capitalisation method	Estimated rental value per m2	2,5-7,5
			190	Income capitalisation method / Market comparable method	Estimated sale value per m2	[5 -12,3]
		Capitalisation / sale		Income capitalisation method / Market comparable method	Estimated rental value per m2	0,4-25
	Under construction	Capitalisation / sale	175	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	800-900 1000-1650
			74,003			
Parking	Concluded	Rented	3,359	Market comparable method / Income capitalisation method	Discount rate	[6,25% - 8,25%]
			9,240	Market comparable method / Income	Value of sales per parking	4800-10700
			35,847	Market comparable method	Value of sales per parking	11000-47900
			14,835	Market comparable method / Income capitalisation method	Value of sales per parking	41739-47826
			1,470	Market comparable method / Income	Discount rate	6,35%-7,7%
			519	Income capitalisation method	Estimated sale value per m2	5-7,5
	Under construction	Capitalisation / sale	814	Replacement cost method / DCF / Market comparable method	Value of sales per parking	600-650
			2,292	Replacement cost method / DCF / Market comparable method	Value of sales per parking	7200-8500
			68,376			
Land	n.a.	Rented	229	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2 / housing	70-140
		Capitalisation / sale	7,929	Replacement cost method / DCF / M	Estimated sale value per m2 / housing	1700-2000
			220	Replacement cost method / DCF / M	Estimated sale value per m2 / commercial	900-1000 1050-1200
			13	Market comparable method	Estimated rental value per m2	6,5-8
			6,555	Income capitalisation method	Discount rate	5-7,5
			14,946			
Warehouses	Concluded	Rented	675	Market comparable method	Estimated rental value per m2	405
			119,117	Market comparable method	Estimated rental value per m2	266-1323
			8,824	Income capitalisation method	Estimated rental value per m2	5% / 7,5%
		Capitalisation / sale		Income capitalisation method / Market comparable method	Estimated rental value per m2	1,1-4,9
			128,616			
			945,854			
Other			32,411			
			978,264			

			31-12-2015			
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Shoping center	Under construction	Unoccupied	77,308	Income capitalisation method	Discount rate	[7,0%]
	Concluded	Rented	16,871	Income capitalisation method	Estimated rental value per m2 (area less than 250 m2)	5
			94,179			
Offices	Concluded	Rented	129	Income capitalisation method / Market comparable method	Estimated rental value per m2	1,00-3,7
			124,065	Market comparable method / Income capitalisation method	Estimated rental value per m2	4,25-15,5
			224,609	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	500-2193,71
			108,941	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	2001,83-4435,65
		Unoccupied	2,675	Market comparable method / Income capitalisation method	Estimated rental value per m2 / Estimated rental value per m2	790-1820 / 0,9-10,3
			6,386	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1700-1900
	Under construction	Capitalisation / sale	12,273	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1700-1900
			479,078			
Housing	Concluded	Rented	144	Income capitalisation method	Estimated rental value per m2	4
			150	Income capitalisation method / Market comparable method	Estimated rental value per m2	0,6-0,8
			142	Income capitalisation method / Market comparable method / Cost method	Estimated rental value per m2	2-7
		Unoccupied	78,290	Income capitalisation method / Market comparable method	Estimated rental value per m2	0,3-4,8
			50,240	Income capitalisation method / Market comparable method	Estimated rental value per m2	4,0-13,4
	Under construction	Capitalisation / sale	8,665	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[390-490] [1750-1875]
			137,631			
Stores	Concluded	Rented	976	Market comparable method	Estimated sale value per m2	540-2400
			390	Income capitalisation method / Market comparable method	Estimated rental value per m2	2,5-10
			76,988	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[417,64-17663,64]
		Unoccupied	6,392	Income capitalisation method / Market comparable method	Estimated rental value per m2	0,4-32,5
	Under construction	Capitalisation / sale	2,848	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	800-1600
			87,593			
Parking	Concluded	Rented	2,235	Market comparable method / Income capitalisation method	Estimated rental monthly amount	85-125
			56,999	Replacement cost method / DCF / Market comparable method	Unit value	5427-46701
		Unoccupied	1,720	Income capitalisation method / Market comparable method	Estimated rental monthly amount	7-160
	Under construction	Capitalisation / sale	840	Replacement cost method / DCF / Market comparable method	Value of sales per parking	600-650
			572	Replacement cost method / DCF / Market comparable method	Value of sales per parking	7200-8500
			62,365			
Land	n.a.	Capitalisation / sale	54,054	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2 / housing	1050-1200
			220	Market comparable method / Table of expropriations	Estimated value of the land per m2	5
			355	Replacement cost method / Market capitalisation method	Estimated value of the land per m2 of construction	90-140
			2,219	Income capitalisation method / Market comparable method	Estimated rental value per m2	1,3-3,7
			56,848			
Warehouses	Concluded	Rented	119,907	Replacement cost method / DCF / Market comparable method	Estimated rental value per m2	309-974
			4,315	Replacement cost method / DCF / Market comparable method	Estimated rental value per m2	2814-3218
		Unoccupied	671	Income capitalisation method / Market comparable method	Estimated rental value per m2	1,1-3
			124,892			
			1,042,586			
Other			82,458			
			1,125,044			

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.

15. OTHER TANGIBLE ASSETS

Other tangible asset movements, net, in 2016 and 2015, were as follows:

	Balances at 31-12-2015										Balances at 31-12-2016	
	Gross value	Accumulated depreciation and impaiment losses	Changes in consolidation perimeter	Additions	Exchange differences	Transfers	Other transfers and adjustments	Depreciation for the year	Impaiment losses, net of reversals, for the year	Sales and write-offs	Gross value	Accumulated depreciation and impaiment losses
Premises for own use												
Land	82,949	-	-	257	(40)	-	(2,268)	-	-	-	80,898	-
Buildings	595,097	(279,276)	31	18,185	(10,421)	25,737	(6,085)	(13,915)	(3,302)	(3,289)	613,332	(290,569)
Leasehold improvements	155,890	(109,113)	-	3,596	(6,325)	4,032	6,305	(7,707)	99	(3,203)	150,905	(107,331)
Equipment												
Fittings and office equipment	83,212	(71,055)	25	1,753	(694)	171	(1,076)	(3,270)	57	238	78,735	(69,373)
Machinery and tools	22,756	(20,537)		365	(213)	152	71	(777)	-	4	22,564	(20,743)
Computer equipment	239,944	(208,120)	1,194	6,677	(3,848)	1,679	682	(13,951)	2	45	245,471	(221,168)
Indoor facilities	347,662	(280,204)	11	3,438	(1,608)	1,255	2,778	(14,610)	(150)	(455)	349,071	(290,953)
Transport material	14,503	(9,261)	61	864	(912)	305	865	(2,027)		54	13,596	(9,144)
Safety/security equipment	47,349	(41,012)	28	463	(920)	273	89	(1,743)		(21)	46,216	(41,710)
Other equipment	10,053	(6,971)	21	412	(42)	(279)	(1,561)	(583)		47	7,131	(6,035)
Assets under finance lease	16,780	(16,309)	-			(1)	2	(209)		(28)	4,854	(4,619)
Other tangible assets	17,536	(12,178)	-	13	(639)	20	(1)	(546)		(3,994)	11,081	(10,870)
Tangible assets in progress	35,609	-	7	30,308	(9,555)	(33,347)	4,184	-		(2,041)	25,165	-
	1,669,340	(1,054,036)	1,378	66,332	(35,217)	(3)	3,986	(59,337)	(3,294)	(12,645)	1,649,019	(1,072,516)

	Balances at 31-12-2014										Balances at 31-12-2015	
	Gross value	Accumulated depreciation and impaiment losses	Changes in consolidation perimeter	Additions	Exchange differences	Transfers	Other transfers and adjustments	Depreciation for the year	Impaiment losses, net of reversals, for the year	Sales and write-offs	Gross value	Accumulated depreciation and impaiment losses
Premises for own use												
Land	83,335	-	-	23	(168)	-	(172)	-	-	(69)	82,949	-
Buildings	610,606	(266,054)	-	21,857	(16,705)	-	(2,880)	(15,459)	(3,087)	(12,457)	595,097	(279,276)
Leasehold improvements	162,153	(107,254)	-	2,661	(2,774)	1,526	3,058	(10,149)	1,460	(1,840)	157,954	(109,113)
Other premises	150	-	-	-	-	-	-	-	-	(150)	-	-
Equipment												
Fittings and office equipment	87,054	(71,683)	-	2,380	(546)	41	(562)	(4,024)	-	(20)	83,694	(71,054)
Machinery and tools	22,614	(19,418)	-	229	(136)	-	251	(1,309)	-	(12)	22,756	(20,537)
Computer equipment	222,570	(190,543)	-	10,417	(632)	290	7,889	(16,234)	-	(1,812)	240,066	(208,121)
Indoor facilities	341,371	(266,665)	-	2,177	(806)	6,423	1,847	(15,930)	(468)	(491)	347,662	(280,204)
Transport material	15,439	(10,248)	-	2,682	(452)	-	607	(2,526)	-	(260)	14,507	(9,265)
Safety/security equipment	47,307	(39,197)	-	755	(679)	74	413	(2,317)	-	(19)	47,349	(41,012)
Other equipment	9,630	(7,040)	-	1,467	(320)	(150)	294	(668)	-	(131)	10,053	(6,971)
Assets under finance lease	28,716	(27,035)	-	-	-	(65)	-	(889)	-	(256)	16,780	(16,309)
Other tangible assets	15,715	(11,807)	-	2,048	(658)	-	1,022	(962)	-	-	17,536	(12,178)
Tangible assets in progress	36,591	-	-	29,940	(5,263)	(8,139)	(16,122)	-	-	-	37,007	-
	1,683,251	(1,016,944)	-	76,636	(29,139)	-	(4,355)	(70,467)	(2,095)	(17,517)	1,673,410	(1,054,040)

The “Depreciation for period” column in the table of movements of other tangible assets for 2015 includes the reclassification of €3,285 thousand to “Income from subsidiaries held-for-sale” in profit and loss in the referred to period, deriving from the transfer of the assets and liabilities of Mercantile Bank Holdings, Ltd. to non-current assets and liabilities held-for-sale (Note 13).

Also herein, the “Other transfers and adjustments” account in the other tangible assets table for 2016 includes €3,565 thousand and €3,364 thousand in assets net of accumulated depreciation and impairment recognised on buildings for own use and equipment, respectively, in the sphere of the referred to business unit, at December 31 of the same year in “Non-current assets held-for-sale” (Note 13).

Accumulated impairment on other tangible assets, at December 31, 2016 and 2015, totalled €16,922 thousand and €13,597 thousand, respectively (Note 37).

16. INTANGIBLE ASSETS

Movements in this account, for 2016 and 2015 were as follows:

	Balances at 31-12-2015									Balances at 31-12-2016	
	Gross value	Accumulated depreciation and impaiment losses	Changes in consolidation perimeter	Additions	Net disposals	Other transfers and adjustments	Exchange differences	Depreciation for the year	Impaiment losses (Note 37)	Gross value	Accumulated depreciation and impaiment losses
Goodwill											
CGD Investimentos CVC	25,506	(20,400)	-	-	-	-	6,552	-	(11,658)	32,058	(32,058)
Banco Caixa Geral Angola	16,487	-	-	-	-	-	(476)	-	-	16,011	-
Software	746,536	(673,485)	(10,980)	6,170	(207)	23,936	1,158	(34,054)	-	757,097	(698,023)
Other intangible assets	11,275	(1,961)	-	461	(183)	1,134	(798)	(1,479)	-	11,026	(2,578)
Intangible assets in progress	31,074	-	-	27,790	-	(26,012)	(206)	-	-	32,645	-
	830,878	(695,846)	(10,980)	34,421	(390)	(943)	6,230	(35,533)	(11,658)	848,837	(732,659)

	Balances at 31-12-2014									Balances at 31-12-2015	
	Gross value	Accumulated depreciation and impaiment losses	Changes in consolidation perimeter	Additions	Net disposals	Other transfers and adjustments	Exchange differences	Depreciation for the year	Impaiment losses (Note 37)	Gross value	Accumulated depreciation and impaiment losses
Goodwill											
CGD Investimentos CVC	34,146	(20,400)	-	-	-	-	(8,640)	-	-	25,506	(20,400)
Banco Caixa Geral Angola	22,329	-	-	-	-	-	(5,841)	-	-	16,487	-
Software	731,431	(641,626)	-	8,816	(1,974)	11,874	(769)	(34,701)	-	746,536	(673,485)
Other intangible assets	13,819	(4,006)	-	402	-	966	(1,140)	(727)	-	11,275	(1,961)
Intangible assets in progress	26,024	-	-	27,354	(50)	(21,800)	(454)	-	-	31,074	-
	827,748	(666,031)	-	36,572	(2,024)	(8,961)	(16,844)	(35,429)	-	830,878	(695,846)

The “Depreciation for period” column in the table of movements of intangible assets for 2015 included the reclassification of €198 thousand to “Income from subsidiaries held-for-sale” for the referred to period, in profit and loss deriving from the transfer of the assets and liabilities of Mercantile Bank Holdings, Ltd. to non-current assets and liabilities held-for-sale (Note 13).

Also herein, the “Transfers and adjustments” account in the intangible assets table for 2016 included €10,168 thousand and €1,143 thousand in assets, net of accumulated depreciation and impairment recognised on software and intangible assets in progress, respectively, related with the activity of the referred to business units, which, at December 31 of the same year, were recognised in “Non-current assets held-for-sale” (Note 13).

Intangible assets in progress, at December 31, 2016 and 2015, essentially refer to expenses incurred on the development of software which had not come into operation on the said dates.

Accumulated impairment on intangible assets, at December 31, 2016 and 2015, totalled €32,297 thousand and €20,639 thousand, respectively (Note 37).

Goodwill – Banco Caixa Geral Angola (BCGA)

Impairment tests were carried out on the goodwill of BCGTA, based on an assessment made for the said purpose, with reference to December 31, 2016.

The valuation incorporates the information available at the time of its production, namely macroeconomic conditions and the situation of the markets in which the Bank operates, *inter alia*. It was ascertained that the assets’ recoverable value exceeded their respective book value and that there was, therefore, no need to recognise impairment losses.

The following is a description of the methodology and principal assumptions employed in performing the valuation:

(i) *Assessment methodology*

The dividend discount model valuation methodology was applied which assumes that an institution's value should be estimated by the present value of cash flows available to shareholders that it will tend to generate in the future, discounted at a yield reflecting the opportunity cost of equity. Owing to the non-existence of any separation between operating and funding activities for this type of entity, this methodology is considered to be adequate for bank valuation purposes.

Flows available to shareholder

The flows available to the shareholder essentially translate the funds available for appropriation based on the cash flows generated by the activity and any investment operations, after potential capital requirements have been met and after complying with the regulatory requirements to which the entity is subject.

In the case of a bank, the flows generated by its activity essentially comprise its total consolidated operating income, other operating or non-operating income and the profit and loss of its associates, consolidated by the equity accounting method (when not measured separately) net of employee costs and other administrative expenses, use of provisions or impairment and taxes on operating activity.

The funding needs/surpluses in respect of the development of the bank's operations, such as an increase in credit or changes in other balance sheet accounts having an impact on the use of own funds are also considered.

Discount rate

The discount rate on flows available to the shareholder comprise a shareholder's opportunity cost, assessed on the basis of the capital asset pricing model, considering the application of the formula Kcp = Rf + CRP + Beta * (Rm-Rf), in which:

Kcp = Return on equity requirement

Rf = Interest rate on a risk-free investment

CRP = Country risk premium

(Rm-Rf) = Average market risk premium

Beta = Coefficient for equity or systemic activity risk

Residual value

The residual value was calculated by the formula VR = DIVt / (K_{CPt} – g), in which:

DIVt = Dividend for year t (first year of perpetuity)

Kcpt = Required return on long term equity for the year t

g = Nominal growth rate in perpetuity

Shareholder's equity value

The equity value was based on the updating of the assessment of the flows available to the shareholder resulting from economic-financial projections produced on the Bank's activity

(ii) Main assumptions underpinning the assessment

The following components were assessed to calculate the discount rate:

. Risk-free interest rate. A risk-free interest rate of 8.5% was considered for the Angolan market, reflecting the risk associated with Angola's medium and long term public debt in US dollars;

. Market risk premium - A rate of 5.5%, corresponding to the risk premium used for mature markets, was used;

. Beta – Approximation to the beta value comprised a comparative analysis with listed, comparable companies in terms of activity. A beta 1 level was considered, resulting from the beta averages of the universe of comparable institutions.

Taking into consideration the parameters appropriate to the characteristics of the flows available to the shareholder a discount rate of 14%, denominated in US dollars, was used and remained unchanged across the projection period.

(iii) Sensitivity analyses

Based on the valuation methodology applied, sensitivity tests were performed on the value of the discount rate used, with changes of +50 bps and -50 bps, enabling the calculation of the following deviations from the estimated amount of the Bank's equity at the valuations' reference date:

SENSITIVITY OF PROJECTED EQUITY

- 50 bp	+ 50 bp
13,281	(11,384)

Goodwill – CGD Investimentos CVC

As the result of the analysis, goodwill impairment on CGD Investimentos CVC was increased by €11,658 thousand, in 2016. The company had full impairment coverage on this date.

Research and development expenses

Caixa spent €5,378 thousand and €492 thousand, on research, development and innovation projects, in 2016 and 2015, respectively.

17. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The composition of this account, at December 31, 2016 and 2015, was as follows:

	31-12-2016			31-12-2015		
	Effective participating interest (%)	Book Value	Contribution to the results of the group	Effective participating interest (%)	Book Value	Contribution to the results of the group
Jointly controlled entities						
Locarent, S.A.	50.00	8,123	3,350	50.00	12,707	3,750
Esegur, S.A.	50.00	16,057	1,006	50.00	7,139	700
		24,180	4,356		19,846	4,450
Associated companies						
Fidelidade – Companhia de Seguros, S.A	15.00	231,426	29,152	15.00	204,208	32,419
Fidelidade Assistence Consolidated (a)	20.00	6,403	345	20.00	6,037	1,224
Multicare - Seguros de Saúde, S.A.	20.00	13,652	1,441	20.00	12,014	1,674
SIBS - Sociedade Interbancária de Serviços, S.A.	21.60	27,194	10,677	21.60	22,607	3,514
Banco Internacional de São Tomé e Príncipe, S.A.	27.00	3,567	368	27.00	3,403	316
Prado - Cartolinas da Lousã, S.A.	-	-	-	38.15	3,835	404
Other		5,915	1,140		5,546	3,097
		288,157	43,124		257,650	42,649
		312,338	47,480		277,496	47,099

(a) Ex-Cares - Companhia de Seguros, S.A.

Information on the statutory financial data (unaudited financial statements) of the main associates and jointly controlled entities, at December 31, 2016 and 2015, is set out below:

		31-12-2016				
Business sector / Entity	Registered office	Assets	Liabilities	Equity (a)	Net income	Total income
Banking						
Banco Internacional de São Tomé e Príncipe	São Tomé	92,932	79,720	13,213	1,363	8,891
Property						
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	343,136	502,181	(159,045)	(15,103)	20,071
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	15,741,593	13,684,589	2,012,255	247,271	2,778,672
Fidelidade Assistence Consolidated (c)	Lisbon	65,179	36,768	28,411	1,925	48,647
Multicare - Seguros de Saúde, S.A.	Lisbon	147,126	81,694	65,432	7,204	233,247
Other						
Esegur, S.A.	Lisbon	39,791	23,546	16,246	2,011	45,987
Locarent, S.A.	Lisbon	245,429	213,314	32,115	6,701	72,997
Companhia de Papel do Prado, S.A.	Tomar	4,430	1,067	3,363	(7)	-
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	215,172	71,067	144,105	52,288	207,496

(a) Equity includes net income for the year and excludes non-controlling interests.

(b) Data taken from the consolidated financial statements.

(c) Ex-Cares - Companhia de Seguros, S.A.

Business sector / Entity	Registered office	31-12-2015				
		Assets	Liabilities	Equity (a)	Net income	Total income
Banking						
Banco Internacional de São Tomé e Príncipe	São Tomé	93,379	80,771	12,608	1,172	8,695
Property						
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	355,246	492,406	(137,160)	(16,406)	17,549
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	15,092,905	13,167,774	1,891,367	286,287	1,931,041
Fidelidade Assistence Consolidated (c)	Lisbon	65,310	35,860	28,122	6,121	43,510
Multicare - Seguros de Saúde, S.A.	Lisbon	134,253	77,009	57,244	8,370	203,850
Other						
Esegur, S.A.	Lisbon	37,823	23,545	14,278	1,400	48,910
Locarent, S.A.	Lisbon	234,974	209,560	25,414	7,500	76,724
Companhia de Papel do Prado, S.A.	Tomar	4,430	1,054	3,376	(7)	-
Prado - Cartolinas da Lousã, S.A.	Lousã	14,758	4,705	10,053	1,060	16,761
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	165,755	61,087	104,668	23,279	154,166

(a) Equity includes net income for the year and excludes non-controlling interests.

(b) Data taken from the consolidated financial statements.

(c) Ex-Cares - Companhia de Seguros, S.A.

The Group made losses of €2,734 thousand on the disposal of its equity stake in Prado Cartolinas da Lousã, S.A., for €1,400 thousand, during the course of first half 2016.

18. INCOME TAX

Tax assets and liabilities balances, at December 31, 2016 and 2015, were as follows:

	31-12-2016	31-12-2015
Current tax assets		
Income tax recoverable	24,355	25,805
Other	17,423	11,321
	41,778	37,126
Current tax liabilities		
Income tax payable	43,150	(4,184)
Other	7,634	20,048
	50,784	15,864
	(9,006)	21,263
Deferred tax assets		
Temporary differences	2,502,566	1,232,298
Reported tax losses	43,219	241,620
	2,545,785	1,473,918
Deferred tax liabilities	191,045	253,224
	2,354,740	1,220,694

The following table provides details and information on deferred tax movements, in 2016 and 2015:

	Balance at 31-12-2015	Change in		Transfers	Other	Balance at 31-12-2016
		Equity	Profit or loss			
Impairment losses on credit	790,487	-	804,021	394,721	14,647	2,003,876
Employee benefits	199,145	(7,123)	(2,517)	-	(651)	188,854
Impairment and adjustments to property and tangible and intangible assets	34,072	96	28,418	-	(2,056)	60,530
Measurement of available-for-sale assets	(75,447)	103,843	5,887	-	373	34,655
Impairment and other value changes in equity stakes and other securities	(10,637)	-	(45,925)	-	-	(56,562)
Other provisions and impairment not tax deductible	38,191	-	9,735	50,390	289	98,605
Tax loss carry forward	241,620	-	(199,354)	-	953	43,219
Other	3,263	-	(20,629)	-	(1,072)	(18,438)
	1,220,694	96,816	579,635	445,111	12,484	2,354,740

	Balance at 31-12-2014	Change in		Transfers	Other	Balance at 31-12-2015
		Equity	Profit or loss			
Impairment losses on credit	669,206	-	121,744	-	(463)	790,487
Employee benefits	183,080	2,013	14,052	-	(1)	199,145
Impairment and adjustments to property and tangible and intangible assets	25,173	1,181	7,719	-	-	34,072
Measurement of available-for-sale assets	(126,699)	57,367	(6,115)	-	-	(75,447)
Impairment and other value changes in equity stakes and other securities	(54,394)	-	43,757	-	-	(10,637)
Other provisions and impairment not tax deductible	33,986	-	4,721	-	(515)	38,191
Tax loss carry forward	337,947	-	(95,108)	-	(1,219)	241,620
Other	(13,479)	17,131	1,835	-	(2,223)	3,264
	1,054,819	77,693	92,604	-	(4,422)	1,220,694

The “Changes in results” column in the deferred tax assets and liabilities movements table for 2015 includes the reclassification of income of €962 thousand to the “Income from 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. Lda to non-current assets and liabilities held-for-sale categories (Note 13).

Also herein, the "Other" column in the deferred tax movements table for 2016 included deferred tax liabilities of €1,223 thousand, related with the activity of the referred to business unit, recognised, at December 31 of the same year, in "Non-current assets and liabilities" categories (Note 13).

Special regime applicable to deferred tax assets

Caixa Geral de Depósitos and Caixa - Banco de Investimento subscribed for the special deferred tax assets regime, in 2014, following the favourable resolution passed at their respective general meetings of shareholders.

This regime, approved by Law 61/2014 of August 26, as 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 post employment or long term benefits for employees.

The time frame of the amendments to the regime brought in by Law 23/2016 of August 19, excluded the expenses and negative equity changes accounted for in the taxation periods beginning on or after January 01, 2016, as well as their associated deferred taxes. The deferred taxes protected by this regime therefore solely correspond to the assessment of expenses and negative equity changes at December 31, 2015.

The deferred tax assets resulting from the non-deduction of expenses and negative equity changes with impairment losses on loans and with post employment or long term benefits to employees are converted into tax credit when the taxpayer recognises negative net income in the respective tax period 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 amount of CoCo bonds, applied to the eligible deferred tax assets balance. When the conversion derives from liquidation or insolvency or the taxpayer posts negative net income, the full amount of the 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%, is created and adjusted, when shareholders' equity is less than share capital, by the quotient between the former and latter, the latter of 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. It should be noted that, 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 posted by the Group, considered eligible under the regime, up to December 31, 2015, is set out below:

Deferred tax covered by the scope of incidence of the special arrangements applicable to deferred tax assets	31-12-2016	31-12-2015
Impairment losses on credit	1,009,352	1,037,628
Employee benefits	163,410	182,632
	1,172,762	1,220,260

According to the dispositions of the regime and as a consequence of the assessment of negative net income in 2016 by Caixa Geral de Depósitos in the sphere of its separate activity, the eligible deferred tax assets at the close of the referred to period will be converted into tax credit based on the between net income and the amount of shareholders' equity. The estimated amount of the deferred tax to be converted, with reference to the information on Caixa's equity, at December 31, 2016, is around €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 attribution of conversion rights to the state should be certified by a statutory auditor. 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 the recognition of actuarial profit and loss on pension plans and other post-employment benefits in 2011, pursuant to which all 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 are posted to an equity account in conformity with the recognition basis of the 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:

	31-12-2016	31-12-2015
Current tax		
For the year	(289,590)	120,999
Extraordinary contribution on the banking sector	39,068	32,178
Prior year adjustments (net)	3,503	(5,448)
	(247,019)	147,729
Deferred tax	(579,635)	(91,642)
Total	(826,654)	56,087
Consolidated income before tax and non-controlling interests	(2,651,825)	(25,454)
Tax charge	31.17%	(220.35%)

Information on the composition of “Adjustments for past years” for 2016 and 2015 is set out below:

	31-12-2016	31-12-2015
Insufficiency / (excess) of estimated tax for 2015 and 2014	61	(4,613)
Adjustments to previous years taxable income	3,523	(694)
Other	(81)	(141)
	3,503	(5,448)

The following is an analysis of the reconciliation between nominal tax rates in 2016 and 2015:

	31-12-2016		31-12-2015	
	Rate	Tax	Rate	Tax
Income before income tax		(2,651,825)		(25,454)
Tax at the nominal rate	27.35%	(725,274)	27.35%	(6,962)
Investments recorded in accordance with the equity method	0.60%	(15,945)	0.58%	(15,262)
Impact of companies with tax rates different from the nominal rate in Portugal	(0.39%)	10,463	(0.33%)	8,631
Definitive difference to be added:				
Non deductable provisions	(0.62%)	16,397	(0.59%)	15,774
Other	(0.07%)	1,727	(0.06%)	1,488
Other	0.06%	(1,656)	0.03%	(665)
Impairment on available-for-sale financial assets, net of write-offs	(2.55%)	67,498	3.56%	(94,474)
Annulment of tax losses (not recoverable)	(0.09%)	2,280	(4.95%)	131,341
Utilization of reportable tax losses canceled in previous years	6.22%	(164,896)	0.00%	-
Differential of tax rate on tax losses carry forward (*)	2.22%	(58,956)	0.00%	-
Autonomous taxation	(0.06%)	1,504	(0.10%)	2,636
Contribution on the banking sector	(1.47%)	39,068	(1.21%)	32,178
Other	(0.15%)	4,015	0.59%	(15,559)
	31.06%	(823,775)	24.86%	59,125
Tax adjustments relative to prior years				
Insufficiency / (excess) of tax estimate, net of deferred tax	0.11%	(2,798)	0.11%	(2,897)
Other	0.00%	(81)	0.01%	(141)
	0.11%	(2,879)	0.11%	(3,038)
	31.17%	(826,654)	24.97%	56,087

(*) The computation of deffered taxes relating to tax losses carry forward is based on a regulatory tax rate of 23% and does not include State or Municipal subcharges

CGD’s nominal tax rate, in 2016 and 2015, 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 amended wording of article 87-A of the IRC Code under Law 2-2014 of January 16 (IRC Reform Law) 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;

– a rate of 7% on more than €35,000 thousand.

Caixa derecognised deferred tax assets of €126,611 thousand on its carry-back of tax losses in 2013 during the course of 2015, owing to its consideration that the recoverability thereof, up to the end of the respective regulatory period available for the purpose (end of 2018) was remote. As a result of this cancellation, at December 31, 2015, the full amount of the deferred tax assets balance associated with Caixa's carry-back of tax losses referred to 2014. However and as referred to below, owing to the application of Regulatory Decree 5/2016 of November 18, fiscal losses for 2013 were fully used up in 2016.

Deriving from the application of the already referred to special regime on deferred tax assets, there was no carry-back of tax losses for 2016 and 2015.

According to the amendments to the IRC Code, the period for reporting the carry-back of tax losses for tax periods beginning after January 01, 2014, was extended to 12 years. This period was reduced to 5 years for taxation periods beginning on or after January 01, 2017, under the dispositions of Law 7-A/2016 of March 30 (statute approving the State Budget for 2016).

The deductibility of the carry-back of tax losses was limited to 70% of taxable profit assessed in the taxation period in which they are used. With the publication of the State Budget Law for 2017 (Law 42/2016 of December 28), the rule determining the affording of priority in the use of tax losses, based on the date of origination was revoked, and the deduction can now be made in accordance with the respective expiry period.

Amendments were also made to article 51-C of the IRC Code with the publication of Law 42/2016, on the basis of an addendum to no. 6, which rules, for 2017 and following years, that impairment losses and other value adjustments to corporate investments or other own equity instruments included in the formation of taxable profit under no. 2 of article 28-A, are considered as being positive components of taxable profit for the taxation period in which the respective sale is made. As a result of this situation, in 2016, Caixa 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 amount of €95,906 thousand.

Limitations on tax deductions of impairment losses on loans and other value adjustments

As described in Note 2.12., during the course of 2016, owing to the application of the Bank of Portugal's *Official 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 requirements on provisions for loans and other amounts receivable from January 01 of the referred to year.

Regulatory Decree 5/2016, published on November 18, 2016, sets out 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 *Official Notice* 3/95 for the taxation period beginning January 01, 2016, for fiscal purposes.

The referred to Regulatory Decree also introduced, based on the taxpayer's option, a transitional regime applicable to write-offs or write-downs of impairment losses in the sphere of the adoption of *Official Notice* 5/2015. Under this regime, the positive difference assessed, at January 01, 2016, between the amount of impairment losses on loans assessed with reference to the dispositions of *Official Notice* 3/95 and the impairment assessed in accordance with the new accounting standard, is considered for the assessment of taxable profit, but only as regards the part in excess of the still unused fiscal losses generated in taxation periods beginning on or after January 01, 2012.

Caixa exercised its option of applying the referred to transitional regime in its assessment of taxable income for 2016 under the RETGS ("Special Taxation Regime for Corporate

Groups) fiscal perimeter, having, for the purposes, used up carried-back tax losses which had still not been used in 2013 and 2014.

The use of the carry-back of tax losses for 2013, whose deferred tax assets had been derecognised in 2015, resulted in the recognition of €164,896 thousand in tax gains (considering an effective tax rate of 27.35%).

Analysis of recoverability of deferred tax assets

With the requirements defined by IAS 12 as a reference, deferred tax assets are recognised to the extent of the Group's expectation of their future recoverability which is fundamentally based on, (i) the assessment of its capacity to generate sufficient taxable income, and (ii) an interpretation of the legal framework in force in the relevant analysis period.

This assessment was made on the basis of the implementation of its strategic plan, 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 capital levels in the referred to time period and also consistent with the plan for the reduction of non-performing assets submitted to the supervisors in February 2017.

The expectation of generating future taxable profit is based on the discussions with the European Authorities in the sphere of CGD's recent recapitalization process and are accordingly based on a highly conservative approach, particularly:

(i) The positive evolution of net interest income, attributable to a sustained reduction of the financing cost, consistent with developments in the recent past and a context of more conservative interest rate curves than established by the supervisor in the last exercise involving an update to the capital funding plans;

(ii) An increase in revenue from the provision of services, aligned with a commercial strategy more geared to value creation for customers;

(iii) A reduction of the cost of risk to levels comparable to those of other leading European banks, based on a profound restructuring of its toxic assets management policy as well as the adapting of loan making and oversight processes in conformity with a duly sustainable risk appetite policy;

(iv) A major reduction of costs, aligned with measures to rationalise operational structures to be implemented over the next four years, based on the dimension, type and expected evolution of business and intended improvements to the efficiency of resource management.

(v) Achieving profitability and solvency levels aligned with the objectives and assumptions inherent to CGD's recent recapitalization process. Based on a conservative approach, the amount of income before tax considered relevant for this purpose, was kept constant across all taxation periods following 2020, i.e. 2021 to 2031.

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, in 2017, net of the balance component that, at December 31, 2016 already met the deductibility criteria but was still not effective owing to a deficit of taxable material;

(vii) Change of the fiscal framework on impairment losses on specific credit risk, for tax periods beginning on or after January 01, 2017, in accordance with the preliminary draft law amending article 28-C of the IRC Code, produced in December 2016 by the Secretariat of State for Fiscal Affairs and the Portuguese Association of Banks for the comments and analysis of their associates. The intention to review this fiscal framework, in 2017, had already been expressed in the preamble to Regulatory Decree 5/2016, in the sphere of which the intention to favour an approximation between fiscal and accounting rules was stated. It has, accordingly, been assumed for the purposes of the taxable income projection exercise that impairment losses on loans in the exposures analysed on a separate basis would be fully deductible from the said date, with 75% of the impairment losses on collectively analysed exposures being deductible.

The non-deductible impairment balance under Regulatory Decree 5/2016 at December 31, 2016 that will become tax deductible under the new rules will be integrated with taxable profit across a period of 15 years, in growing percentages, in conformity with the wording of the referred to preliminary draft. The adequacy of this option was recently strengthened by the publication of the National Retirement Plan which reaffirms the importance attached by the government to the need to adapt the fiscal regime to the accounting rules applicable to credit institutions and its intention to submit a proposal for a review of article 28-C for the consideration of the Assembly of the Republic by May 2017. Caixa’s Board of Directors, herein, considers it highly probable that the final statute will be published without any substantial changes to the referred to preliminary draft;

(viii) Incorporation of fiscal income estimates deriving from the strategy for the restructuring of international operations;

(ix) Deduction of impairment losses on other financial assets (namely property received in kind, including property owned by property vehicles), based on the deleveraging objectives (and periods for the fulfilment thereof) established in the Plan for the Reduction of Non-Performing Assets;

(x) Projection in respect 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.

It should be noted that pursuant to a scenario of a projected 25% drop in income before tax in the sphere of this assessment of the recoverability of deferred tax assets, applicable to all of the years of the projection between 2017 and 2031 (period of application of the transitional regime referred to in the preliminary draft for the amendment of article 28 C of the IRC Code, for the deduction of the impairment losses balance on loans which becomes deductible under the new fiscal rules), no needs to reduce deferred tax assets recognised by Caixa at December 31, 2016 were estimated.

It should also be noted that any changes to the assumptions used or relevant variables for the assessment of taxable profit projections may lead to substantially different results and conclusions. It should, herein, be stated that the above referred to conclusions may be different if the current legislation on fiscal deductions for credit impairment, in force in 2016, is retained. In such a context of the analysis of the recoverability of deferred tax assets, Caixa has also prepared scenarios based on an assumption of the future maintenance of the fiscal regime applicable to credit impairment for 2016. According to these scenarios, it will be necessary to reduce the rate of disinvestment in loans whose impairment is still not tax deductible and take other measures to postpone the fiscal deductibility of impairment losses already recognised at December 31, 2016, with the aim of reducing the risk of the non-recovery of a part of the corresponding deferred tax assets. Although it considers such scenarios highly unlikely, Caixa’s Board of Directors considers that it is in a position to implement these measures if necessary.

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 established the introduction of a new contribution regime applicable to the banking sector, the Group recognised €39,068 thousand and €32,178 thousand for 2016 and 2015, respectively, on 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 the 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 payable by 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 during 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 the taxable profit for former years (2013 to 2016 in the case of most entities headquartered in Portugal, with Caixa Geral de Depósitos having been inspected in 2013 and 2014). 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 consolidated financial statements.

19. OTHER ASSETS

This account comprises the following:

	31-12-2016	31-12-2015
Other assets		
Debt certificates of the Territory of Macau	893,496	770,810
Other	9,683	9,727
Debtors and other investments		
Central and local government	43,345	7,840
Shareholders' loans	217,859	213,041
Debtors - futures contracts	42,995	41,335
Amount receivable from the sale of EDP	482,457	482,456
Other debtors	1,352,810	1,175,835
Grants receivable from		
The State	16,922	22,237
Other entities	11,882	11,633
Amount receivable from the sale of assets received as settlement of defaulting loans	543	18,168
Other	25,395	107,740
Commitments with pension and other employee benefits	-	13,423
Income receivable	46,051	40,071
Deferred costs		
Rent	2,280	5,103
Other	40,768	20,509
Deferred income	-	(4,674)
Operations pending settlement	248,269	176,278
Stock exchange operations	9,743	-
	3,444,497	3,111,532
Impairment (Note 37)	(402,849)	(245,760)
	3,041,648	2,865,772

Information on impairment movements on debtors and other assets for 2016 and 2015 is set out in Note 37.

The proceeds from the sale of EDP, at December 31, 2016 and 2015, derive from CGD's disposal of an equity stake in the company to Parpública.

The "Debtors and other assets – Other debtors" account at December 31, 2016 and 2015, included €806,380 thousand and €720,361 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).

The "Debtors and other assets – other debtors" account, at December 31, 2016 and 2015, included €50 282 thousand for Caixa's surety deposit with the Tax Authorities relative to the suspension of the fiscal execution of a tax settlement, referred to in greater detail in Note 23. The referred to surety deposit was cancelled in January 2017. As a result of

Caixa's subscription to *PERES* ("Special Programme for the Reduction of Debt to the State").

At December 31, 2016, the "Debtors and other assets – Other debtors" account, included €4,574 thousand for a surety for contributions to the Single Resolution Fund in the form of an irrevocable commitment (Note 33).

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 25). 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 December 31, 2016 and 2015, the debt certificate of the government of Macau totalled €893,496 thousand and €770,810 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 December 31, 2016 and 2015, the "Debtors and other assets - other debtors" account, included outstanding balances for calling in guarantees provided to customers and other expenses directly associated with such operations for the amounts of €183,196 thousand and €127,706 thousand, respectively. Accumulated impairment associated with these operations on the said dates amounted to €140,722 thousand and €98,963 thousand, respectively. In 2015, €47,343 thousand of this impairment was recognised in the "Loans and advances to customers" aggregate (Note 12).

Shareholders' loans, at December 31, 2016 and 2015, comprised the following:

	31-12-2016	31-12-2015
Locarent - Companhia Portuguesa de Aluguer de Viaturas, S.A.	86,000	86,000
A. Silva & Silva - Imobiliário & Serviços, S.A.	28,977	28,977
Sagesecur - Estudo, Desenvolvimento e Participações em Projetos, S.A.	12,180	12,863
Visabeira Global, SGPS, SA	11,047	-
PP3E - Projetos e Participações em Empreendimentos de Energia Elétrica, S.A.	10,200	10,200
Relating to financial assets assignment operations (Note 8)		
Moretextile, SGPS, S.A.	37,006	36,123
Flitptrel Portugal , SGPS, S.A	8,825	8,825
Taem - Processamento Alimentar, SGPS, S.A	5,050	4,932
Vncork - SGPS, S.A	976	954
	51,857	50,833
Other	17,597	24,168
	217,859	213,041

Details on shareholders' loans to Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A., at December 31, 2016 and 2015 are set out below:

- A shareholders' loan of €36,000 thousand at the 3 month Euribor rate plus a spread of 0.75%. Interest is paid quarterly on February 01, May, August and November of each year. An addendum to the loan agreement extending its maturity to June 30, 2018 was signed in first quarter 2014.
- A shareholders' loan of €50,000 thousand. Quarterly interest at the 3 month Euribor rate plus a spread of 3% is paid on this operation. Interest is paid quarterly on January 01, April 01, July 01 and October 01 each year. In second half 2016, the

parties agreed another addendum to the shareholders' loan agreement under which the scheduled maturity period of September 30 was extended for another year with no other changes being made to the terms and conditions in force.

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. Caixa recognised impairment for potential losses on this asset for the amount of €37,006 thousand of which €883 thousand in 2016.

This account also included an assignment of credit rights to Parcaixa over 19.5% of the shareholders' loans made to Sagesecur by Parpública, at December 31, 2016 and 2015, in the sphere of the payment of the entity's share capital, at the date of its formation.

20. RESOURCES OF CENTRAL BANKS AND CREDIT INSTITUTIONS

This account comprises the following:

	31-12-2016	31-12-2015
Resources of central banks		
Resources - European Central Bank		
Loans, deposits and other resources		
Caixa Geral de Depósitos	2,000,000	1,250,000
Other Group entities	1,527,220	1,515,574
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	285	278
Of foreign credit institutions	149,617	90,334
Other resources	-	1,554
Interest payable	1,029	2,637
	3,678,151	2,860,377
Resources of other credit institutions		
Deposits and other resources		
Of domestic credit institutions	719,983	668,123
Of foreign credit institutions	971,299	950,046
Interbank money market resources	14,500	14,300
Immediate short term resources		
Of domestic credit institutions	22,846	192,891
Of foreign credit institutions	699	56,566
Loans		
Of foreign credit institutions	12,862	18,572
Resources of international financial entities	62,911	79,652
Sale operations with repurchase agreement	308,981	587,298
Adjustments to liabilities under hedging operations	-	(4,473)
Interest payable	8,453	11,271
Charges with deferred cost	(973)	(1,551)
	2,121,560	2,572,694
	5,799,712	5,433,070

The "Central banks' resources – Resources – European Central Bank" account at December 31, 2016 and 2015, 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 23) in off-balance sheet accounts.

The “Sales operations with repurchase agreements” account, at December 31, 2016 and 2015, refers to contracts for the assignment of 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 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.

21. CUSTOMER RESOURCES AND OTHER LOANS

This account comprises the following:

	31-12-2016	31-12-2015
Savings deposits	2,395,529	2,004,439
Other debts		
Repayable on demand	25,024,891	25,185,826
Term		
Deposits	40,033,566	44,034,310
Mandatory deposits	292,950	299,577
Other resources:		
Cheques and orders payable	92,785	86,270
Loans	70,030	188,534
Operations with repurchase agreement	158,965	117,004
Other	1,451,931	1,241,509
	42,100,227	45,967,205
	67,125,118	71,153,031
Interest payable	170,661	253,757
Deferred costs net of deferred income	(8,608)	(13,807)
Commissions associated with amortised cost (deferred)	(3,895)	(3,834)
Adjustments to liabilities under hedging operations	1,326	32,679
	159,484	268,794
	69,680,130	73,426,265

22. DEBT SECURITIES

This account comprises the following:

	31-12-2016	31-12-2015
Bonds in circulation:		
Bonds issued under the EMTN Programme		
- Remuneration indexed to interest rates	12,498	40,000
- Fixed interest rate	218,034	638,483
- Remuneration indexed to exchange rates	91,956	201,416
	322,488	879,899
Covered bonds	3,759,850	5,484,982
Other cash bonds		
- Remuneration indexed to interest rates	-	42,430
	-	42,430
	4,082,338	6,407,311
Other		
Issues under the Euro Commercial Paper and Certificates of Deposit Programme		
- Commercial Paper	-	110,500
Issues under the US Commercial Paper Programme and Certificates of Deposit		
- Other collateralized emissions	-	11,915
	-	122,415
Adjustments to liabilities under hedging operations	13,326	29,396
Deferred costs net of income	(9,809)	(16,022)
Interest payable	97,874	156,981
	4,183,729	6,700,081

The breakdown of the debt securities account, at December 31, 2016 and 2015, is net of the accumulated debt balances repurchased in the meantime, as follows:

	31-12-2016	31-12-2015
Bonds issued under the EMTN programme	15,000	15,000
Covered bonds	1,500,000	1,500,000
	1,515,000	1,515,000

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, 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 and London branches) and CGD Finance, are entitled to issue a maximum amount of €15 billion in debt securities under this programme. The France branch guarantees all CGD Finance issuances.

Bonds may be issued in any currency with minimum maturities of one month and 5 years for non-subordinated and subordinated issuances, respectively. There are no maximum maturities on 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 bond programme, for direct issuance CGD, 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, *Official Notices* 5, 6, 7 and 8 and Bank of Portugal *instruction* 13.

The bonds may be issued in any currency with a minimum term of 2 and maximum of 50 years. 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 mortgage loans for housing or commercial purposes 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 property for housing (60% for other property).

In accordance with the issuance conditions defined by the programme, the following criteria must also be complied with during 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 mortgage loans allocated to the referred to bonds;
- 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 December 31, 2016 and 2015, totalled €5,270,000 thousand and €7,001,450 thousand, respectively, with the following issuance characteristics:

DESIGNATION	Nominal 31-12-2016	Nominal 31-12-2015	Date of issue	Date of redemption	Interest payment	Remuneration	Interest rate at 31-12-2016	Interest rate at 31-12-2015
Hipotecárias Série 4 2007/2022	250,000	250,000	28-06-2007	28-06-2022	Quarterly, on 28 March, June, September and December	3 month Euribor rate + 0.05%	0%	0%
Hipotecárias Série 8 2008/2038	20,000	20,000	01-10-2008	01-10-2038	Annually, on 1 October	Fixed rate	5.380%	5.380%
Hipotecárias Série 10 2010/2020	1,000,000	1,000,000	27-01-2010	27-01-2020	Annually, on 27 January	Fixed rate	4.250%	4.250%
Hipotecárias Série 14 2012/2022 (*)	1,500,000	1,500,000	31-07-2012	31-07-2022	Quarterly, on 31 January, April, July and October	3 month Euribor rate + 0.75%	0.438%	0.683%
Hipotecárias Série 15 2013/2018	750,000	750,000	18-01-2013	18-01-2018	Annually, on 18 January	Fixed rate	3.750%	3.750%
Hipotecárias Série 16 2014/2019	750,000	750,000	15-01-2014	15-01-2019	Annually, on 15 January	Fixed rate	3.000%	3.000%
Hipotecárias Série 17 2015/2022	1,000,000	1,000,000	27-01-2015	27-01-2022	Annually, on 27 January	Fixed rate	1.000%	1.000%
Mortgage bonds refunded in 2016:								
Hipotecárias Serie 9 15/09/2016	-	175,000	08-10-2009	15-09-2016	Half yearly, on 15 March and 15 September	6 month Euribor rate + 0.575%	-	0.612%
Hipotecárias Série 1 2006/2016 1st tranche	-	1,256,450	06-12-2006	06-12-2016	Annually, on 6 December	Fixed rate	-	3.875%
Hipotecárias Série 7 2008/2016	-	150,000	31-03-2008	15-03-2016	Quarterly, on 15 March, June, September and December	3 month Euribor rate - 0.012%	-	0%
Hipotecárias Série 1 2006/2016 2nd tranche	-	150,000	09-09-2008	06-12-2016	Annually, on 6 December	Fixed rate	-	3.875%
	5,270,000	7,001,450						

(*) Issue fully repurchased by CGD. These securities are collaterising liquidity providing operations with the European Central Bank

The assets pool, used as collateral for the issuances, includes mortgage loans issued in Portugal with a book value of €9,432,153 thousand and €10,478,994 thousand respectively (Note 12), at December 31, 2016 and 2015.

The assets pool used as collateral for the issuances also comprised debt securities, with a book value of €142,693 thousand and €144,294 thousand respectively (Note 8), at December 31, 2016 and 2015.

The Moody's and Fitch ratings on these covered bonds, at December 31, 2016, were A3 and BBB+, respectively.

Details on bond issuances, by type of interest and period to maturity, in the financial statements, at December 31, 2016 and 2015, are set out below:

31-12-2016	Type of asset or underlying index used to calculate the remuneration: Exchange rate	Interest rate	Sub total	Covered bonds	Other bonds	Total
Up to one year	-	119,361	119,361	-	-	119,361
One to five years	61,724	101,171	162,895	2,492,350	-	2,655,245
Five to ten years	18,156	-	18,156	1,247,500	-	1,265,656
Over ten years	12,076	10,000	22,076	20,000	-	42,076
	91,956	230,532	322,488	3,759,850	-	4,082,338

31-12-2015	Type of asset or underlying index used to calculate the remuneration: Exchange rate	Interest rate	Sub total	Covered bonds	Other bonds	Total
Up to one year	40,000	415,726	455,726	1,731,450	18,097	2,205,273
One to five years	117,026	137,498	254,524	2,483,532	24,333	2,762,389
Five to ten years	6,000	115,259	121,259	1,250,000	-	1,371,259
Over ten years	38,390	10,000	48,390	20,000	-	68,390
	201,416	678,483	879,899	5,484,982	42,430	6,407,311

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.

23. PROVISIONS AND CONTINGENT LIABILITIES

Provisions

Movements in provisions for employee benefits and for other risks, in 2016 and 2015, were as follows:

	Balance at 31-12-2015	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 31-12-2016
Provision for employee benefits (Note 35)	642,958	4,105	(37,524)	(876)	4,431	613,094
Provision for litigation	15,740	5,148	-	1,352	906	23,145
Provision for guarantees and other commitments	156,006	203,481	-	1,124	324	360,935
Provision for other risks and charges	177,760	20,095	(3,740)	(1,073)	(62,905)	130,138
	349,506	228,724	(3,740)	1,403	(61,675)	514,218
	992,464	232,829	(41,264)	527	(57,243)	1,127,312

	Balance at 31-12-2014	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 31-12-2015
Provision for employee benefits (Note 35)	572,386	1,587	(25,988)	(1,888)	96,861	642,958
Provision for litigation	15,928	1,050	(4)	(1,602)	369	15,740
Provision for guarantees and other commitments	150,300	4,936	-	38	731	156,006
Provision for other risks and charges	103,044	29,638	(2,906)	(1,206)	49,189	177,760
	269,272	35,624	(2,910)	(2,770)	50,290	349,506
	841,658	37,211	(28,898)	(4,658)	147,150	992,464

The "Transfers and other" column, in 2016 and 2015, included:

- Reversals and appropriations of €44,048 thousand and €49,067 thousand, respectively, in respect of investments in the formation of vehicles in the sphere of the assignment of financial assets operations recognised as "held-for-sale financial assets" (Note 8).
- Transfer of the provision for the Caixa Brasil contingency for the amount of €34,071 thousand to "Impairment of other assets" following Caixa's December 2016 subscription for the PERES Programme (Note 37). This provision was increased by €7,192 thousand in 2016.

The “Transfers and other” column in the provisions table for 2016 included €27 thousand and €2,132 thousand, for accumulated provisions recognised as fiscal contingencies and employee benefits, respectively, related with the activity of Mercantile Bank Holdings, Ltd., which, at December 31 of the said year, were recognised as non-current assets held-for-sale (Note 13).

During the course of 2016 and 2015, the amount of the "Provisions for the costs of employee benefits", included an increase of €5,570 thousand and around €60,600 thousand, respectively, recognised in “Employee costs” (Note 34) resulting from the early retirement plan referred to as the *Horizonte* plan.

Information on the composition and movement of provisions for the costs of employee benefits is set out in Note 35 and includes movements recognised in "Transfers and other" accounts.

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 estimates of the Legal Department and its attendant lawyers.

In 2016 and 2015, information on the composition of the amounts recognised in the "Other" column in the table of provisions movements for the costs of employee benefits is set out below:

	31-12-2016	31-12-2015
Provisions recognised as staff costs:		
Healthcare – CGD (Note 33 and 34)	21,046	21,083
Labour suspension agreements - PH	5,570	61,657
Death grant	(37)	37
Other	3,084	-
Other entities	841	4,697
	30,503	87,474
Provisions recognised charge to reserves		
Actuarial and financial gain and loss (Note 34)	(22,747)	13,142
Transfered to non-current assets and liabilities held for sale - Subsidiaries	(2,463)	-
Other	(862)	(3,755)
	4,431	96,861

Contingent liabilities and commitments

Contingent liabilities associated with banking activity are recognised in off-balance sheet accounts, as follows:

	31-12-2016	31-12-2015
Contingent liabilities		
Assets given as collateral	14,907,144	14,421,170
Guarantees and sureties	3,820,765	3,793,082
Open documentary credits	324,575	502,154
Stand by letters of credit	62,060	57,816
	19,114,544	18,774,223
Commitments		
Revocable commitments	9,983,313	8,690,214
Securities subscription	1,683,944	1,654,834
Irrevocable lines of credit	567,968	1,273,964
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	155,553	155,553
Term operations	-	100,500
Investor Compensation System	37,760	37,693
Other irrevocable commitments	-	2,230
Forward deposit agreements		
To be created	218	85,618
	12,428,757	12,000,606
Deposit and custody of securities	41,058,503	40,103,407

Asset-backed guarantees are as follows:

	31-12-2016	31-12-2015
Debt Instruments		
Consigned resources		
EIB - European Investment Bank	1,117,500	943,500
Council of Europe Development Bank	28,800	10,000
Bank of Portugal (*)	13,366,030	13,116,015
Agência de Gestão da Tesouraria e da Dívida Pública - IGCP, E.P.E.	181,409	133,272
Deposit Guarantee Fund	185,240	175,240
Royal Bank of Scotland	-	15,000
Investor Compensation System (futures)	21,000	21,000
Euronext	6,500	6,500
Other Assets		
Other	664	643
	14,907,144	14,421,170

(*) Includes the securities portfolio 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 "Daily Market Credit Agreement" in the amount of EUR 500 million and other interbank money market transactions.

Asset-backed guarantees, at December 31, 2016 and 2015, refer to debt instruments recognised as assets held-for-trading, available-for-sale financial assets, loans and advances to customers and debt securities accounts (Note 22). The market value of debt instruments given as collateral, at December 31, 2016 and 2015, was €14,948,581 thousand and €14,962,937 thousand, respectively.

The market value of securities collateralising the Group's term liabilities for its annual contributions to the Deposit Guarantee Fund and Investors' Indemnity System was €203,178 thousand and €205,290 thousand, at December 31, 2016 and 2015, 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. Commitments assumed since 1996 totalled €155,553 thousand. In 2016 and 2015, the Group recognised liabilities of €4,378 thousand and €5,100 thousand, respectively for its annual contribution to the Deposit Guarantee Fund.

Asset-backed guarantees are not available for the Group's free use and are recognised at their nominal value in off-balance sheet accounts.

Caixa Brasil, SGPS, S.A.

In 2009, CGD was notified by the Portuguese Tax Authorities of their inspection report for 2005 on an adjustment of taxable income for the year amounting to €155,602 thousand. 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 full elimination of double taxation on its share of Caixa Brasil SGPS, S.A.'s results in the said period. Caixa contested the referred to adjustments, considering that the procedure adopted by it was in compliance with the fiscal legislation in force, as it was in possession of data enabling it to show that Caixa Brasil, SGPS S.A.'s earnings were subject to taxation. The Lisbon Tax Court 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.

In April 2015, the contents of the Ruling of the Southern Central Administrative Court were published and which, in the second instance, decided 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 Southern Central Administrative Court recognised the legitimacy of the assumptions inherent to the appeal against the rulings whose final ruling now awaits the decision of the Supreme Administrative Court, with the appeal for a review having been considered admissible owing to the legal framework of the allegations made. The decision of the Supreme Administrative Court is awaited.

In December 2016, as a result of Caixa's subscription 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 03, an amount of the €34,071 thousand in tax associated with the current process was settled in full.

Notwithstanding Caixa's Board of Directors' conviction of the conformity of the procedures adopted and having already taken the steps to contest the ruling as permitted by law, in light of the developments occurring in the meantime it was considered adequate that the amount of the tax delivered to the state and recognised as a charge to an "Other assets" account should be considered fully impaired. Provisions of €26,878 thousand for contingencies inherent to this process were set up at December 31, 2015.

As a result of these fiscal executive procedures on the referred to past adjustments made by the Tax Authorities, Caixa took out a surety deposit for the suspension of the tax settlement procedure guarantee in 2010. The referred to surety deposit for the amount of €50,282 thousand, was recognised in "Other assets – debtors and other assets – other debtors" account with Caixa having requested the cancellation thereof following the payment made under PERES. This occurred in January 2017 (Note 19).

Competition Authority

On June 03, 2015, in addition to 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 has, nevertheless, prepared a full 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 of the current offence with which it had been charged, although the suspension of the period for the decision on the charge remained.

CGD's defence is based on its understanding that there are no *de facto* or legal assumptions leading to any sentence being imposed on 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 brought in by Decree Law 31-A/2012 of February 10. It is funded by resources from the payment of the contributions owed by the institutions participating in the Fund and banking sector contribution. Whenever such resources are shown to be insufficient to meet liabilities other sources of funding may also be used, 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 03, 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, the total amount of whose capital is now 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 resources of its own 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 started in 2014 and completed the process in progress without accepting any of the three binding proposals, considering that the terms and conditions thereof were not satisfactory. In its announcement of 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 issued an announcement approving a series of decisions to complete the resolution measure applied to BES. The Bank of Portugal decided to return 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 and deriving from the completion of the independent valuation process on the 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 they would otherwise have made and should be compensated for the difference by the Resolution Fund.

On August 04, 2016, the Resolution Fund informed that it had changed the conditions of the loans obtained to finance the resolution measure applied (both with a maximum maturity of August 04, 2016) which would mature on December 31, 2017, without prejudice to early redemptions or agreement of other changes.

On September 28, 2016, the Resolution Fund informed that it had reached an agreement with the Ministry of Finance on a revision of the conditions obtained to fund the BES resolution measure. According to the announcement of the Resolution Fund, the agreed revision "would permit the extension of the maturity in terms such as 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 the already established bases, 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 demanded of the banking sector remaining at their current levels."

On March 21, 2017 the Resolution Fund announced the formalising of the above referred to contractual changes, including an extension of the maturity period to December 31, 2046. On the said date the Resolution Fund used its own resources to fund this resolution measure (€300,000 thousand together with the €4,600,000 thousand). The revision of the loan terms aimed to ensure the sustainability and financial balance of the Resolution Fund, based on a stable, foreseeable and manageable cost for the banking sector.

On January 04, 2017, the Bank of Portugal concluded, on the basis of the information available at the said date that the investor Lone Star would be best placed to finalise the negotiating process for the acquisition of the Novo Banco shares.

At March 31, 2017, the Bank of Portugal selected Lone Star for the completion of the Novo Banco sales operation. Following the completion of the operation, the institutions’ transitional regime to Novo Banco will cease to apply. It was agreed that Lone Star would inject a total amount €1,000,000 thousand in capital in Novo Banco, of which €750,000 thousand at the time of the operation’s completion and €250,000 thousand within a period of 3 years.

Therefore, following the completion of the operation, Lone Star will have 75% of the share capital of Novo Banco, with the Resolution Fund retaining 25%.

The completion of the sales operation is contingent upon obtaining the regulatory permits and the performance of a liabilities management exercise, subject to the agreement of bondholders, that will include the non-subordinated bonds of Novo Banco and that, comprising an offer of new bonds will make it possible to generate at least €500,000 thousand of eligible own funds for the CET 1 ratio.

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 million. According to the referred to announcement, the impositions of the 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 assets which were not sold 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, herein, 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 public finance of around €2,255 million to cover future contingencies of which €489 million from the Resolution Fund and €1,766 million 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 debt to be reduced from €489 million to €353 million.

The amount not transferred to the Single Resolution Fund will be paid by the institutions covered by the UMR ("Unique Mechanism of Resolution) Regulation of 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.

Up to the date of the approval of the accounts by the Board of Directors, CGD did not have information enabling it to estimate with a reasonable degree of assurance whether, following such processes, there will be any deficit in the Resolution Fund's resources.

Notwithstanding, at the present time, in light of the above referred to development: (i) it is not foreseeable whether the Resolution Fund will propose the creation of a special contribution to finance the above referred to resolution measures, for which the probability of any special contribution being charged is remote, and (ii) it is expected that any Resolution Fund deficits will 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 will be paid by the institutions participating therein and 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".

24. OTHER SUBORDINATED LIABILITIES

This account comprises the following:

	31-12-2016	31-12-2015
Bonds	2,363,316	2,385,982
Loans	209	21,209
	2,363,525	2,407,191
Interest payable	72,990	40,575
Deferred income net of charges	(12,382)	(18,880)
Adjustment to liabilities under hedging operations	-	39
	2,424,133	2,428,925

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 Recapitalization 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 conversion rights specified by the state in the issuance conditions;
- If the hybrid financial instruments cease to be eligible as Core Tier 1 own funds.

Following the authorisation of the European Central Bank and the Bank of Portugal on December 06, 2016, obtained in the sphere of the new recapitalization process negotiated with the European authorities, Caixa Geral de Depósitos, S.A. as a capital increase in kind, received the hybrid financial instruments eligible as Core Tier 1 own funds (Coco bonds), plus the corresponding accrued and unpaid interest up to January 04, 2017, the date upon which the operation was finalised.

Following this process the European Commission lifted the interdiction in force on the payment of discretionary coupons on subordinated debt. CGD resumed payment of the coupons suspended since 2013, for the amount of €783 thousand in first quarter 2017.

The following is a summary of the main issuance conditions:

Issuer	Bonds	Currency	Value of issue	Book value at 31-12-2016	Book value at 31-12-2015	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Capital Core Tier 1 capital instruments subscribed by the State	EUR	900,000	900,000	900,000	29-06-2012	29-06-2017	1st year 8.5%, 2nd year 8.75%, 3rd year 9%, 4th year 9.5% and 5th year 10%. Half yearly interest payment on 29 June and	The redemption option can be made at any time, with prior authorisation of the Bank of Portugal.
Caixa Geral de Depósitos	Step Up Switchable Subordinated Notes due May 2019	EUR	538,552	536,729	536,748	11-05-2009	13-05-2019	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	Caixa Subordinadas CGD 2008/2018 (1st issue)	EUR	369,045	368,522	368,530	03-11-2008	05-11-2018	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.
Caixa Geral de Depósitos	Floating Rate Notes due December 2017	EUR	125,000	125,000	125,000	27-12-2007	27-12-2017	5.733%. If there is no early redemption, 3 month Euribor rate + 1.70%. Annual interest rate payment on 27 December. Quarterly interest payment on 27 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 27 December 2012.
Caixa Geral de Depósitos	Floating Rate Notes due December 2017	EUR	120,000	104,720	104,720	17-12-2007	17-12-2017	3 month Euribor rate + 1.08%. 3 month Euribor rate + 1.58%, if there is no early redemption . Quarterly interest payment on 17 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 17 December 2012.
CGD (France branch)	Floating Rate Undated Subordinated Notes	EUR	110,000	209	209	18-12-2002	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.

Issuer	Bonds	Currency	Value of issue	Book value at 31-12-2016	Book value at 31-12-2015	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Lower Tier 2 due March 3, 2028	EUR	100,000	100,000	100,000	03-03-2008	03-03-2028	5.980%. Annual interest payment on 3 March.	N/A.
Caixa Geral de Depósitos	Caixa Subordinadas CGD 2007/2017 (2nd issue)	EUR	81,595	81,245	81,245	12-11-2007	13-11-2017	1st year 5.00%, 2nd year 5.50%, 3rd year 6.00%, 4th and 5th years 7.50% and 10%, if the weight of all underlying assets is over its initial value, otherwise it will pay 0.00%. 3 month Euribor rate + 0.7%, if there is no early redemption. Annual interest payment on 12 November. Quarterly interest payment on 12 February, May, August and November (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 5th year.
Caixa Geral de Depósitos	Floating Rate Notes due December 2017	EUR	50,000	50,000	50,000	28-12-2007	28-12-2017	3 month Euribor rate + 1.08%. 3 month Euribor rate + 1.58%, if there is no early redemption . Quarterly interest payment on 28 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 28 December 2012.
CGD (France branch)	Floating Rate Notes	EUR	21,000	-	21,000	14-07-2005	28-06-2016	6 month Euribor rate + 0.22%. Half yearly interest payment on 28 June and December.	N/A.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes due July 2017	EUR	20,000	-	-	30-07-2007	31-07-2017	1st coupon 21.00%. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2008. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes due July 2017	EUR	20,000	-	-	30-07-2007	31-07-2017	1st coupon 21.50%. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2009. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.

Issuer	Bonds	Currency	Value of issue	Book value at 31-12-2016	Book value at 31-12-2015	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Fixed to Floating Rate Notes due July 2017	EUR	20,000	-	-	30-07-2007	31-07-2017	1st coupon 22.00%. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2010. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.
Caixa Geral de Depósitos	Fund Linked to Floating Rate Notes due July 2017	EUR	20,000	-	-	30-07-2007	31-07-2017	1st coupon indexed to Fundo Caixagest Ações Portugal. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2011. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.
Caixa Geral de Depósitos	Fund Linked to Floating Rate Notes due July 2017	EUR	20,000	-	-	30-07-2007	31-07-2017	1st coupon indexed to Fundo Caixagest Ações Portugal. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2012. Interest payment on 30 October, January, April and July (if there is no early redemtion).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes December 2017	EUR	6,000	6,000	6,000	03-12-2007	04-12-2017	1st coupon 22.50%.3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2008. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes December 2017	EUR	6,000	6,000	6,000	03-12-2007	04-12-2017	1st coupon 23.00%. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2009. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes December 2017	EUR	6,000	6,000	6,000	03-12-2007	04-12-2017	1st coupon 23.50%. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2010. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.

Issuer	Bonds	Currency	Value of issue	Book value at 31-12-2016	Book value at 31-12-2015	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Fund Linked to Floating Rate Notes December 2017	EUR	6,000	6,000	6,000	03-12-2007	04-12-2017	1st coupon indexed to Fundo Caixagest Ações Oriente. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 5 December 2011. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
Caixa Geral de Depósitos	Fund Linked to Floating Rate Notes December 2017	EUR	6,000	6,000	6,000	03-12-2007	04-12-2017	1st coupon indexed to Fundo Caixagest Ações Oriente. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2012. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
CGD Finance	Floating Rate Undated Subordinated Notes	EUR	110,000	765	765	18-12-2002	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.
CGD Finance	Floating Rate Notes due December 2017	EUR	55,000	55,000	55,000	17-12-2007	17-12-2017	3 month Euribor rate + 1.08%. 3 month Euribor rate + 1.58%, if there is no early redemption. Quarterly interest payment on 17 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 17 December 2012.
CGD Finance	Floating Rate Notes due 2016	USD	265,000	-	20,620	06-12-2006	20-12-2016	3 month Libor rate + 0.25%. 3 month Libor rate + 0.75%, if there is no early redemption. Quarterly interest payment on 20 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 20 December 2011.
Banco Comercial e de Investimentos	Subordinanted bonds BCI 2008-2018	MZN	216,000	2,663	3,949	16-10-2008	16-10-2018	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.

Issuer	Bonds	Currency	Value of issue	Book value at 31-12-2016	Book value at 31-12-2015	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Banco Comercial do Atlântico	Bonds BCA Crescente 2017	CVE	500,000	897	1,794	17-12-2010	17-12-2017	1st and 2nd years 5.75%, 3rd and 4th years 5.85%, 5th and 6th years 6% and 7th year 6.25%. Half yearly interest payment on 17 June and December.	The issuer has an early redemption option at nominal value of outstanding debt, applicable as from the 5th coupon, and from this date onwards, every six months,
Banco Interatlântico	Bonds BI 2014	CVE	500,000	4,255	4,255	08-07-2008	08-07-2018	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 value of the bonds that would be amortised in subsequent periods.
Banco Comercial e de Investimentos	Subordinated loan BPI	USD	3,704	3,520	3,356	30-07-2008	30-07-2018	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.

25. OTHER LIABILITIES

This account comprises the following:

	31-12-2016	31-12-2015
Creditors		
Consigned resources	801,844	870,069
Suppliers of finance leasing assets	5,277	10,342
Other suppliers	50,215	63,059
Resources - collateral account	146,148	135,100
Resources - subscription account	49,368	68,668
Resources - secured account	2,919	2,264
Other creditors:		
Creditors for factoring ceded	72,246	88,079
Caixa Geral de Aposentações	5,246	5,127
CGD's Pension Fund (Note 35)	182,004	360
Creditors for futures contracts	20,277	15,161
Other	741,946	878,528
Other liabilities:		
Notes in circulation - Macau (Note 19)	926,285	790,046
Withholding taxes	34,564	43,058
Social Security contributions	14,396	11,313
Other taxes payable	9,209	5,585
Collections on behalf of third parties	105	490
Other	3,490	2,872
Accrued costs	206,633	213,803
Deferred income	67,939	61,550
Liabilities pending settlement	464,659	297,374
Stock exchange operations	11,813	155,609
	3,816,580	3,718,457

The “Resources – collateral account”, at December 31, 2016 and 2015, included €143,722 thousand and €133,198 thousand respectively, relating to interest rates swap (IRS) contracts deposits in Caixa by several financial institutions.

At December 31, 2016 and 2015, the "Miscellaneous creditors - other" account included €573,410 thousand and €644,807 thousand, respectively, in respect of financial liabilities with minority investors in the unit trust investment funds included in CGD Group’s consolidation perimeter.

At December 31, 2016 and 2015, the "Costs payable" account included €37,367 thousand and €37,028 thousand, respectively, for seniority bonuses (Note 35).

The following is a summary of the conditions attached to the "Consigned resources" account, at December 31, 2016 and 2015:

DESIGNATION	COUNTERPART	Balances at 31-12-2016	Balances at 31-12-2015	Start date	Payment date
CGD Loan for SMES and other PRIO II	Banco Europeu de Investimento	300,000	300,000	10-04-2015	06-04-2023
CGD Empréstimo Global XI	Banco Europeu de Investimento	93,333	106,667	25-06-2003	15-06-2023
CGD Empréstimo Global X	Banco Europeu de Investimento	80,000	93,333	21-11-2002	15-09-2022
Mid-Cap I taxa revisível	Banco Europeu de Investimento	56,494	65,140	29-11-2007	15-09-2022
Projeto Scut Açores	Banco Europeu de Investimento	51,429	54,286	14-12-2007	15-09-2034
CGD - Empréstimo Global XII - B	Banco Europeu de Investimento	50,000	56,250	19-11-2004	15-09-2024
CGD - Empréstimo Global XIII	Banco Europeu de Investimento	46,875	51,563	12-10-2006	15-09-2026
CGD Reabilitação Urbana	Banco Europeu de Investimento	34,611	39,556	11-12-2003	15-12-2023
Projeto Tejo Energia CCGT	Banco Europeu de Investimento	33,712	37,169	09-12-2009	15-09-2026
Hospital Braga	Banco Europeu de Investimento	32,500	41,786	03-06-2009	09-06-2020
CEB - PARES	CEB - Council of Europe Development Bank	12,299	13,836	23-12-2009	23-12-2024
CEB - Educação	CEB - Council of Europe Development Bank	8,601	9,830	21-11-2008	21-11-2023
Operations carried out by Banco Comercial e de Investimentos, S.A.R.L.		1,909	549		
Other		81	104		
		801,844	870,069		

Interest on the "Consigned resources" account, at December 31, 2016 and 2015, was paid at an average annual rate of 0.451% and 0.465%, respectively.

26. CAPITAL

At December 31, 2016 and 2015, CGD's share capital was totally owned by the Portuguese state, as follows:

	31-12-2016	31-12-2015
Number of shares	1,180,000,000	1,180,000,000
Unit price (Euros)	5	5
Share capital	5,900,000,000	5,900,000,000

27. RESERVES, RETAINED EARNINGS AND PROFIT ATTRIBUTABLE TO CGD'S SHAREHOLDER

The composition of the reserves and retained earnings accounts, at December 31, 2016 and 2015, was as follows:

	31-12-2016	31-12-2015
Fair value reserve, net of deferred tax		
Available-for-sale financial assets (Note 8)	(40,548)	241,050
Assets with repurchase agreement	2,202	17,766
	(38,347)	258,816
Other reserves and retained earnings		
- Legal reserve - CGD	865,348	862,906
- Other reserves	426,446	1,837,725
- Retained earnings	(2,275,501)	(3,391,333)
	(983,706)	(690,702)
Net income attributable to the shareholder of CGD	(1,859,523)	(171,453)
	(2,881,576)	(603,339)

According to CGD's articles of association a minimum 20% of its annual profit is transferred to the legal reserve. This reserve may only be used to cover accumulated losses or to increase capital.

"Other reserves and retained earnings", at December 31, 2016 and 2015, included CGD's legal reserves for the amount of €865,348 thousand (€862,906 thousand at December 31, 2015) and the legal reserves, free reserves and legal revaluation reserves of its subsidiaries, jointly controlled entities and associates. 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 2 June	1,752
Decree-Law nº 399 - G/84, of 28 December	1,219
Decree-Law nº 118 - B/86, of 27 May	2,304
Decree-Law nº 111/88, of 2 April	8,974
Decree-Law nº 49/91, of 25 January	22,880
Decree-Law nº 264/92, of 24 November	24,228
Decree-Law nº 31/98, of 11 February	48,345
Financial fixed assets	723
	110,425

The "Fair value reserve" recognises unrealised capital gains and losses on available-for-sale financial assets 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 net contribution to CGD's consolidated results made by branches and subsidiaries, at December 31, 2016 and 2015, was as follows:

	31-12-2016	31-12-2015
Caixa Geral de Depósitos, S.A.		
Caixa Geral de Depósitos	(1,690,629)	(395,510)
Spain Branch	(105,008)	(20,756)
France Branch	68,638	43,242
Cayman Branch	(38,861)	(17,171)
East Timor Branch	4,201	1,972
New York Branch	2,778	4,091
London Branch	(2,538)	8,036
Luxembourg Branch	(2,235)	(1,581)
Macau Branch	415	978
Zhuhai Branch	(8)	(19)
	(1,763,248)	(376,719)

	31-12-2016	31-12-2015
Contribution to net income		
Subsidiaries:		
Caixa Imobiliário, S.A.	(63,215)	(18,403)
Banco Nacional Ultramarino, S.A. (Macau)	63,051	58,815
Fundolis - Fundo de Investimento Imobiliário Fechado	(40,912)	(1,501)
Cibergradual, Investimento Imobiliário, S.A.	(39,778)	(11,516)
Ibéria - Fundo Especial de Investimento Imobiliário Fechado	(36,414)	(894)
Banco Caixa Geral Angola, S.A.	26,348	33,875
Banco Caixa Geral, S.A.	25,408	25,266
Fundo de Capital de Risco – Grupo CGD - Caixa Capital	(23,897)	(4,204)
Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	(23,865)	199
Beirafundo - Fundo de Investimento Imobiliário Fechado	(18,718)	(8,552)
Imocaixa - Gestão Imobiliária, S.A.	(18,626)	(1,978)
Caixa Imobiliário - Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional	(11,276)	(1,398)
Mercantile Bank Holdings, Ltd.	10,821	10,315
Banco Comercial e de Investimentos, S.A.R.L.	10,279	19,781
Inmobiliaria Caixa Geral, S.A.U.	(8,214)	(9,560)
Fundo de Capital de Risco Caixa Fundos	6,182	1,250
Fundo de Investimento Imobiliário de Arrendamento Habitacional - Cidades de Portugal	(3,988)	(869)
Caixa Seguros e Saúde, SGPS, S.A.	(3,335)	1,168
Fundiestamo - Fundo de Investimento Imobiliário Fechado	3,143	5,270
Caixagest Infra-Estruturas - Fundo Especial de Investimento	2,828	6,600
Parcaixa, SGPS, S.A.	(2,764)	3,044
CGD Investimentos CVC, S.A.	(2,345)	(3,382)
Caixagest - Técnicas de Gestão de Fundos, S.A.	2,207	6,439
Caixagest Private Equity - Fundo Especial de Investimento	2,152	20,666
Fundo de Capital de Risco Empreender Mais	(2,049)	1,891
CGD Pensões, S.A.	1,944	2,060
Caixa Banco de Investimento, S.A. (a)	(1,802)	(2,140)
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	1,608	2,500
Banco Comercial do Atlântico, S.A.R.L.	1,501	2,164
Banco Caixa Geral Brasil, S.A.	1,362	(6,909)
Fundimo - Fundo de Investimento Imobiliário Aberto	(1,297)	12,204
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	(920)	13,421
Parbanca, SGPS	(559)	(1,205)
Fundo Esp. Inv. Imobil. Caixa Reabilita	(406)	19
Wolfpart, SGPS, S.A.	218	3,459
Caixa Leasing e Factoring – Instituição Financeira de Crédito, S.A.	92	12,370
Partang, SGPS	(81)	(9,031)
Other	(339)	(1,067)
	(145,656)	160,167
Associates and jointly controlled entities:	49,381	45,099
Consolidated net income attributable to the shareholder of CGD	(1,859,523)	(171,453)

(a) Data taken from the consolidated financial statements.

Appropriation of net income for period

2015

A resolution was passed at the general meeting of shareholders, held in May 2016, to include earnings of €12,211 thousand made in 2015, appropriated on the basis of the incorporation of €2,442 thousand in the "Legal reserve" and €9,769 thousand in "Other reserves and retained earnings".

2014

A resolution was passed at the general meeting of shareholders, held in May 2015, to include €1,139,320 thousand in losses, made in 2014, in the “Other reserves and retained earnings” balance sheet account.

28. NON-CONTROLLING INTERESTS

Third party investments in subsidiaries are distributed among the following entities:

	31-12-2016	31-12-2015
Parcaixa, SGPS, S.A. (a)	505.181	506.107
Banco Caixa Geral Angola, S.A.	141.953	132.789
Caixa Geral Finance	96.245	96.249
Banco Comercial e de Investimentos, S.A.R.L.	68.990	98.584
Fundiestamo - Fundo de Investimento Imobiliário Fechado	31.848	32.062
Banco Comercial do Altlântico, S.A.R.L.	13.096	12.784
Banco Interatlântico, S.A.R.L.	4.610	4.582
A Promotora - Sociedade de Capital de Risco, S.A.R.L.	1.514	1.540
Banco Caixa Geral, S.A.	990	1.014
Other	(9)	1.338
	864.417	887.048

(a) Includes the activity of Caixa Leasing e Factoring – IFIC, S.A.

Caixa Geral Finance, with a share capital of €1,000, is headquartered in the Cayman Islands. On June 28, 2004, the company issued €250,000 thousand in non-voting preference shares. 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.

According to CGD's issuance conditions on hybrid financial instruments eligible as Core Tier 1 own funds, dividends on the above referred to preference shares cannot be paid prior to the issuance's full redemption.

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 December 31, 2016 and 2015.

Following Caixa Geral de Depósitos, S.A.'s recapitalization process, in June 2012, the payment of dividends to holders of Caixa Geral Finance's preference shares was suspended from January 01, 2013.

Considering the nature of preference shares, dividends are not mandatory and not cumulative. CGD resumed payment of the referred to dividends, for the period December 30, 2016 to March 30, 2017, for the amount of €163 thousand with the lifting of the interdiction by the European Commission, on March 10, 2017, in the sphere of the new Recapitalization plan.

Information on the amount of consolidated profit attributable to non-controlling interest shareholders, in 2016 and 2015, is set out below:

	31-12-2016	31-12-2015
Banco Caixa Geral Angola, S.A.	25,315	51,271
Banco Comercial e de Investimentos, S.A.R.L.	9,438	19,766
Parcaixa, SGPS, S.A. (a)	(2,586)	16,376
Banco Comercial do Atlântico, S.A.R.L.	1,091	1,573
Fundiestamo - Fundo de Investimento Imobiliário Fechado	882	1,049
Other	210	(123)
	34,351	89,912

(a) Includes the activity of Caixa Leasing e Factoring – IFIC, S.A.

29. INTEREST AND SIMILAR INCOME AND INTEREST AND SIMILAR COSTS

These accounts are made up as follows:

	31-12-2016	31-12-2015
Interest and similar income		
Interest on loans and advances to domestic credit institutions	1,177	3,868
Interest on loans and advances to foreign credit institutions	44,100	36,250
Interest on domestic credit	821,409	986,061
Interest on foreign credit	579,981	571,007
Interest on overdue credit	41,081	35,514
Interest on financial assets held for trade		
- Derivatives	527,774	582,361
- Securities	19,429	17,185
Interest on financial assets at fair value through profit or loss	46	103
Interest on available-for-sale financial assets	295,227	373,592
Interest on hedging derivatives	7,840	13,129
Interest on debtors and other investments	6,700	7,486
Interest on cash equivalents	1,871	4,080
Interest on other loans and other amounts receivable	122,873	137,992
Other interest and similar income	826	446
Commissions received relating to amortised cost	137,178	135,498
Other	20,521	-
	2,628,032	2,904,572
Interest and similar costs		
Interest on deposits of		
- Central and local government	324	2,244
- Other residents	305,042	493,182
- Emigrants	21,000	31,447
- Other non-residents	243,785	262,060
- Other	113	406
Interest on resources of foreign credit institutions	34,322	29,917
Interest on resources of domestic credit institutions	19,588	18,408
Interest on swaps	553,768	597,725
Interest on other trading liabilities	6,420	5,675
Interest on unsubordinated debt securities	153,672	234,554
Interest on hedging derivatives	791	2,322
Interest on subordinated liabilities	109,353	112,424
Other interest and similar costs	17,992	21,063
Commissions paid relating to amortised cost	16,994	8,446
	1,483,164	1,819,871

The "Interest and similar costs - interest on subordinated liabilities" account at December 31, 2016 and 2015, included €81,202 thousand and €81,093 thousand, respectively, on CGD's issuance of a total amount of €900 million in hybrid financial instruments, eligible as Core Tier 1 own funds, on June 29, 2012. These securities were fully subscribed for by the Portuguese state (Note 22).

30. INCOME FROM EQUITY INSTRUMENTS

This account comprises the following:

	31-12-2016	31-12-2015
ADP - Águas de Portugal, S.A.	8,896	4,558
EDP - Energias de Portugal, S.A.	1,308	2,226
Sumol + Compal, S.A,	-	2,005
Galp Energia, SGPS, S.A.	1,987	1,733
Income received from investment funds	33,582	59,087
Other	6,615	4,657
	52,389	74,267

31. INCOME AND COSTS OF SERVICES AND COMMISSIONS

These accounts are made up as follows:

	31-12-2016	31-12-2015
Income from services rendered and commissions:		
On guarantees provided	52,939	61,343
On commitments to third parties	17,582	23,122
On operations on financial instruments	1,103	904
On services provided		
Deposit and safekeeping of valuables	19,533	18,543
Collection of valuables	6,224	6,970
Management of securities	16,053	16,846
Collective investment in transferable securities	22,479	25,956
Transfer of valuables	19,442	20,486
Cards managements	13,977	17,349
Annuities	58,685	53,583
Assembly operations	9,461	9,588
Credit operations	43,334	47,871
Other services rendered	168,669	180,583
On operations carried out on behalf of third parties	6,695	5,314
Other commissions received	127,891	133,109
	584,068	621,565
Cost of services and commissions:		
On guarantees received	2,424	3,871
On commitments assumed by third parties	35	226
On operations on financial instruments	268	284
On banking servicers rendered by third parties	101,914	107,003
On operations carried out by third parties	5,317	5,374
Other commissiond paid	10,530	6,650
	120,489	123,408

32. RESULTS FROM FINANCIAL OPERATIONS

These accounts are made up as follows:

	31-12-2016	31-12-2015
Result from foreign exchange operations:		
Revaluation of foreign exchange position	29,935	42,771
Results from currency derivatives	(20,957)	21,399
	8,978	64,171
Result from financial assets and liabilities held for trading:		
Securities:		
Debt instruments	1,495	(3,504)
Equity instruments	3,107	1,401
Other instruments	1,110	(19)
	5,712	(2,122)
Derivatives:		
Interest rate	(104,754)	23,113
Shares and indexes	5,469	2,026
Credit default	656	582
Other	36,360	34,925
	(62,268)	60,645
	(56,557)	58,523

(cont)	31-12-2016	31-12-2015
Result from other financial assets at fair value through profit or loss:		
Debt instruments	819	764
Equity instruments	(3,871)	10,948
Other securities	2,370	35,020
	(682)	46,732
Result from the sale of loans and advances to customers	-	(46)
Result from available-for-sale financial assets:		
Debt instruments	28,501	179,647
Equity instruments		
VISA Europe Limited (Note 8)	36,256	-
Finangeste (Note 8)	-	(931)
Other	(2,193)	34
	34,063	(897)
	62,564	178,751
Other securities	31,421	25,409
	93,985	204,159
Result of hedging operations:		
Hedging derivatives	(23,055)	(15,361)
Value adjustments of hedged assets and liabilities	22,180	15,488
	(875)	128
Other		
Results in the repurchase of liabilities issued	46,455	5,026
Other	(11,847)	(32,837)
	34,608	(27,811)
	79,457	345,857

Income from the repurchase of liabilities issued, in 2016, included €43,017 thousand on the early redemption of two debt issuances (Schuldshein) recognised on France branch's balance sheet.

At December 31, 2016 and 2015, the "Other" account included losses of €10,803 thousand and €34,179 thousand, respectively, on income with minority investors included in CGD Group's consolidation perimeter.

During the course of 2016 and 2015, the Group disposed of a global amount of approximately €30,435 thousand and €149,434 thousand of loans and advances to customers from its corporate portfolio, respectively, excluding asset assignment operations. Losses of €46 thousand were recognised on these transactions in 2016.

33. OTHER OPERATING INCOME

These accounts are made up as follows:

	31-12-2016	31-12-2015
Other operating income:		
Rendering of services	52,390	42,782
Expense reimbursement	9,306	8,598
Gains on subsidiaries and joint ventures	-	1,031
Lease income under operating lease agreements	50,305	54,109
Gains on non-financial assets:		
- Non-current assets held for sale (Note 13)	32,253	36,500
- Other tangible assets	3,123	349
- Investment property	38,005	14,803
- Other	566	356
Secondment of employees to Caixa Geral de Aposentações	581	693
Sale of cheques	9,698	10,971
Other	45,492	47,055
	241,719	217,248
Other operating costs:		
Donations and subscriptions	9,301	10,174
Losses on non-financial assets:		
- Non-current assets held for sale (Note 13)	49,118	58,816
- Other tangible assets	2,085	1,635
- Investment property	253,934	50,718
- Other	158	130
Other taxes	34,538	24,611
Contribution to the Deposit Guarantee Fund	4,378	5,100
Contribution to the Resolution Fund	34,930	32,977
Administrative expenditure of the Unified Council Resolution	270	103
Fines and penalties	353	548
Other	45,795	36,609
	434,860	221,420
	(193,141)	(4,172)

"Investment properties", at December 31, 2016 and 2015, included unrealised capital losses of €217,136 thousand and €38,890 thousand, respectively (Note 14).

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 the case may be, to recover or prepare the orderly liquidation of credit institutions and certain investment companies in financial distress and comprise three Bank of Portugal intervention stages, in the form of corrective intervention, provisional administration and resolution.

The Resolution Fund's main 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 €31,961 thousand to the Single European Resolution Fund in 2016 of which €27,387 thousand in cash and €4,574 thousand in the form of an irrevocable commitment comprising a surety for the said purpose (Note 19), which component part of the contribution was not recognised as a cost for the year. The amount of the contributions to the Single European Resolution, in 2015, totalled €27,158 thousand.

The Group’s periodic contribution to the Domestic Resolution Fund in 2016 and 2015 totalled €7,543 thousand and €5,819 thousand, respectively.

34. EMPLOYEE COSTS

This account comprises the following:

	31-12-2016	31-12-2015
Remuneration of management and supervisory bodies	14,657	14,263
Remuneration of staff	497,773	529,041
Provision for suspension of labour agreements (Note 35)	5,570	61,657
	517,999	604,961
Other charges relating to remuneration	38,473	39,413
Healthcare - CGD		
- Normal cost (Note 35)	21,046	21,083
- Contributions relating to current staff	20,163	20,351
Pension liability - CGD (Note 35)		
- Normal cost	70,327	77,157
- Retirements before the normal retirement age	6,310	10,014
Other pension costs	2,168	2,547
Other mandatory social charges	11,734	11,623
	170,221	182,187
Other staff costs	17,631	16,800
	705,850	803,948

With the aim of reducing operating costs and adjusting CGD's structure and resources to its present and future business dimension, the Executive Committee approved the corporate *Horizonte* Plan in 2015, as a means of creating new opportunities for its employees' voluntary redundancies.

The *Horizonte* plan aims to reduce the workforce on the basis of early retirements. The process was available to all workers reaching the age of 55 by December 31, 2016.

CGD recognised a global amount of employee costs of around €65 million in 2015 (around €60.6 million in "Provisions for suspension of labour agreements" and the remainder in "Pension liabilities – early retirements").

The total amount of around €65 million processed comprised exits and exit approvals in 2015 (around €31.4 million), in addition to subscriptions for the *Horizonte* plan with a positive NPV for already pre-retired employees, generally less than 48 months (around €33.6 million).

During the course of 2016, CGD recognised an increase of €11,880 thousand in employee costs of which amount €5,570 thousand for "Provisions for the suspension of labour agreements" and €6,310 thousand for "Liabilities for pensions prior to the standard retirement age" in the sphere of the plan. This increase derived from an analysis of eligible workers based on the advantages of each employee's exit.

The average number of employees in Caixa and its subsidiaries, in 2016 and 2015, by type of functions, was as follows:

	31-12-2016	31-12-2015
Senior management	554	568
Management	2,999	3,020
Technical staff	5,457	5,284
Administrative staff	6,615	6,970
Auxiliary	314	332
	15,939	16,174
Number of employees at the end of the year	15,412	16,004

In 2016 and 2015, this list included employees volunteering for the *Horizonte* plan and who had already left the Bank on the referred to dates.

These numbers, at December 31, 2016 and 2015, did not include employees from the Caixa Geral de Aposentações support department (221 and 237 respectively), employees assigned to CGD's Social Services (42 and 54, respectively) and other situations i.e. secondments or extended absences (123 and 139 respectively).

35. RETIREMENT PENSIONS AND OTHER LONG TERM BENEFITS

Retirement pensions and post retirement death grants:

Liabilities to CGD employees

Under article 39 of Decree Law 48.953 of April 05, 1969 and Decree Law 161/92 of August 01, CGD is responsible for the payment of employees' retirement pensions for sickness, disability or old age and the survivors' pensions of employees hired after January 01, 1992. Caixa Geral de Aposentações ("CGA") was responsible for the survivors' pensions of employees engaged prior to January 01, 1992. Such employees discounted 2.5% of their remuneration to CGA, for the purpose in question.

In conformity with the Vertical Collective Wage Bargaining Negotiations in force in the banking sector, the former ex-BNU also undertook to grant its employees cash payments for early retirement and old age, disability and survivors' pensions. These payments comprised a percentage, increasing in line with the number of years' service, applied to the wage scale, negotiated annually with the banking employees' union. In 2001, following BNU's incorporation into CGD, pension liabilities for BNU employees were transferred to CGD. Former BNU employees, still active at the date of the merger, were therefore included in CGD's current pension and benefits plan. The pension plan in force at the date of the respective retirements continues to be applied to BNU retirees and pensioners.

All retirement pension liabilities for Caixa staff, for the length of service up to December 31, 2000, under Decree Laws 240-A/2004 of December 29 and 241-A/2004 of December 30 were transferred to CGA with reference to November 30, 2004. The transfer included liability for death grants after the standard retirement age, relative to the above referred to length of service.

Caixa's pension liabilities, at December 31, 2016, therefore comprised the following:

. Liabilities for the services of active employees, after December 31, 2000;

. Part share of liabilities on the length of service provided in the said period, for employees retiring between January 01, 2001 and December 31, 2016;

. Liabilities for the retirement and respective survivors' pensions of BNU employees already being paid as at the date of the merger;

. Liabilities for death grants on length of service provided after December 31, 2000.

Pension payments are based on employees' length of service and their respective remuneration at their retirement date is updated on the basis of the remuneration in force for active employees.

CGD's pension plan does not apply to current employees joining CGD after January 01, 2006.

Caixa makes the necessary payments to cover its pensions liabilities, for which it set up a pension fund, in December 1991. Under the Caixa regime, employees pay the following percentages of their remuneration into the pension fund:

- Employees hired before January 01, 1992 - 7.5%
- Employees hired after January 01, 1992 - 10.0%

The latter's' contribution is fully paid into the pension fund upon which the respective survivors' pension regime is dependent.

The transfer of liabilities to CGA required the transfer of equivalent assets from the pension fund.

The liability for defined benefit plans, recognised in the balance sheet, comprises the difference between the present value of liabilities and 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 resulting from the differences between the actuarial and financial assumptions used and the effective amounts of liabilities and income expected from the pension fund, as well as the results of the changes to actuarial assumptions are recognised directly in a shareholders' equity account.

The annual cost of retirement and survivors' pensions, including current servicing and interest costs, net of the expected yield, comprises the net amount of the "Employee costs" account.

The impact of employees' early retirements, as defined in the actuarial study, is directly recognised in "Employee costs".

Liabilities for retirement pensions and post retirement death grants

Actuarial studies for the assessment of liabilities on the current payment of retirement pensions and past services of active employees, at December 31, 2016 and 2015, have been carried out by specialised entities.

The following hypotheses and technical bases were used:

	31-12-2016	31-12-2015
Actuarial method	Projected Unit Credit	Projected Unit Credit
Mortality table		
. Men	TV 73/77 (-2 year)	TV 73/77 (-2 year)
. Women	TV 88/90 (-2 year)	TV 88/90 (-2 year)
Disability table	EKV 80	EKV 80
Discount rate	2.125%	2.50%
Salary growth rate	1% on 2017 and following years	0,5% on 2016/2017 and 1,0% from that date
Pension growth rate	0% on 2017 and 0,5% from that date	0% on 2016/2017 and 0,5% from that date
Turnover rate:	0%	0%
Retirement age	36 years of service with at least 60 years of age, with a maximum of 70 years of age. There is also the possibility of retirement at 59 years of age with 39 years of service or 58 years of age with 42 years of service.	36 years of service with at least 60 years of age, with a maximum of 70 years of age.

The study carried out in 2016 considered that the standard retirement age would be after 36 years of service and an age of at least 60, with a maximum age limit of 70. There is also the possibility of retiring at age 59 with 39 years' service or 58 with 42 years' service.

The study carried out in 2015 considered that the standard retirement age would be 36 years of service and an age of at least 60 with a maximum age limit of 65.

As defined under IAS 19, the discount rate is assessed on the basis of market rates on low risk bonds, with a similar maturity to Caixa's liabilities (20 years). The economic environment and sovereign debt crisis, essentially in Southern Europe, implied significant instability in the eurozone debt market and a consequently very large drop in market yields on the debt of the companies with the highest ratings, as well as a reduction of the available bonds basket. To reflect these circumstances and maintain the representativeness of the discount rate, at December 31, 2016 and 2015, Caixa's assessment incorporated information on yields which can be obtained on bonds issued by eurozone entities considered to be of high quality in terms of credit risk.

A revision of the assumptions, actuarial data and procedures related with the calculations of liabilities for employee benefits, was performed in 2016. It included the evolution of fixed, pensionable wage scales, the limit attributed to the death grant at retirement age, the basis upon which the liabilities for the healthcare plan of employees covered by the General Social Security Regime (RGSS) is calculated and changes in comparison to the preceding year to the rate of contribution to CGD's Social Services from 7.8% to 7.3% in 2017 and 6.5% beginning January 01, 2018.

A comparison between the actuarial and financial assumptions used to assess CGD's pension costs, for 2016 and 2015 and effective amounts is set out in the following table:

	31-12-2016		31-12-2015	
	Assumption	Real	Assumption	Real
Rate of return of fund asset	2.13%	0.89%	2.50%	4.88%
Salary growth rate	0.50%	0.30%	0.30%	0.21%
Pension growth rate	0.00%	3.23%	0.00%	1.80%

The occurrence of pensions growth, in 2016 and 2015, is related to the restoring of pension cuts. The impact of restoring the pensions had already been recognised in liabilities at December 31, 2015.

Mandatory, seniority-based promotions and continuity payment projections are autonomously and directly considered in the estimate of the evolution of wages and are not considered in wage growth assumptions. Wage growth rates based on continuity payments were 0.46% and 0.44%, at December 31, 2016 and 2015, respectively.

Wage growth assumptions reflect other remuneratory changes in the form of increases in wage scales and merit-based promotions.

At the end of December 2016, CGD changed its wages discount rate for 2017 from 0.5% to 1%, with the continuation of the assumption of 1% growth for the following years.

Liabilities for the Group's past services in accordance with the actuarial studies and the funds and provisions available for their cover, at December 31, 2016 and 2015, totalled:

	31-12-2016			31-12-2015		
	CGD	Other	Total	CGD	Other	Total
Past service liability:						
Current employees	1,433,596	19,351	1,452,947	1,435,392	23,057	1,458,449
Retired and early retired employees	1,106,918	24,873	1,131,791	852,307	25,693	878,000
	2,540,514	44,224	2,584,738	2,287,699	48,749	2,336,448
Autonomous pension funds	2,358,869	973	2,359,842	2,301,561	972	2,302,533
Mathematical provisions	138,637	-	138,637	-	-	-
Provision for pensions and similar charges	-	43,630	43,630	-	47,799	47,799
	2,497,506	44,603	2,542,109	2,301,561	48,772	2,350,333
Difference	(43,008)	379	(42,629)	13,862	22	13,884
Funding level	98.31%	100.86%	98.35%	100.61%	100.05%	100.59%

The Bank of Portugal's *Official Notice* 4/2005 of February 28 defines the obligation to fully finance liabilities for retirees and pre-retirees with a minimum financing level of 95% on liabilities for the past services of active employees.

At December 31, 2016, the Pension Fund's worth as assessed by its Management Company totalled €2,358,869 thousand. Caixa assessed the need for an extraordinary contribution of €138,637 thousand to cover the minimum mandatory funding required under the referred to standard, with a 2% margin on liabilities for active employees, which was paid into the Pension Fund in March 2017. The sum of the Fund's worth, calculated by the Management Company plus the extraordinary contribution equals 100% funding of the liabilities for retirees and 97% for active employees, i.e. funding of 98.31% of total liabilities. 100.61% of liabilities had been funded at December 31, 2015.

CGD had €182,004 thousand in liabilities related to past services (Note 25) at December 31, 2016, of which €138,637 thousand for an extraordinary contribution made to the Fund in March 2017.

CGD had €13,862 thousand and €360 thousand, in assets and liabilities related to liabilities for past services respectively at December 31, 2015 (Notes 19 and 25).

At December 31, 2016, the sensitivity analysis on the change of the main actuarial assumptions applied on the time span under assessment would have the following impacts on the present value of liabilities for past services.

	%	Value
Change in the discount rate		
Increase of 0,5%	(8.75%)	(222,358)
Decrease of 0,5%	10.02%	254,628
Change in the salary growth rate		
Increase of 0,5%	2.77%	70,476
Decrease of 0,5%	(2.58%)	(65,662)
Change in pension growth rate		
Increase of 0,5%	6.10%	154,922
Decrease of 0,5%	(5.59%)	(142,039)
Changes in mortality table		
Increase of 1 year in the life expectancy	3.19%	81,090

Liabilities for the future services of active CGD employees, at December 31, 2016 and 2015, totalled €1,104,863 and €1,096,568 thousand, respectively.

At December 31, 2016 and 2015, the provisions for pensions and similar costs of “Other entities”, included €13,165 thousand and €11,150 thousand, respectively, for healthcare costs.

Information on the number of beneficiaries, at December 31, 2016 and 2015, is set out below:

	31-12-2016	31-12-2015
Current employees	6,390	7,405
Retired and early retired employees	7,676	6,703
	14,066	14,108

Pension funds and provisions and similar costs movements, in 2016 and 2015, were:

	CGD	Other	Total
Balances at 31 December 2014	2,144,032	49,720	2,193,752
Contributions paid			
Regular contributions			
By employees	22,903	164	23,067
By the entity	77,157	279	77,436
Change in provisions for pensions and similar charges	-	1,671	1,671
Pensions paid	(47,264)	(2,210)	(49,474)
Net income of the pension fund	104,734	(662)	104,072
Other changes	-	(192)	(192)
Balances at 31 December 2015	2,301,561	48,772	2,350,333
Contributions paid			
Regular contributions			
By employees	21,889	160	22,049
By the entity	66,945	274	67,219
Change in provisions for pensions and similar charges	-	1,903	1,903
Pensions paid	(52,303)	(2,032)	(54,335)
Net income of the pension fund	20,777	(816)	19,961
Other changes	-	(3,656)	(3,656)
Balances at 31 December 2016	2,358,869	44,603	2,403,472
Extraordinary contribution	138,637	-	138,637
Balances including extraordinary contribution	2,497,506	44,603	2,542,109

The estimated contribution of Caixa's workers for 2017 is €21,116 thousand and that of CGD itself will be €66,877 thousand.

CGD's Pension Fund, at December 31, 2016 and 2015, was managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A.

The component parts of Caixa employees' Pension Fund, at December 31, 2016 and 2015, were as follows:

	31-12-2016	31-12-2015
Equity investments categorised by sector:		
Consumer industry	40.461	33.626
Manufacturing industry	37.996	29.762
Financial institutions	19.829	23.633
Health and care	9.959	11.972
Energy	17.154	8.974
Telecom	4.754	5.404
subtotal	130.153	113.371
Debt investments categorised by issuer' credit rating:		
AAA	173.979	-
AA	79.714	13.903
A	155.588	74.198
BBB	438.366	146.812
BB and lower	135.871	348.022
Not rated	5.137	6.734
subtotal	988.653	589.669
Equity instrument funds	742.277	570.422
Deposits in credit institutions	48.388	567.354
Properties	431.723	450.988
Others	17.675	9.757
Balances at the end of the year	2.358.869	2.301.561
Extraordinary contribution - liabilities	138.637	-
Balances including extraordinary contribution	2.497.506	2.301.561

At December 31, 2016, the worth of CGD's Pension Fund, as calculated by CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A. amounted to €2,358,869 thousand. A liability of €138,637 thousand in respect of an extraordinary contribution paid by Caixa into the Fund in March 2017 should also be considered for liabilities funding purposes.

The following is an analysis of shares and bonds at December 31, 2016 and 2015:

	31-12-2016	31-12-2015
Portuguese shares	54,528	32,424
Listed	100.00%	100.00%
Foreign shares	75,626	80,948
Listed	100.00%	100.00%
Fixed rate bonds	746,631	481,239
Listed	100.00%	75.40%
Floating rate bonds	242,022	108,429
Listed	100.00%	100.00%

CGD's Pension Fund rented out buildings to Caixa Geral de Depósitos for the amount of €373,918 thousand and €391,840 thousand, at December 31, 2016 and 2015, respectively in addition to holding securities, issued by Caixa Geral de Depósitos for the amount of €377,387 thousand and €334,000 thousand, respectively.

CGD's Pension Fund, at December 31, 2016 and 2015, had deposits of €48,388 thousand and €567,354 thousand with Caixa Geral de Depósitos, respectively. €32,829 thousand of the total amount deposited in 2015, resulted from the contribution received at the end of the year.

The Fund's assets are subject to interest rate, credit, equity market, property market, liquidity and foreign exchange risk.

The Fund's investment policies includes exposure to the equities, bonds and property markets as well as alternative investments such as private equity and infrastructure funds.

The investment policy implemented by the Fund aims to mitigate a part of interest rate and inflation risks. This protection takes the form of allocating investments to long term, variable rate bonds to provide part protection from oscillations in the financial market's yield curve over the long term.

To mitigate market and foreign exchange risks, the Fund may use futures and options on share indices and forward exchange rates.

The economic environment over the last few years, allied with the scarcity of alternative, longer term maturity investments, has not made it possible to match different asset categories to the average duration of liabilities, based on an ALM (asset liability matching) approach.

The evolution of the liabilities and balance of CGD employees' Pension Fund in addition to its actuarial profit and loss across the present and over the last 4 years is analysed below:

	31-12-2016		31-12-2015		31-12-2014		31-12-2013		31-12-2012	
	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan	Retirement pensions	Medical plan
Liabilities	2,540,514	491,352	2,287,699	512,756	2,211,563	500,622	1,712,206	466,908	1,541,754	452,245
Value of the fund	2,497,506	-	2,301,561		2,144,032	-	1,712,206	-	1,560,979	-
Provisions	-	491,352	-	512,756	-	500,622	-	466,908	-	452,245
Under (Over) financed liabilities	43,008	-	(13,862)	-	67,531	-	-	-	(19,225)	-
Gains / (Losses) resulting from liabilities	(149,432)	19,704	39,776	(13,445)	(391,003)	(28,967)	(56,942)	(9,053)	(123,745)	(27,354)
Gains / (Losses) resulting from the fund's assets	(36,383)	-	51,631	-	29,616		10,908	-	75,617	-
	(185,815)	19,704	91,407	(13,445)	(361,388)	(28,967)	(46,034)	(9,053)	(48,128)	(27,354)

Information on changes in the difference between the Group's liabilities for past services and respective coverage and corresponding impact in the financial statements, at December 31, 2016 and 2015, is given below:

	CGD	Other	Total
Situation at 31 December 2014	(67,531)	23	(67,508)
Current service cost	(77,724)	(2,776)	(80,500)
Interest cost	567	1	568
Normal cost for the year (Note 34)	(77,157)	(2,774)	(79,931)
Increase in liabilities due to early retirements (Note 34)	(10,014)	-	(10,014)
Other	-	(37)	(37)
Changes with impact on profit or loss	(87,171)	(2,811)	(89,982)
Liability	39,776	(220)	39,556
Income	51,631	3,031	54,662
Actuarial gains and losses	91,407	2,810	94,217
Contributions made	77,157	-	77,157
Situation at 31 December 2015	13,862	22	13,884
Current service cost	(70,911)	(2,525)	(73,436)
Interest cost	584	1	585
Normal cost for the year (Note 34)	(70,327)	(2,525)	(72,852)
Increase in liabilities due to early retirements (Note 34)	(6,310)	-	(6,310)
Other	-	724	724
Changes with impact on profit or loss	(76,637)	(1,800)	(78,437)
Liability	(149,432)	4,608	(144,824)
Income	(36,383)	(2,451)	(38,834)
Actuarial gains and losses	(185,815)	2,157	(183,658)
Contributions made	66,945	-	66,945
Situation at 31 December 2016 before extraordinary contribution	(181,645)	379	(181,266)
Extraordinary contribution	138,637	-	138,637
Situation at 31 December 2016 after extraordinary contribution	(43,008)	379	(42,629)

Liabilities deviations, on a CGD level, in 2016 and 2015, were as follows:

	31-12-2016	31-12-2015
Change in the salary growth rate	(5,188)	(4,491)
Change in pension growth rate	-	(21,054)
Change in the discount rate	(169,518)	-
Other actuarial gains and losses	25,274	65,321
	(149,432)	39,776

<u>Medical – Social Care</u>

Caixa Geral de Depósitos' Social Services are responsible for medical care for CGD headquarters' active employees and pensioners. CGD makes an annual contribution of 7.80% of wages and pensions to its Social Services. Caixa also has contributions liabilities to "SAMS" (Medical Care Services) for former BNU employees, retiring before July 23, 2001.

Liabilities for past medical care services were assessed on the basis of actuarial studies performed by specialised entities, using actuarial assumptions identical to those for the above referred to pension liabilities.

Liabilities for past services are recognised in "Provisions" and totalled €491,352 thousand and €512,756 thousand, at December 31, 2016 and 2015, respectively.

At December 31, 2016, a 0.5% reduction in the actuarial discount rate applied to the period under assessment would lead to an increase of €37,868 thousand in the present amount of liabilities for past services with the medical plan. In the event of an increase of the same magnitude in the discount rate, the reduction of liabilities would be €33,573 thousand.

Other long term benefits

Caixa pays a bonus of one, two or three months' wages to all employees with ten, twenty or thirty years of full time service, in the year of completion. A bonus is also paid to employees with pre-retirement status, whose value is proportional to the amount they would have received if continuing to be employed until satisfying the assumptions of the following scale. The corresponding liabilities of €37,367 thousand and €37,028 thousand, respectively, were recognised in "Other liabilities" at December 31, 2016 and 2015 (Note 25).

Caixa pays a death grant to active workers prior to the standard retirement age. Up to December 31, 2015 Caixa recognised a liability which was not used with the payment of the grant being recognised as a cost for the period.

France branch also pays long term benefits to employees. Liabilities of €13,165 thousand and €11,150 thousand were assessed, at December 31, 2016 and 2015, respectively.

Provisions

Provisions for employee benefit costs, at December 31, 2016 and 2015, comprise the following:

	31-12-2016	31-12-2015
CGD		
Provision for post-employment healthcare	491,352	512,756
Provision for labour suspension agreements	60,380	64,029
Provision for death grant liability	-	393
France branch liability	13,165	11,150
	564,897	588,328
Provision for pension and other liabilities		
Banco Comercial do Atlântico, S.A.	42,536	43,678
Banco Comercial de Investimento (Moçambique)	638	2,955
Other	457	1,166
	43,630	47,799
Provision for post-employment healthcare		
Banco Comercial do Atlântico, S.A.	2,364	2,892
Mercantile	-	2,132
	2,364	5,024
Other	2,203	1,807
	613,094	642,958

The liability of €2,463 thousand, associated with the medical plan for Mercantile, at December 31, 2016, was recognised in non-current liabilities held-for-sale (Note 13).

Caixa set up a specific provision on the impact of the change to “inactive” status of employees with whom it has entered into labour suspension agreements. The liability was also significantly increased, in 2015, owing to the implementation of the *Horizonte* plan. At December 31, 2016 and 2015, the liability recognised by Caixa amounted to €60,380 thousand and €64,029 thousand, respectively, recognised in “Provisions”.

Provisions movements for the cost of employee benefits, in 2016 and 2015, comprised the following (Note 23):

	31-12-2016	31-12-2015
Balances at the beginning of the year	642,958	572,386
Provisions recognised as staff costs:		
Healthcare – CGD (Note 34)	23,062	21,083
Labour suspension agreements (Note 34)	5,570	61,657
Actuarial gain and loss on post-employment healthcare liability:	(19,704)	13,142
Other	(2,045)	979
	6,882	96,861
Net increase recorded by corresponding entry to “Provisions”	4,105	1,587
Payments to SAMS and CGD’s Social Services	(22,746)	(22,395)
Payment of labour suspension agreements	(12,659)	(1,272)
Other	(2,984)	(4,209)
Transfered to non-current assets and liabilities held for sale - Subsidiaries	(2,463)	-
Balances at the end of the year	613,094	642,958

The amount of €2,463 thousand, transferred to non-current assets held-for-sale, in 2016, refers to Mercantile’s medical plan.

36. OTHER ADMINISTRATIVE COSTS

This account comprises the following:

	31-12-2016	31-12-2015
Specialised services		
- IT services	68,797	76,458
- Safety and security	11,501	13,110
- Cleaning	7,545	7,902
- Information services	7,091	7,030
- Contracts and service fees	3,821	6,107
- Studies and consultancy	4,111	3,782
- Other	99,467	92,871
Leases	75,715	72,542
Communications and postage	34,870	37,800
Maintenance and repairs	38,007	38,401
Advertising and publications	23,897	28,675
Water, energy and fuel	21,662	22,438
Transport of cash and other values	11,309	12,328
Travel, lodging and representation expenses	9,064	10,884
Standard forms and office supplies	7,090	8,219
Other	15,667	19,755
	439,615	458,302

Information on the composition of total future operating lease payments, at December 31, 2016 and 2015, under the terms of the main contracts in force at the referred to dates, was as follows:

	31-12-2016	31-12-2015
Up to one year	20,318	20,993
One to five years	70,052	71,803
Over five years	150,507	166,807

Information on the statutory auditors' fees, in 2016 and 2015, for their statutory revision of the annual accounts and other services, is detailed below:

	31-12-2016	31-12-2015
Statutory audit of annual accounts	243	243
Other services	67	80
	309	323

(a) Balances include VAT

37. ASSETS IMPAIRMENT

Information on impairment movements, for 2016 and 2015, is set out below:

	Balances at 31-12-2015	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 31-12-2016	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 12)	5,197,706	2,415,610	(1,929,117)	(1,308)	(49,494)	5,633,397	(19,211)
Impairment of loans and advances to credit institutions (Note 6)	11,394	(624)	(3,643)	-	(2)	7,125	
Impairment of available-for-sale financial assets (Note 8)							
Equity instruments	112,532	15,832	(2,200)	74	-	126,238	
Debt instruments	1,029	9,777	-	(688)	(190)	9,927	
Other instruments	247,138	120,246	(26,030)	1,356	-	342,711	
Impairment of financial assets with repurchase agreement (Note 9)	-	-	-	-	688	688	
Impairment of other tangible assets (Note 15)	13,597	5,255	(27)	-	(1,901)	16,922	
Impairment of intangible assets (Note 16)	20,639	11,658	-	-	-	32,297	
Impairment of non-current assets held for sale (Note 13)							
Properties	409,788	125,708	(7,450)	(12)	(25,902)	502,133	
Equipment	1,721	827	(581)	-	-	1,966	
Subsidiaries	-	18,000	-	-	-	18,000	
Impairment of other assets (Note 19)	245,760	81,036	(4,859)	(1,001)	81,914	402,849	
	1,063,598	387,714	(44,790)	(271)	54,605	1,460,857	
	6,261,304	2,803,324	(1,973,907)	(1,578)	5,111	7,094,253	(19,211)

	Balances at 31-12-2014	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 31-12-2015	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 12)	5,230,292	579,045	(568,208)	(1,468)	(41,955)	5,197,706	(21,786)
Impairment of loans and advances to credit institutions (Note 6)	11,817	(425)	-	3	-	11,394	
Impairment of available-for-sale financial assets (Note 8)							
Equity instruments	108,408	5,768	(1,888)	236	6	112,532	
Debt instruments	668	17,063	(15,357)	(123)	(1,221)	1,029	
Other instruments	204,547	26,106	(32,717)	9,579	39,623	247,138	
Impairment of other tangible assets (Note 15)	11,502	2,095	-	-	-	13,597	
Impairment of intangible assets (Note 16)	20,401	-	-	-	238	20,639	
Impairment of non-current assets held for sale (Note 13)							
Property	373,411	49,492	(8,041)	(136)	(4,937)	409,788	
Equipment	2,687	360	(1,313)	(14)	-	1,721	
Impairment in associates (Note 17)	-	(1)	-	-	1	-	
Impairment of other assets (Note 19)	235,456	21,529	(11,426)	(1,024)	1,225	245,760	
	733,440	121,987	(59,316)	9,545	33,710	817,838	
	6,199,188	701,032	(627,524)	8,078	(8,245)	6,015,544	(21,786)

During the course of 2016 the "Transfers and other" column included:

- Reclassification of €49,612 thousand of impairment on outstanding balances on the calling in of guarantees provided to customers, transferred from "Impairment of loans and advances to customers" to "Impairment of other assets";
- Reclassification of €34,071 thousand of impairment on the provision for fiscal contingencies in the Caixa Brasil process, transferred to "Impairment of other assets" following Caixa's subscription to the PERES ("Special Programme for Reduction of Debts to the State") programme (Note 23).

The "Increases, recoveries and cancellations" column of impairment movements for 2015 included net costs of €1,053 thousand, reclassified to "Income from subsidiaries held-for-sale" in profit and loss for the said period, deriving from the transfer of the assets and liabilities of Mercantile Bank Holdings, Ltd to non-current assets and liabilities held-for-sale (Note 13).

Also herein, the "Transfers and other" column in the impairment movements table for 2016 included €3,519 thousand on the recognition of accumulated impairment on loans and advances to customers, related with the activity of the referred to business unit, recognised in non-current assets held-for-sale (Note 13) at December 31, of the said year.

38. SEGMENT REPORTING

The Group adopted the following business segments to comply with IFRS 8 requirements and to assess own funds requirements on operational risk, using the standard method under the Bank of Portugal's *Official Notice* 9/2007 of 18/04/2007:

- Trading and sales. This includes 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. Investments in and claims on other credit institutions and derivatives are included in this segment;
- Retail banking. This comprises banking activities for individual customers, one-man businesses and micro enterprises. This segment also includes consumer finance, mortgage lending, credit cards and deposits taken from individual customers;
- Commercial banking. This segment also 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, which includes activities related with 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;
- Other. This includes all operating segments not described in the preceding business segments.

Information on the appropriation of income and main balance sheet aggregates, by business areas and geographies, in 2016 and 2015, is given below:

Business areas

	31-12-2016						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	614,402	457,843	31,680	4,919	31,464	4,560	1,144,868
Income from equity instruments	13,622	122	6,614	28,389	491	3,151	52,389
Income from services rendered and commissions	21,144	192,459	84,681	33,235	42,971	209,578	584,068
Cost of services and commissions	(30,846)	(2,996)	(1,542)	(7,002)	(458)	(77,645)	(120,489)
Results from financial operations	67,522	13,729	1,987	(6,703)	5,804	(2,882)	79,457
Other net operating income	(88,231)	(15,775)	(6,393)	10,257	(17,464)	(75,536)	(193,142)
Net operating income from banking	597,613	645,382	117,027	63,095	62,808	61,226	1,547,151
Other costs and income							(3,406,674)
Net income attributable to the shareholder of CGD							(1,859,523)
Cash balances and loans and advances to credit institutions (net)	5,348,534	383,397	55,705	12,874	-	15,572	5,816,082
Investments in securities and derivatives (net)	14,252,875	160,552	420,176	508,997	210,363	272,879	15,825,841
Loans and advances to customers (net)	1,144,278	31,854,605	28,981,251	212,876	643,385	30,430	62,866,825
Total net assets	20,986,044	33,633,622	29,643,252	1,853,300	924,266	6,506,829	93,547,313
Resources of central banks and credit institutions	5,003,241	188,144	491,231	100,915	-	16,181	5,799,712
Customer resources	974,583	51,924,019	16,125,937	177,409	449,469	28,713	69,680,130
Debt securities	4,183,729	-	-	-	-	-	4,183,729

	31-12-2015 (*)						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	408,033	530,621	133,381	2,859	35,903	2,851	1,113,648
Income from equity instruments	10,369	2	18,671	41,465	415	3,345	74,267
Income from services rendered and commissions	33,772	184,116	119,239	39,658	44,501	220,665	641,952
Cost of services and commissions	(6,210)	(3,564)	(4,819)	(6,496)	(331)	(109,037)	(130,456)
Results from financial operations	366,531	(4,662)	3,434	30,485	(54,531)	8,754	350,011
Other net operating income	(9,493)	445	(1,137)	20,609	(6,064)	(11,770)	(7,410)
Net operating income from banking	803,003	706,958	268,769	128,579	19,894	114,809	2,042,012
Other costs and income							(2,213,465)
Net income attributable to the shareholder of CGD							(171,453)
Cash balances and loans and advances to credit institutions (net)	7,191,656	424,005	33,070	8,205	-	7,388	7,664,323
Investments in securities and derivatives (net)	18,598,963	143,077	384,110	573,441	140,186	274,176	20,113,953
Loans and advances to customers (net)	1,330,698	33,696,896	30,144,052	185,354	377,754	24,278	65,759,033
Total net assets	28,343,933	34,052,694	30,861,456	1,877,648	579,081	5,186,655	100,901,467
Resources of central banks and credit institutions	4,575,989	172,168	463,292	92,232	-	129,388	5,433,070
Customer resources	1,179,471	54,112,569	17,714,553	156,922	239,542	23,207	73,426,265
Debt securities	6,663,564	268	36,249	-	-	-	6,700,081

(*) Includes results from Mercantile Bank Holdings, Ltd

Geographies

	31-12-2016							
	Portugal	Rest of European Union	North America	Latin America	Asia	Africa	Other	Total
Net interest income	610,510	188,877	9,886	25,647	95,092	224,418	(9,563)	1,144,868
Income from equity instruments	110,624	4,905	-	-	92	13,449	(76,681)	52,389
Income from services rendered and commissions	468,038	48,828	1,224	4,757	40,082	56,380	(35,241)	584,068
Cost of services and commissions	(123,259)	(11,722)	(127)	(231)	(17,507)	(9,634)	41,991	(120,489)
Results from financial operations	(38,003)	54,972	(35)	(1,962)	7,959	33,730	22,795	79,457
Other net operating income	(26,635)	(11,281)	(96)	(1,156)	4,023	9,611	(167,607)	(193,141)
Net operating income from banking	1,001,275	274,579	10,852	27,055	129,741	327,954	(224,305)	1,547,151
Other costs and income								(3,406,674)
Net income attributable to the shareholder of CGD								(1,859,523)
Cash balances and loans and advances to credit institutions (net)	10,819,996	2,422,199	1,508,080	218,144	4,401,931	1,125,944	(14,680,212)	5,816,082
Investments in securities and derivatives (net)	17,533,808	1,607,903	133,068	213,376	494,409	1,112,159	(5,268,883)	15,825,841
Loans and advances to customers (net)	49,598,914	11,698,575	462,164	160,686	3,115,037	2,233,311	(4,401,862)	62,866,825
Total net assets	90,870,736	16,094,124	2,103,821	660,791	8,944,235	5,761,686	(30,888,080)	93,547,313
Resources of central banks and credit institutions	9,549,783	6,292,822	1,813,560	266,344	326,750	129,691	(12,579,239)	5,799,712
Customer resources	55,580,448	5,101,961	464,962	229,515	7,014,799	3,717,253	(2,428,809)	69,680,130
Debt securities	4,142,146	4,232,347	-	-	-	-	(4,190,764)	4,183,729

	31-12-2015							
	Portugal	Rest of European Union	North America	Latin America	Asia	Africa	Other	Total
Net interest income	567,469	205,872	9,131	31,239	87,131	187,306	(3,445)	1,084,701
Income from equity instruments	507,951	5,250	-	-	147	21,162	(460,244)	74,267
Income from services rendered and commissions	496,276	47,767	764	5,499	41,155	80,235	(50,131)	621,565
Cost of services and commissions	(130,609)	(16,566)	(82)	(636)	(17,390)	(11,376)	53,250	(123,408)
Results from financial operations	284,433	20,646	8	(9,729)	9,420	87,247	(46,168)	345,857
Other net operating income	265,013	(3,261)	32	(1,322)	1,413	17,655	(283,702)	(4,172)
Net operating income from banking	1,990,533	259,708	9,853	25,051	121,875	382,229	(790,440)	1,998,810
Other costs and income								(2,170,263)
Net income attributable to the shareholder of CGD								(171,453)
Cash balances and loans and advances to credit institutions (net)	13,344,605	3,321,639	1,945,634	133,100	4,348,713	1,490,911	(16,920,279)	7,664,323
Investments in securities and derivatives (net)	22,351,100	1,600,863	136,379	133,326	196,297	1,252,464	(5,556,477)	20,113,953
Loans and advances to customers (net)	49,873,513	12,126,239	582,097	175,372	3,078,773	2,875,970	(2,952,931)	65,759,033
Total net assets	97,856,791	17,389,971	2,664,568	500,674	8,432,383	6,172,878	(32,115,798)	100,901,467
Resources of central banks and credit institutions	10,624,810	6,696,936	2,211,298	182,815	230,653	310,954	(14,824,396)	5,433,070
Customer resources	58,365,352	5,344,561	572,656	172,162	6,789,070	4,576,583	(2,394,120)	73,426,265
Debt securities	6,417,077	4,670,423	-	-	-	54,352	(4,441,771)	6,700,081

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.

	31-12-2016					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	1,912,452	945,734	159,786	-	(389,940)	2,628,032
Interest and similar costs	(1,364,750)	(402,766)	(138,238)	-	422,591	(1,483,164)
Income from equity instruments	5,579	5,424	3,863	-	37,523	52,389
Net interest income	553,280	548,392	25,411	-	70,174	1,197,256
Income from services rendered and commissions	396,274	151,271	36,005	-	518	584,068
Cost of services and commissions	(78,990)	(38,268)	(7,173)	-	3,942	(120,489)
Results from financial operations	(2,272)	94,932	(5,445)	-	(7,758)	79,457
Other net operating income	(13,724)	1,101	682	2	(181,202)	(193,141)
Net operating income	301,289	209,036	24,068	2	(184,500)	349,895
NET OPERATING INCOME FROM BANKING	854,569	757,427	49,479	2	(114,326)	1,547,151
Other costs and income	(2,545,199)	(701,749)	(71,656)	30,056	(118,126)	(3,406,674)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	(1,690,629)	55,678	(22,177)	30,058	(232,452)	(1,859,523)

	31-12-2015					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	2,232,397	953,098	178,958	-	(459,881)	2,904,572
Interest and similar costs	(1,735,345)	(433,419)	(149,685)	-	498,578	(1,819,871)
Income from equity instruments	17,739	6,756	3,345	-	46,427	74,267
Net interest income	514,791	526,435	32,618	-	85,124	1,158,968
Income from services rendered and commissions	403,763	175,420	44,318	-	(1,936)	621,565
Cost of services and commissions	(81,263)	(45,051)	(7,114)	(1)	10,020	(123,408)
Results from financial operations	261,007	110,119	(27,540)	-	2,271	345,857
Other net operating income	181	13,509	1,993	27	(19,883)	(4,172)
Net operating income	583,689	253,998	11,658	26	(9,528)	839,842
NET OPERATING INCOME FROM BANKING	1,098,480	780,433	44,276	26	75,596	1,998,810
Other costs and income	(1,493,990)	(641,036)	(47,532)	36,877	(24,582)	(2,170,263)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	(395,510)	139,397	(3,257)	36,903	51,014	(171,453)

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.

39. RELATED ENTITIES

Associates, jointly controlled entities, the Group's Boards of Directors and other entities controlled by the Portuguese state are considered to be related entities.

The Group's financial statements, at December 31, 2016 and 2015, included the following balances and transactions with related entities, excluding management bodies:

	31-12-2016			31-12-2015		
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates	The Portuguese State (Treasury)	Other Portuguese State entities	Associates
Assets:						
Bonds and trading derivatives	5,858,558	1,982,361	22,043	8,740,379	2,640,255	27,010
Loans and advances to customers	2,426	2,462,039	264,869	7,278	2,637,099	243,323
Impairment for loans and advances to customers	-	823	8,353	-	842	11,773
Other assets	363,801	494,852	90,595	364	489,296	91,068
Liabilities:						
Customer resources	37,177	655,429	402,910	264,131	1,185,912	1,744,206
Bonds and trading derivatives	-	34,146	-	148,099	32,125	-
Other liabilities	945,776	64,608	73,677	912,069	19,171	492,016
Guarantees given	-	28,927	8,377	-	30,721	75,919
Income:						
Interest and similar income	99,371	147,283	3,714	171,481	185,835	7,427
Gains from financial operations	145,321	7,585	1	1,014,890	340,609	5,022
Income from services rendered and commissions	312	10,296	54,812	571	17,837	54,855
Other operating income	4	1,461	408	6	545	532
Costs:						
Interest and similar costs	86,051	12,710	12,654	117,772	19,008	30,657
Losses from financial operations	106,717	667	1	974,633	313,506	1,628
Commissions	16	1,684	424	28	2,087	558
Other operating costs	97	5	0	9	8	171
General administrative costs	12	1,164	604	13	1,111	1,441

Transactions with related entities are generally made on the basis of market values on the respective dates.

The "Other Portuguese state entities" column, at December 31, 2016 and 2015, did not include balances with regional or local government.

Management bodies

The costs paid on remuneration and other benefits attributed to members of the statutory bodies of Caixa and Caixa Group companies in 2016 (considered, for this purpose as relevant key management employees in line with the respective IAS 24 requirements) totalled €14,380 thousand (€14,215 thousand in 2015). Information on the amount of the referred to costs for 2016 is itemised below:

	31-12-2016	31-12-2015
Short-term emploee benefits	14,066	14,021
Post-employment benefits	257	162
Other long-term benefits	56	32
	14,380	14,215

Loans to members of management bodies, at December 31, 2016 and 2015, also totalled €1,468 thousand and €2,275 thousand respectively.

40. PROVISION OF INSURANCE BROKERAGE SERVICE

In 2016 and 2015, total remuneration from the provision of insurance brokerage services amounted to €43,079 thousand and €43,456 thousand, respectively, all of which cash commissions.

All remuneration in 2016 and 2015 derived from the provision of insurance brokerage services to associate company Fidelidade - Companhia de Seguros S.A., itemised as follows:

	31-12-2016	31-12-2015
Life insurance	35.640	36.444
Non-life insurance	7.439	7.012
	43.079	43.456

Caixa recognised all commissions received for brokering the Life and Non Life insurance of Fidelidade - Companhia de Seguros S.A. on the branch office network as income for the period at the time of its origination and processed in “Income from services and commissions” (Note 31).

The balances receivable by Caixa from Fidelidade - Companhia de Seguros S.A. for brokerage services amounted to €2,825 thousand and €2,469 thousand, at December 31, 2016 and 2015 respectively. Caixa’s activity as an insurance broker does not include any collections related with insurance contracts payments from customers.

The nominal value of Fidelidade’s financial insurance sold over Caixa counters totalled €7,264,852 thousand and €6,957,128 thousand at December 31, 2016 and 2015, respectively, mainly in respect of *PPRs* (retirement savings plans).

In spite of the fact that CGD Group retains a non-controlling equity investment in Fidelidade, it does not have any direct interference in the company’s investment policy nor does it assume any liabilities with customers for its products.

41. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Management policies on financial risks pertaining to the Group's activity

CGD adopted a centralised risk management model, in 2001, encompassing the assessment and control of all of the Group's credit, market and liquidity risks, based on the principle of the separation of functions between commercial and risk areas.

Credit risk –

Implicit credit risk in CGD's customer portfolio is controlled by the oversight of a collection of indicators, split up by product, customer segment, maturity, type of guarantee, level of exposure to the financial system, sector of activity and geography. The amount of large exposures *vis-à-vis* the maximum limits defined by supervisors is also analysed. CGD has implemented a system for the identification, assessment and control of risk on its loans and advances to customers portfolio, beginning at the time the loan is made, with risk being monitored over the lifetime of the operations.

In the sphere of the implementation of the International Accounting Standards, CGD assesses the amount of impairment on each credit sub-category on a monthly basis, by splitting it up into like-for like risk segments and use of PD (probability of default) and migration to default and recoveries after default (LGD - loss given default) annually updated on the base of historical information.

Monitoring operations on the credit portfolio by DGR (Credit Risk Division), involved the updating of the Credit Oversight and Recovery Policy with improved computerised applications to i) process the portfolio segmentation workflow by levels of the severity of the perceived risk; ii) automatically allocate customers to recovery areas; iv) process the operational actions based on the severity of the event.

The process is monitored in a monthly report produced by DGR.

DRC (Credit Risks Division), which reports directly to the Executive Committee was created in the corporate sphere, for the loan making process and its latter oversight in fourth quarter 2016. In addition to the decision-making function on loans to corporates, financial institutions and institutionals, DRC is responsible for: (i) the prior, mandatory issuance of a risk opinion on the allocation of internal limits or consideration of operations outside the said limits for customers whose amount of exposure (in terms of Economic Groups), rating or specific operational characteristics (or its proponent), so justify (internal standard); (ii) submitting the redefinition of credit limits up the chain of command whenever deemed advisable under the circumstances; (iii) analysing and validating separate impairment analyses; (iv) overseeing credit alerts, identifying default or potential default situations and deciding on the implementation of action plans; (v) approving the constitution/alteration of economic groups; (vi) coordinating the ratings process on corporates/groups/complementary corporate groupings/funds/ specialised lending operations/financial institutions/institutionals.

The analysis, in the case of corporate loans, in addition to natural portfolio oversight, focuses on customer credit risk as well as the operations set out in the proposal separating functions from the commercial area responsible for submitting the proposal with the conditions on the operations.

The analysis is based on the ratings issued by specialised agencies and internal assessment models as well as quantitative and qualitative weighting factors on customer and operation. The market and the economy in which the entities operate, and any aspects which could mitigate credit risk are also taken into account.

Market risk –

Market risk management rules have been defined on each portfolio or business unit to ensure that the risk levels incurred on CGD Group's credit portfolios are in line with its risk appetite. They include market risk limits as well as limits on exposures to credit and asset liquidity risk, returns required, types of instruments authorised and maximum acceptable loss levels.

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

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

The market risk measurement instrument most used for all types of market risk is Value at Risk (VaR) (interest rates, shares, exchange rates, volatility), using the historical simulation method, whose confidence levels used in the simulation are contingent upon the objectives for retaining the portfolio. Additional measurements are also monitored on certain portfolios and include: *Expected Shortfall* and *Third Worst*. Other market risk measurements, such as sensitivity to the price changes of underlying assets (basis point value (bpv), for interest rates) and other sensitivity indicators commonly used for share portfolios are also applied (usually referred to as Greeks). Stress test assessments have also been developed. whether standard or historic.

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

Under management rules each portfolio is subject to restrictions in terms of its composition, as regards assets and risk levels. Risk levels are defined both on credit exposure (concentration by name, sector, rating and country), market (maximum total risk level, by risk factor and maturity period) and liquidity (minimum number of price listings required, maximum authorised portfolio percentage for each issuance, composition of share portfolio based on inclusion in authorised indices). Monthly analyses on the control of returns from portfolios and the monitoring of the acceptable loss levels are performed.

Foreign exchange risk –

Foreign exchange risk is controlled and assessed on a daily separate basis on domestic operations and for each of the branch offices and subsidiaries and monthly, on a consolidated level for the Group as a whole. VaR amounts and limits are calculated on total open and currency positions.

Liquidity risk and balance sheet interest risk –

Liquidity and balance sheet interest risk policies are defined by the ALCO (asset-liability) committee. The Risk Management Division's Liquidity Risk and Balance Sheet Interest Rate Area measures, monitors and reports on the two types of risk.

The ALCO Committee is the Executive Committee's decision-making body responsible for the consideration and oversight of the ALM - Asset-Liability Management process for proactive balance sheet management and CGD Group profitability. In the risk management domain, the ALM process normally concentrates on liquidity and balance sheet interest rate risk, as a space for the rapid dissemination of Group-wide management information.

Liquidity risk management includes an analysis of the periods to maturity of different balance sheet assets and liabilities, evidencing cash inflow/outflow volumes for each bucket and respective liquidity gaps (spreads).

Liquidity risk management also includes stress tests based on an internally developed methodology articulated with the existing liquidity contingency plan, designed to assess the funding outlook at any point of time, strengthening CGD’s resistance to adverse shocks and examining funding alternatives.

Caixa has endeavoured to guarantee a sustainable financing structure for its activity, across the year as a whole, based on the liquidity and period to maturity of its off-balance-sheet assets and exposures.

The measurement methodology adopted for interest rate management risk includes a short term or accounting perspective and a long term or economic perspective.

The short term or accounting perspective for interest rate risk assessments aims to estimate the effect of adverse changes in interest rates on interest margin. The methodology used for this purpose aggregates all assets and liabilities sensitive to interest rate changes into time bands, in accordance: (i) with periods to maturity in the case of fixed-rate financial instruments, and (ii) periods between the repricing of interest rates in the case of variable-rate financial instruments. The respective interest rate gaps for these time bands are then calculated, enabling the effects of interest rate changes to be brought into line with net interest income.

Net interest rate simulations are also used with the objective of improving the reliability of the estimations obtained from interest rate gaps on the sensitivity of interest income. They include projections on the evolution of the Group’s balance sheet, integrating behaviours and trends relevant to banking activity in addition to scenarios on the evolution of different market rates and expectations as reflected in the yield curves.

The long term or economic perspective on the assessment of interest rate risks aims to estimate the effect of adverse changes in interest rates on the economic value of capital. The methodology used for the purpose involves the calculation of the effective duration of liabilities and assets sensitive to changes in interest rates, in addition to the respective duration gap, enabling the effect of interest rate changes to be brought into line with the economic value of capital.

Simulation techniques are also used to improve the reliability of the estimations obtained from the duration gap of the sensitivity of the economic value of capital They include the assessment and respective estimation of all future cash flows generated by assets and liabilities sensitive to interest rate changes (full valuation).

The management of liquidity and balance sheet interest rates is based on a set of guidelines approved by the ALCO Committee, which includes limits on a collection of significant exposure variables to such types of risk. The guidelines aim to ensure that CGD Group has a means of managing the return-risk trade-off for balance sheet management purposes and that it is also able to define a convenient exposure level and control the results of its assumption of risk policies and positions.

Credit Risk

Maximum exposure to credit risk

The following is a breakdown of the Group’s maximum exposure to credit risk at December 31, 2016 and 2015:

	31-12-2016	31-12-2015
Trading securities		
Public debt	4,868,665	908,167
Private debt	18,334	17,136
	4,886,999	925,303
Financial assets at fair value through profit or loss		
Private debt	4,969	6,681
	4,969	6,681
Available-for-sale financial assets		
Public debt	4,827,582	10,256,470
Private debt	1,430,644	3,922,330
	6,258,226	14,178,801
Held-to-maturity investments		
Public debt	413,850	-
Private debt	19,281	-
	433,131	-
Financial assets with repurchase agreement		
Public debt	358,683	294,968
Private debt	206,219	367,332
Credit and securities	234,830	418,866
	799,732	1,081,166
	12,383,055	16,191,950
Derivatives	1,519,408	1,625,723
Cash balances at other credit institutions	757,726	773,163
Loans and advances to credit institutions	3,221,582	4,013,842
Loans and advances to customers	62,950,042	65,839,821
Other debtors	2,740,637	2,658,818
Other operations pending settlement	248,269	176,278
	71,437,665	75,087,644
Other commitments		
Personal/Institutional guarantees given:		
Guarantees and sureties	3,459,830	3,637,077
Stand-by letters of credit	62,060	57,816
Open documentary credits	324,575	502,154
Forward deposit agreements	218	85,618
Irrevocable lines of credit	567,968	1,273,964
Securities subscription	1,683,944	1,654,834
Other irrevocable commitments	-	2,230
Credit default swaps	75,894	73,482
	6,174,490	7,287,175
Maximum exposure to credit risk	89,995,211	98,566,769

The amount of exposure to derivatives, set out in the above table, does not include the risk mitigation effect deriving from surety accounts (Note 25) and netting agreements.

Credit quality of investments in credit institutions

The following table splits up the balance sheet amounts of investments in credit institutions, with reference to December 31, 2016 and 2015, considering risk aggregate categories (reduced, average and high) associated with external ratings and the counterparty's country of origin:

	31-12-2016						
	Portugal	Rest of European Union	North America	Asia	Brazil	Other	Total
Reduced risk	-	907,382	170,897	114,046	-	192,622	1,384,947
Medium risk	2,145	119,778	-	2,412	964	-	125,299
High risk	8,014	-	-	-	-	-	8,014
No Rating	20,969	5,039	193	-	9,513	5,592	41,306
Central and Supranational banks	-	-	148,199	1,149,721	157,598	205,958	1,661,476
	31,128	1,032,199	319,289	1,266,179	168,075	404,172	3,221,042

	31-12-2015						
	Portugal	Rest of European Union	North America	Asia	Brazil	Other	Total
Reduced risk	-	1,297,389	344,458	349,576	-	324,328	2,315,751
Medium risk	71,842	101,755	-	-	5,851	4,612	184,060
High risk	-	-	-	-	-	-	-
No Rating	35,446	9,200	-	11,507	-	37,708	93,861
Central and Supranational banks	-	-	-	1,058,598	125,540	233,706	1,417,844
	107,289	1,408,344	344,458	1,419,680	131,391	600,354	4,011,515

Credit quality of debt securities

The following table provides information on the book value split of portfolio debt securities net of impairment (excluding matured securities) according to the Standard & Poor's or equivalent rating, by type of guarantor or issuing entity and by the guarantor's or issuing entity's geography, at December 31, 2016 and 2015:

	31-12-2016				
	Portugal	Rest of European Union	North America	Other	Total
Financial assets at fair value through profit or loss					
AA+ to AA-	-	18,511	-	-	18,511
A+ to A-	-	704	1,905	663	3,272
BBB+ to BBB-	-	1,175,807	-	2,901	1,178,708
BB+ to BB-	2,299,075	1,336,401	231	47,541	3,683,248
B+ to B-	-	-	-	2,673	2,673
No Rating	587	-	-	4,969	5,556
	2,299,662	2,531,424	2,135	58,747	4,891,968
Issued by:					
Governments and local authorities	2,299,075	2,523,096	-	46,494	4,868,665
Corporates	587	5,723	231	11,732	18,273
Financial institutions	-	1,107	-	47	1,154
Othet issuers	-	1,499	1,905	473	3,876
	2,299,662	2,531,424	2,135	58,747	4,891,968
Financial assets at fair value through revaluation reserves					
AAA	-	13,091	-	-	13,091
AA+ to AA-	-	30,653	159,240	64,535	254,428
A+ to A-	310,476	191,213	67,538	146,534	715,760
BBB+ to BBB-	23,926	388,993	59,579	18,913	491,410
BB+ to BB-	3,883,516	487,115	930	503,148	4,874,710
B+ to B-	-	1,868	-	14,589	16,457
Lower than B-	-	4,432	165	199,527	204,124
No Rating	165,533	38,023	-	49,590	253,146
	4,383,451	1,155,389	287,451	996,836	6,823,127
Issued by:					
Governments and local authorities	3,875,623	572,205	133,068	690,309	5,271,205
Corporates	197,296	210,704	15,473	49,459	472,932
Financial institutions	-	321,447	135,547	249,475	706,469
Othet issuers	310,532	51,033	3,362	7,593	372,520
	4,383,451	1,155,389	287,451	996,836	6,823,127

	31-12-2015				
	Portugal	Rest of European Union	North America	Other	Total
Financial assets at fair value through profit or loss					
AA+ to AA-	-	168,241	-	3,456	171,697
A+ to A-	-	584	-	1,164	1,748
BBB+ to BBB-	-	711,188	-	1,516	712,704
BB+ to BB-	11,921	4,299	171	19,410	35,801
B+ to B-	-	636	-	-	636
Lower than B-	-	-	-	251	251
No Rating	7,480	-	-	1,667	9,147
	19,401	884,948	171	27,464	931,984
Issued by:					
Corporates	11,127	878,117	-	18,923	908,167
Governments and local authorities	8,274	5,837	-	7,748	21,859
Financial institutions	-	-	-	453	453
Othet issuers	-	994	171	340	1,505
	19,401	884,948	171	27,464	931,984
Financial assets at fair value through revaluation reserves					
AAA	-	211,413	-	-	211,413
AA+ to AA-	-	4,194	155,815	11,541	171,550
A+ to A-	367,560	238,882	114,313	21,437	742,192
BBB+ to BBB-	48,390	448,687	57,041	50,453	604,571
BB+ to BB-	11,529,491	107,696	4,329	898,345	12,539,861
B+ to B-	2,963	18,175	150	323,035	344,323
Lower than B-	-	4,013	-	2,133	6,146
No Rating	208,788	-	-	12,257	221,045
	12,157,192	1,033,060	331,648	1,319,201	14,841,101
Issued by:					
Corporates	11,458,237	455,138	136,379	1,238,322	13,288,076
Governments and local authorities	134,797	189,936	15,384	36,580	376,697
Financial institutions	54,665	313,756	173,871	34,092	576,384
Othet issuers	509,493	74,230	6,014	10,207	599,944
	12,157,192	1,033,060	331,648	1,319,201	14,841,101

Exposure to the sovereign debt of the main eurozone countries

Information on the main characteristics of these issuances, within Caixa Group, at December 31, 2016 and 2015, is set out below:

	Book value net of impairment at 31-12-2016				Fair value	Accumulated impairment	Fair value reserve	Rating
	Residual maturities							
	2017	after 2017	no maturity	Total				
Financial assets at fair value trough profit or loss								
Portugal	2,296,420	2,655	-	2,299,075	2,299,075	-	-	
Greece	-	-	-	-	-	-	-	
Ireland	-	-	-	-	-	-	-	
Spain	1,332,726	389	-	1,333,115	1,333,115	-	-	
Italy	1,171,566	408	-	1,171,973	1,171,973	-	-	
	4,800,712	3,451	-	4,804,163	4,804,163	-	-	
Financial assets at fair value through revaluation reserves								
Portugal	517,391	3,273,086	587	3,791,064	3,791,064	-	(190,719)	
Greece	-	4,432	-	4,432	4,432	-	(1,975)	
Ireland	-	-	-	-	-	-	-	
Spain	52,848	342,167	-	395,014	395,014	-	(953)	
Italy	-	172,758	-	172,758	172,758	-	(1,298)	
	570,238	3,792,443	587	4,363,269	4,363,269	-	(194,946)	
Total								
Portugal	2,813,811	3,275,741	587	6,090,139	6,090,139	-	(190,719)	BB+
Greece	-	4,432	-	4,432	4,432	-	(1,975)	CCC
Ireland	-	-	-	-	-	-	-	
Spain	1,385,574	342,555	-	1,728,129	1,728,129	-	(953)	BB
Italy	1,171,566	173,166	-	1,344,732	1,344,732	-	(1,298)	BBB
	5,370,950	3,795,894	587	9,167,432	9,167,432	-	(194,946)	

	Book value net of impairment at 31-12-2015				Fair value	Accumulated impairment	Fair value reserve	Rating
	Residual maturities							
	2016	after 2016	no maturity	Total				
Financial assets at fair value trough profit or loss								
Portugal	-	11,127	-	11,127	11,127	-	-	
Greece	-	-	-	-	-	-	-	
Ireland	-	-	-	-	-	-	-	
Spain	459,189	304	-	459,493	459,493	-	-	
Italy	250,054	329	-	250,383	250,383	-	-	
	709,242	11,760	-	721,003	721,003	-	-	
Financial assets at fair value through revaluation reserves								
Portugal	4,969,137	3,957,676	689	8,927,501	8,927,501	-	15,751	
Greece	-	4,013	-	4,013	4,013	-	(2,395)	
Ireland	-	-	-	-	-	-	-	
Spain	1,309	183,901	-	185,210	185,210	-	3,524	
Italy	-	66,007	-	66,007	66,007	-	3,079	
	4,970,446	4,211,596	689	9,182,730	9,182,730	-	19,959	
Total								
Portugal	4,969,137	3,968,803	689	8,938,628	8,938,628	-	15,751	BB
Greece	-	4,013	-	4,013	4,013	-	(2,395)	CCC
Ireland	-	-	-	-	-	-	-	
Spain	460,498	184,205	-	644,703	644,703	-	3,524	BBB
Italy	250,054	66,336	-	316,389	316,389	-	3,079	BBB
	5,679,688	4,223,356	689	9,903,733	9,903,733	-	19,959	

These markets also reflect the consequences of the serious liquidity crisis and general uncertainties 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).

Second quarter 2015 was also marked by the worsening crisis in Greece, especially its financial system, with the necessary consequences of an increase in volatility levels and uncertainty across the period, partially mitigated by a new bail-out package reached, in the meantime, with its international creditors.

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. These portfolios were segmented into levels 1 and 2 of the fair value chain at December 31, 2016 and 2015. Greater detail on the distinguishing elements of these categories along with the main assumptions used are given in the item on “Fair value”.

Exposures affected by the period of turbulence

Information on the composition of the Group’s available-for-sale assets portfolio, at December 31, 2016 and 2015, which included types of securities particularly affected by the period of financial turbulence, is set out below:

TYPE	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	31-12-2016 Book value (net of impairment)	31-12-2016 Accumulated impairment	31-12-2016 Fair value reserve	31-12-2015 Book value (net of impairment)	31-12-2015 Fair value reserve
Available-for-sale financial assets								
Residential mortgage-backed securities	A- to A+	Senior	European Union	11,859	-	(777)	15,163	(1,864)
	Lower than A-	Senior	European Union	13,529	-	(1,130)	15,064	(1,137)
		Mezzanine	European Union	1,632	(746)	-	908	(1,457)
				27,019	(746)	(1,907)	31,135	(4,459)

(a) Presentation of securities conducted in accordance with information about the ratings available on 31-12-2016, with the exception of alienated species whose information provided should be referenced 31-12-2015.

Movements in this account, in 2016 and 2015, were:

TYPE	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Book value (net) at 31-12-2015	Sales and amortisations	Acquisitions	Impact on results for the year Capital gains / (losses) recognised against results	Change in the fair value reserve	Book value (net) at 31-12-2016
Available-for-sale financial assets									
Residential mortgage-backed securities									
	A- to A+	Senior	European Union	15,163	(4,117)	-	(275)	1,087	11,859
	Lower than A-	Senior	European Union	15,064	(1,646)	-	103	7	13,529
		Mezzanine	European Union	908	-	-	(733)	1,457	1,632
				31,135	(5,762)	-	(905)	2,552	27,019

(a) Presentation of securities conducted in accordance with information about the ratings available on 31-12-2016, with the exception of alienated species whose information provided should be referenced 31-12-2015.

TYPE	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Book value (net) at 31-12-2014	Sales and amortisations	Acquisitions	Impact on results for the year Capital gains / (losses) recognised against results	Change in the fair value reserve	Book value (net) at 31-12-2015
Available-for-sale financial assets									
Residential mortgage-backed securities									
	A- to A+	Senior	European Union	4,146	(2,615)	-	408	(406)	1,533
	Lower than A-	Senior	European Union	33,098	(9,110)	6,515	123	(1,933)	28,694
		Mezzanine	European Union	6,124	(7,241)	-	806	1,217	908
				43,369	(18,966)	6,515	1,338	(1,121)	31,135

(a) Presentation of securities conducted in accordance with information about the ratings available on 31-12-2015, with the exception of alienated species whose information provided should be referenced 31-12-2014.

"Profit/loss" recognised as a charge to the income statement includes accrued interest and foreign exchange revaluation results.

Quality of loans and advances to customers

The disclosures required under the Bank of Portugal's circular letter 2/2014 on asset quality and credit risk management 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 response to diverse legal and regulatory requirements and with the objective of using best credit risk management practice, Caixa Geral de Depósitos (CGD) has implemented a credit risk management process comprising the different funding stages:

1.1.1. Issue of loans

The way in which loans are made aims to comply with the credit risk management strategy and policy defined by CGD's competent bodies.

DRC (Credit Risks Division) was created in fourth quarter 2016 with the objective of achieving greater involvement in credit risk analysis when making loans. This corporate division has the following main attributes: (i) the prior, mandatory issuance of a risk opinion on the allocation of internal limits or consideration of operations outside the said limits for customers whose amount of exposure (in terms of Economic Groups), rating or specific operational characteristics (or its proponent), so justify (internal standard); (ii) to submit a redefinition of credit limits whenever deemed advisable under the circumstances up the chain of command; (iii) to approve the constitution/alteration of Economic Groups; (iv) to coordinate the ratings process on corporates/groups/complementary corporate groupings/funds/ specialised lending operations/financial institutions/institutionals.

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 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.

Credit risk assessment in the retail segment is based on the use of statistical risk assessment tools (scoring and rating models), a collection of internal regulations on lending operations which establish objective criteria to be complied with and the delegation of competencies in accordance with the ratings allocated to customers.

1.1.2 <u>Credit portfolio oversight</u>

Oversight of the credit portfolio provides early warnings of potential default situations, enabling decisions for optimising debt recovery to be taken.

In 2016, following the processes implemented in 2015, the workflow process which is transversal to commercial, recovery and credit risk areas was consolidated on the basis of the Oversight and Credit Recovery Policy in force.

The workflow classifies a customer's creditworthiness on a daily basis with the identification of pre-defined events and by level of severity regarding the probability of a default situation. All portfolio customers are segmented in one of the following classifications:

a. Regular customers without any additional risks being identified;
b. Regular customers but with early warnings which may indicate a stronger probability of customer default;
c. Customers registering serious events and a high probability of default who are classified as being in financial distress;
d. Customers on a 24 months' probation period following the occurrence of a restructuring operation on the customer owing to financial difficulties;
e. Customers classified as being in default;
f. Customers classified as being in quarantine following a default situation.

The workflow process prescribes actions which vary in line with the severity of the event. 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 such 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 prepared 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.

<u>1.1.3 Credit recovery</u>

As soon as any arrears 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 ("Action Plan for the Risk of Default") and PERSI "Extrajudicial Procedure for the Settlement of Default Situations") – as regards loans and advances to individual customers.

Credit recovery consists of a series of CGD Group 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 until it has been settled. Negotiated credit recoveries comprise three types by action by order of priority in terms of their application:

- Collection of overdue payments;
- Restructuring solutions;
- 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 is not producing the desired result for CGD Group and for its customers, credit recovery should move on to legal/pre-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 sale 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 within CGD Group is the responsibility of DGR (Risk Management Division) which identifies, measures and controls significant exposures.

Concentration risk monitoring measurements to permit the monthly control of portfolio segments considered as being critical in terms of credit risk were defined in the Risk Appetite Statement.

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 from assets is taken at a senior level when expectations of credit recovery are nil or highly residual following all of the negotiating proceedings with the parties involved in a loan agreement. Loans eligible for write-offs when implying the recognition of 100% impairment, 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 of significant improvements in the creditworthiness of debtors and/or an adequate strengthening of real guarantees, the previously recognised loss is reduced to the level of the new calculated loss, resulting in a direct reversal of impairment.

A reversal of impairment is also recognised in situations in which the loans are sold for a higher amount than 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 a modification to the parties' rights or duties.

Specialised oversight and recovery areas endeavour to apply the best solutions to protect CGD Group's 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 the best interests of customer and CGD, 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; and
- Sustainability of process – 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 return to a default situation.

Impact of complexity. Lastly a series of factors which may add to the complexity of default situations should be considered in the processing strategy, with a different treatment from the one proposed and which solely takes the former two principles into account. Even if the financial impact of the solution 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 specific treatment for the purposes of calculating impairment, across the whole of the minimum application period of 24 months defined in the Bank of Portugal's *instruction* 32/2013.

5. Description of collateral valuation and management process

Real estate

The main components of the valuation methodology on real estate within CGD Group are:

i. Examination of real estate. The real estate is inspected when all new mortgage lending operations are entered into, with the objective of assessing the presumable transaction price in a free market.

Certification of the value of a real estate 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 real estate'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. This is also the procedure used for operations in default, deriving from a request made by the credit recovery areas.

Property valuation procedures:

iii. 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.

iv. CGD has a network of external service providers in its property valuation area made up of around 100 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.

v. 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.

vi. The 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 real estate the following collateral is eligible for the purpose of 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;
- Pledges over listed shares – assessed at market value at the calculation's reference date.

6. <u>Type of principal judgments, estimates and hypotheses used to assess impairment</u>

CGD's Credit Impairment Model uses duly grounded, reasoned methodologies to ensure that the impairment calculation is in line with IAS 39.

There are modelling approaches CGD considers to be more adequate for assessing impairment but on which judgments in defining the processes, are made, 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 used:

    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.

    b. Loans to companies – amount of exposure, sector of economic activity, type of collateral, present and past performance of the operation, length of current performance.

iv. Loan conversion factors applied to off-balance sheet exposures.

v. Defined exposure level for separate impairment assessments.

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 lines of credit and assesses each operation's risk profile which it classifies in 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) Separate impairment based on an assessment of customers with separately significant exposures by filling in an Impairment Form and the estimated discounted future cash flows schedule at the agreement's original interest rate;

ii) 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 characteristics.

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 which are differentiated in line with the historical classification of customers or operations (e.g. performing loans with past defaults).

2. Lifetime default probability (PD_{LT}). This is the probability of a loan, conditioned by signs of impairment and an operation's track record, registering a default. Lifetime PDs are different for customers or operations with (i) external signs and, simultaneously 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. Lifetime PDs are also differentiated for customers with a history of default.

3. Loss Given Default (LGD). 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 registered 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 makes it possible to differentiate impairment losses by length of default. LGDs are differentiated on the basis of the type of collateral existing when impairment is assessed.

8. Indication of signs of impairment by credit segments.

Performing loans

- No signs of loss at the time of the analysis.

Performing credit with signs of impairment – with at least one of the following signs of loss:

- Overdue credit in CGD with arrears of more than 30 days but which have not been classified as being in default;
- 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 100% assessed in the quarterly survey sent to commercial areas. This process is performed for companies with an exposure of more than €250 thousand not included in the separate analysis;
- Identification of debts to the Tax Authorities and Social Security Services, on the basis of a monthly survey sent to customer account managers. This process is performed for companies with an exposure of more than €250 thousand;
- 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;
- Insolvency processes other than a declaration of insolvency and *PER* ("Special Revitalisation Programme" processes.

Restructured credit for customers in financial distress

- Lifetime Default Probability curves specifically estimated for the sub segments defined in the Credit Impairment Model for the respective operations are applied to loans which have been restructured owing to financial difficulties as described in item 4.

Credit in default – the following loss 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 a customer's financial difficulties, in a probation period, with new restructuring operations during the surveillance period of 2 years, when as a non-performing exposure prior to the start of the probation period;
- Restructured operations owing to a customer's financial difficulties, in a probation period, with arrears of more than 230 days, when classified as a non-performing exposure prior to the start of the probation period;
- Restructuring operations owing to a customer's financial difficulties in the event of loss events (in accordance with the defined materiality);
- Existence of amounts written-off from assets or cancelled interest.

The increase of collective impairment, registered in 2016, essentially derived from a revision of the definition of default following the Executive Committee's assets review which incorporates the EBA's recommendations as defined in "*Final Report on Guidelines on Default Definition (EBA-GL-2016-07)*" issued on September 28, 2016.

9. Indication of thresholds defined for separate analyses.

Within CGD Group, the limits on separate impairment assessments, as defined in an internal standard, take the specific characteristics of the diverse credit portfolios of each Group unit into account, with the objective of assessing all exposures considered to be individually significant by each unit and the Group. In the case of CGD, with reference to December 31, 2016, a separate analysis is performed on customers with an overall balance sheet exposure of €3 million or more.

10. Policy relating to internal risk levels, specifying the treatment afforded to a borrower classified as being in default

Pursuant to internal regulations, customers entering into a default situation are allocated to specialised credit oversight and recovery areas. The allocation decision may be made by the Credit Board or Credit Risks Executive Committee.

It should be noted that owing to the innovation implemented by the customer oversight workflow process (item 1.1.2, above) as most defaulting customers had previously been allocated to recovery area managers, no breaks were accordingly made in the negotiating process beginning 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 as a last resort.

11. General description of the form of calculating the present value of future cash flows for separate and collective impairment loss assessments

Separate assessment

The assessment of cash flow projections on loans considers the extent to which the customer will generate the cash flow 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.

An assessment is made as to whether the cash flow projections 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 cash flow projections:

i. The going concern approach which considers the continuation of the 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 can also be considered provided that they do not have any influence of the company's cash flow projections (i.e. provided that they are operating cash flows). This going concern approach is used if:

- The company's cash flow projections are material and can be adequately estimated;
- The repayment of the debt does not involve the execution of collateral which is decisive for the company's normal operation.

Following the valuation of the assets portfolio, in 2016, in the recapitalization sphere, there was a deterioration of the former scenario of analyses on going concern customers on which the sensitivity analysis of several business plans were based, including by way of example cash flow projections on 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 existed for a considerable length of time;

• When operating cash flow projections are residual or negative or less than the estimated amount of the collateral and clearly insufficient to permit 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 estimated cash flow projections, namely when EBITDA over the last few years has been negative;

• When the available information is insufficient for a going concern analysis.

Following the valuation of the assets portfolio, the following measurement criteria were introduced:

- A gone concern approach was adopted for companies unable to generate sufficient cash flow to comply with their debt servicing needs over the next 12/18 months, without considering any potential improvements of such companies’ EBITDA over the projected time span;
- Adoption of a settlement scenario for several companies which also led to a review of the measurement of provisions for bank guarantees provided to such customers;
- A review of the estimated recoverable value of mortgage collateral based on the application of additional haircuts reflecting a reduction of the period of property foreclosure and disposal operations. These haircuts were increased for less liquid collateral in the real estate market (e.g. land);
- Use of more conservative scenarios for cases in which the credit recovery is contingent upon legal rulings.

Collective impairment

Impairment on performing operations is assessed by the application of the EAD x PD_{12M} x discounted LGD formula.

For operations with signs of impairment or in default, the assessment of cash flow in the Collective Impairment Model is based on the contractual cash flow and risk factors applicable to the operation.

Cash flow projections are latterly discounted at the operation’s original interest rate to assess the respective current amount.

12. Description of the emergent period used for the different segments and justification of its adequacy

IAS 39 provides for provisions to be set up on credit without any observable signs of impairment, referred to as IBNR (“incurred but not reported”) losses.

Based on this definition, the calculation of impairment depends upon the definition of an emergence period, which is the period of time between the occurrence and observation of the event loss, which may be broken down into a period of the appearance of the information and a latter occasion when such signs are confirmed. The emergence period has currently been set at 12 months.

In CGD the use of the emergence period is based on the use of diverse early warning signs which aim to identify any potential deterioration of a customer's creditworthiness which could lead to losses, as soon as possible.

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:

a) Details of exposures and impairment by segment

	Exposure in 31-12-2016						Impairment in 31-12-2016		
	Performing loans			Non-performing loans		Total	Performing loans	Non-performing loans	Total
		Which of: cured	Which of: restrutured		Which of: restrutured				
Segment									
Government	6,711,178	202,011	25,578	127,903	41,336	6,839,081	7,670	31,923	39,592
Corporate	14,693,884	154,542	976,359	2,763,928	1,160,558	17,457,812	212,710	1,533,299	1,746,009
Construction and real estate (CRE)	5,437,703	394,387	368,450	3,761,572	2,101,356	9,199,275	186,410	2,325,579	2,511,988
Households - Housing	29,528,016	210,393	370,865	2,013,869	597,437	31,541,885	92,999	514,697	607,695
Households - Consumption and other purposes	2,106,406	33,001	40,543	615,468	437,877	2,721,875	46,067	484,171	530,238
Other	598,976	47,411	26,109	376,148	63,879	975,125	8,369	189,505	197,874
	59,076,164	1,041,745	1,807,905	9,658,889	4,402,443	68,735,052	554,225	5,079,172	5,633,397

	Exposure in 31-12-2015						Impairment in 31-12-2015		
	Performing loans			Non-performing loans		Total	Performing loans	Non-performing loans	Total
		Which of: cured	Which of: restrutured		Which of: restrutured				
Segment									
Government	5,368,097	10,496	491,022	93,825	36,061	5,461,922	2,051	3,154	5,205
Corporate	15,042,118	137,698	1,198,706	2,281,186	1,041,370	17,323,303	248,936	1,282,407	1,531,343
Construction and real estate (CRE)	7,251,569	234,397	581,728	4,159,634	2,329,005	11,411,204	238,801	2,064,196	2,302,997
Households - Housing	30,854,250	193,158	632,912	2,141,132	477,887	32,995,381	96,622	716,507	813,128
Households - Consumption and other purposes	2,412,370	36,017	63,237	645,654	389,354	3,058,024	53,195	363,853	417,048
Other	772,172	40,814	39,236	353,599	40,933	1,125,771	14,520	113,465	127,985
	61,700,576	652,580	3,006,841	9,675,029	4,314,611	71,375,604	654,125	4,543,582	5,197,706

	Exposure in 31-12-2016							Impairment in 31-12-2016				
	Performing loans			Non-performing loans				Performing loans		Non-performing loans		
	Days past due < 30 days			Days late due		Sub-total	Total exposure	Days late due		Days late due		Total impairment
	Without evidence	With evidence		<=90 (*)	>90 (*)			<30	between 30 - 90	<=90 (*)	>90 (*)	
Segment												
Government	4,075,313	2,604,299	6,711,178	53,129	74,774	127,903	6,839,081	7,640	30	1,609	30,314	39,592
Corporate	14,000,107	513,262	14,693,884	1,358,350	1,405,577	2,763,928	17,457,812	196,305	16,405	605,494	927,805	1,746,009
Construction and real estate (CRE)	4,979,104	375,796	5,437,703	1,019,303	2,742,269	3,761,572	9,199,275	168,559	17,851	596,466	1,729,113	2,511,988
Households - Housing	28,267,625	1,048,704	29,528,016	446,534	1,567,335	2,013,869	31,541,885	75,226	17,773	60,420	454,277	607,695
Households - Consumption and other purposes	1,992,893	89,779	2,106,406	104,279	511,189	615,468	2,721,875	35,873	10,194	49,823	434,348	530,238
Other	551,493	47,195	598,976	50,812	325,336	376,148	975,125	8,185	184	29,531	159,974	197,874
	53,866,535	4,679,035	59,076,164	3,032,409	6,626,480	9,658,889	68,735,052	491,789	62,436	1,343,342	3,735,831	5,633,397

(*)Credit installments of principal and accrued interest less than 90 days, but about which there is evidence to justify its classification as non-performing loans, particularly bankruptcy, the debtor's liquidation or individual impairment allocation, among others.

	Performing loans			Non-performing loans				Performing loans		Non-performing loans		
	Days past due < 30 days			Days late due		Sub-total	Total exposure	Days late due		Days late due		Total impairment
	Without evidence	With evidence		<=90 (*)	>90 (*)			<30	between 30 - 90	<=90 (*)	>90 (*)	
Segment												
Government	4,350,299	1,017,791	5,368,097	38,100	55,725	93,825	5,461,922	1,854	197	-	3,154	5,205
Corporate	14,076,362	925,123	15,042,118	983,121	1,298,064	2,281,186	17,323,303	235,709	13,227	473,779	808,628	1,531,343
Construction and real estate (CRE)	6,312,958	911,298	7,251,569	1,171,072	2,988,562	4,159,634	11,411,204	221,017	17,785	515,340	1,548,855	2,302,997
Households - Housing	29,207,558	1,419,565	30,854,250	147,415	1,993,716	2,141,132	32,995,381	80,012	16,610	27,732	688,774	813,128
Households - Consumption and other purposes	2,242,137	152,255	2,412,370	372,065	273,589	645,654	3,058,024	44,880	8,315	179,743	184,109	417,048
Other	758,287	13,329	772,172	30,697	322,901	353,599	1,125,771	14,343	177	11,753	101,712	127,985
	56,947,600	4,439,361	61,700,576	2,742,471	6,932,557	9,675,029	71,375,604	597,814	56,310	1,208,348	3,335,234	5,197,706

(*)Credit installments of principal and accrued interest less than 90 days, but about which there is evidence to justify its classification as non-performing loans, particularly bankruptcy, the debtor's liquidation or individual impairment allocation, among others.

b) Details of credit portfolio by segment and year of production

	Government			Corporate			Construction and real estate (CRE)			Households - Housing			Households - Consumption and other purposes			Other financial institutions			Total		
	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
Year of production																					
2004 and before	1,351	571,248	239	6,574	685,301	92,252	2,887	497,892	180,781	324,660	8,482,700	199,533	17,037	68,314	20,699	22	24,125	136	352,531	10,329,579	493,640
2005	226	83,409	2,499	920	141,794	29,913	461	176,355	62,834	46,916	2,442,297	55,680	32,778	84,303	25,835	14	28,012	59	81,315	2,956,170	176,820
2006	164	79,637	674	2,755	478,500	126,623	1,064	775,263	481,830	43,902	2,647,561	60,239	111,271	141,614	7,381	18	39,205	3,741	159,174	4,161,780	680,487
2007	134	219,211	2,169	3,391	790,593	283,803	1,537	1,011,742	513,397	53,003	3,139,274	90,451	33,131	411,816	327,726	53	314,957	149,056	91,249	5,887,592	1,366,602
2008	104	324,895	21,836	3,025	1,212,975	407,830	1,367	994,600	315,700	45,369	2,764,181	61,918	33,053	87,049	9,745	47	9,853	1,988	82,965	5,393,553	819,018
2009	88	326,128	825	2,793	684,628	80,514	1,157	963,935	138,278	40,970	2,897,605	43,263	41,648	107,209	15,703	47	6,073	1,123	86,703	4,985,579	279,705
2010	79	3,748,818	2,875	3,797	912,775	91,943	1,390	477,256	78,255	32,494	2,610,977	34,836	49,347	162,970	21,369	48	2,316	697	87,155	7,915,113	229,975
2011	41	159,025	1	3,629	659,243	48,739	1,261	342,281	109,271	16,354	1,315,206	12,768	42,055	207,650	16,844	69	6,697	87	63,409	2,690,103	187,709
2012	68	45,215	128	4,408	608,646	54,937	1,214	304,239	66,905	7,898	682,058	6,379	52,055	192,360	16,810	47	39,396	1,080	65,690	1,871,914	146,240
2013	83	140,261	566	8,827	1,121,516	128,817	2,054	615,281	249,214	8,722	765,149	5,091	137,420	215,082	8,561	77	58,774	25,293	157,183	2,916,062	417,542
2014	92	451,585	64	12,108	1,520,095	105,487	2,746	778,687	80,846	10,722	1,040,550	5,012	77,435	277,525	14,012	106	306,718	6,258	103,209	4,375,159	211,680
2015	125	363,131	7,503	17,031	3,472,985	146,974	3,710	630,032	53,526	16,830	1,369,618	11,930	100,531	399,234	25,536	133	44,782	6,758	138,360	6,279,783	252,227
2016	224	326,517	213	36,534	5,168,760	148,177	12,353	1,631,712	181,152	25,648	1,384,708	20,596	230,338	366,748	20,017	325	94,217	1,598	305,422	8,972,663	371,753
	2,779	6,839,081	39,592	105,792	17,457,812	1,746,009	33,201	9,199,275	2,511,988	673,488	31,541,885	607,695	958,099	2,721,875	530,238	1,006	975,125	197,874	1,774,365	68,735,052	5,633,397

N.B. In the case of restructured operations the amounts have been impacted by updating the production to the restructuring date.

c) Details of the amount of gross credit exposure and separately and collectively analysed impairment, by segment, sector (code of economic activities) and geography

	31-12-2016													
	Government		Corporate		Construction and real estate (CRE)		Households - Housing		Consumer and other purposes		Other financial institutions		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Avaliation														
Individual	81,383	35,973	3,282,622	1,247,403	3,136,625	1,984,103	94,499	2,985	432,092	382,922	302,064	177,067	7,329,285	3,830,454
Collective	6,757,698	3,620	14,175,189	498,606	6,062,651	527,885	31,447,386	604,710	2,289,782	147,315	673,061	20,806	61,405,767	1,802,943
	6,839,081	39,592	17,457,812	1,746,009	9,199,275	2,511,988	31,541,885	607,695	2,721,875	530,238	975,125	197,874	68,735,052	5,633,397

	31-12-2015													
	Government		Corporate		Construction and real estate (CRE)		Households - Housing		Consumer and other purposes		Other financial institutions		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Avaliation														
Individual	41,955	2,966	3,093,889	915,039	4,359,610	1,818,215	198,507	4,292	448,788	189,709	452,615	120,757	8,595,363	3,050,978
Collective	5,419,967	2,239	14,229,414	616,303	7,051,594	484,783	32,796,874	808,836	2,609,235	227,339	673,156	7,228	62,780,241	2,146,728
	5,461,922	5,205	17,323,303	1,531,343	11,411,204	2,302,997	32,995,381	813,128	3,058,024	417,048	1,125,771	127,985	71,375,604	5,197,706

	31-12-2016											
	Government				Households and Corporate				Total			
	Individual		Collective		Individual		Collective		Individual		Collective	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Activity sector												
Construction and real estate (CRE)	40,999	29,101	37,712	2,525	3,136,625	1,984,103	6,062,651	527,885	3,177,623	2,013,204	6,100,363	530,409
Agriculture, forestry and fishing	-	-	3	-	120,076	27,037	452,352	19,441	120,076	27,037	452,355	19,441
Mining and quarrying	-	-	-	-	3,762	156	78,926	6,610	3,762	156	78,926	6,610
Manufacturing	-	-	1,663	3	427,943	139,824	2,932,162	125,657	427,943	139,824	2,933,826	125,660
Electricity, gas, steam and air conditioning supply	-	-	25,208	23	210,436	10,864	726,822	6,749	210,436	10,864	752,030	6,773
Water supply	-	-	-	-	72,611	27,844	362,945	6,733	72,611	27,844	362,945	6,733
Wholesale and retail trade	-	-	1,355	211	388,266	94,085	2,192,508	130,599	388,266	94,085	2,193,863	130,810
Transport and storage	-	-	9,257	27	587,757	311,240	1,103,971	25,047	587,757	311,240	1,113,229	25,074
Accommodation and food service activities	-	-	-	-	214,255	76,915	1,313,704	38,318	214,255	76,915	1,313,704	38,318
Information and communication	-	-	13,758	181	67,063	2,014	240,216	17,694	67,063	2,014	253,974	17,875
Professional, scientific and technical activities	-	-	3,703,464	207	749,799	456,703	2,985,934	73,889	749,799	456,703	6,689,398	74,096
Administrative and support service activities	-	-	13,441	179	98,105	36,985	274,530	11,164	98,105	36,985	287,971	11,343
Public administration and defence, compulsory social security	26,143	1,087	2,858,953	36	65,616	251	2,376	39	91,759	1,338	2,861,329	74
Education	-	-	4,374	19	45,529	9,217	106,252	6,202	45,529	9,217	110,626	6,220
Human health services and social work activities	-	-	5,145	47	66,041	4,137	252,098	15,376	66,041	4,137	257,243	15,423
Arts, entertainment and recreation	-	-	597	6	62,798	11,709	83,350	3,774	62,798	11,709	83,947	3,781
Other services	14,241	5,785	82,767	158	102,571	38,532	555,216	11,169	116,812	44,317	637,983	11,327
Other financial activities	-	-	-	-	302,060	176,958	1,184,889	20,950	302,060	176,958	1,184,889	20,950
Households - housing	-	-	-	-	94,499	2,985	31,447,386	604,710	94,499	2,985	31,447,386	604,710
Households - other	-	-	-	-	432,092	382,922	2,289,782	147,315	432,092	382,922	2,289,782	147,315
	81,383	35,973	6,757,698	3,620	7,247,902	3,794,481	54,648,069	1,799,323	7,329,285	3,830,454	61,405,767	1,802,943

	31-12-2015											
	Government				Households and Corporate				Total			
	Individual		Collective		Individual		Collective		Individual		Collective	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Activity sector												
Construction and real estate (CRE)	-	-	39,546	781	4,359,610	1,818,215	7,051,594	484,783	4,359,610	1,818,215	7,091,140	485,564
Agriculture, forestry and fishing	-	-	348	-	121,576	26,337	383,413	13,041	121,576	26,337	383,761	13,041
Mining and quarrying	-	-	-	-	15,079	1,919	95,173	4,502	15,079	1,919	95,173	4,502
Manufacturing	-	-	1,447	5	854,497	329,712	2,840,740	167,018	854,497	329,712	2,842,187	167,022
Electricity, gas, steam and air conditioning supply	-	-	-	-	161,405	5,383	838,688	4,988	161,405	5,383	838,688	4,988
Water supply	-	-	25,606	8	58,339	18,336	392,737	3,626	58,339	18,336	418,342	3,634
Wholesale and retail trade	-	-	2,065	11	499,120	142,375	2,635,042	222,371	499,120	142,375	2,637,107	222,382
Transport and storage	-	-	17,843	190	383,814	78,174	785,264	21,765	383,814	78,174	803,107	21,955
Accommodation and food service activities	-	-	-	-	104,282	17,750	909,010	34,046	104,282	17,750	909,010	34,046
Information and communication	-	-	9,281	76	90,624	13,814	208,570	12,603	90,624	13,814	217,851	12,679
Professional, scientific and technical activities	-	-	1,033,943	319	111,014	24,641	485,109	24,661	111,014	24,641	1,519,052	24,981
Administrative and support service activities	-	-	35,484	145	90,375	20,321	307,166	18,066	90,375	20,321	342,650	18,211
Public administration and defence, compulsory social security	27,713	-	2,884,205	95	1,364	49	8,083	46	29,076	49	2,892,288	141
Education	-	-	13,441	44	20,648	2,124	131,757	5,387	20,648	2,124	145,199	5,431
Human health services and social work activities	-	-	7,604	298	68,880	4,679	293,536	10,899	68,880	4,679	301,139	11,197
Arts, entertainment and recreation	-	-	1,406	10	63,480	6,530	116,785	6,216	63,480	6,530	118,191	6,226
Other services	14,242	2,966	52,887	257	114,960	26,439	571,938	16,673	129,202	29,406	624,824	16,930
Other financial activities	-	-	1,294,863	-	787,046	317,213	3,899,559	57,625	787,046	317,213	5,194,422	57,625
Households - housing	-	-	-	-	198,507	4,292	32,796,874	808,836	198,507	4,292	32,796,874	808,836
Households - other	-	-	-	-	448,788	189,709	2,609,235	227,339	448,788	189,709	2,609,235	227,339
	41,955	2,966	5,419,967	2,239	8,553,409	3,048,012	57,360,274	2,144,489	8,595,363	3,050,978	62,780,241	2,146,728

	31-12-2016													
	Portugal		Spain		France		Africa		Asia		Rest of the world		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Measure														
Individual	5,617,103	3,210,382	713,882	450,545	47,869	27,090	449,038	42,249	386	386	501,006	99,802	7,329,285	3,830,454
Collective	48,477,723	1,531,181	3,699,521	74,672	3,823,375	82,336	1,900,850	37,066	3,187,030	72,155	317,269	5,532	61,405,767	1,802,943
	54,094,826	4,741,564	4,413,403	525,217	3,871,244	109,426	2,349,888	79,315	3,187,417	72,541	818,275	105,334	68,735,052	5,633,397

	31-12-2015													
	Portugal		Spain		France		Africa		Asia		Rest of the world		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Measure														
Individual	6,477,159	2,603,019	807,062	317,596	87,742	32,217	654,310	40,760	619	619	568,470	56,766	8,595,363	3,050,978
Collective	49,592,044	1,870,667	3,455,312	72,712	3,941,196	69,586	2,285,859	51,185	3,154,296	75,854	351,534	6,724	62,780,241	2,146,728
	56,069,203	4,473,687	4,262,374	390,307	4,028,939	101,804	2,940,169	91,945	3,154,915	76,473	920,004	63,491	71,375,604	5,197,706

d) Details of restructured credit portfolio by restructuring method applied

	31-12-2016											
	Performing loans				Non-performing loans				Total			
	Number of operations	Exposure	Impairment individual	Impairment collective	Number of operations	Exposure	Impairment individual	Impairment collective	Number of operations	Exposure	Impairment individual	Impairment collective
Measure												
Credit term extension	3,061	719,714	14,954	15,554	5,527	1,013,478	415,274	92,252	8,588	1,733,191	430,228	107,806
Grace period	730	62,672	6,632	2,400	1,458	170,353	12,023	23,922	2,188	233,025	18,655	26,323
Interest rate changes	429	74,733	180	2,021	1,338	1,479,933	965,472	58,234	1,767	1,554,666	965,652	60,256
Other	8,595	950,786	36,654	26,133	8,412	1,738,680	666,883	201,004	17,007	2,689,466	703,537	227,137
	12,815	1,807,905	58,420	46,109	16,735	4,402,443	2,059,652	375,412	29,550	6,210,348	2,118,072	421,521

	31-12-2015											
	Performing loans				Non-performing loans				Total			
	Number of operations	Exposure	Impairment individual	Impairment collective	Number of operations	Exposure	Impairment individual	Impairment collective	Number of operations	Exposure	Impairment individual	Impairment collective
Measure												
Credit term extension	5,134	421,845	7,320	22,865	3,395	1,061,260	404,572	53,345	8,529	1,483,105	411,891	76,211
Grace period	2,643	727,936	287	6,071	1,459	272,964	42,847	28,846	4,102	1,000,899	43,134	34,917
Interest rate changes	2,069	539,310	6,727	15,545	1,586	1,356,386	636,715	33,717	3,655	1,895,696	643,442	49,262
Other	11,179	1,317,750	27,095	35,160	7,077	1,624,001	476,306	134,705	18,256	2,941,752	503,400	169,865
	21,025	3,006,841	41,428	79,641	13,517	4,314,611	1,560,440	250,613	34,542	7,321,452	1,601,868	330,255

e) Restructured credit portfolio - entries and exits

Balance of restructured loans at 31-12-2015	7,321,452
New restructured loans	778,301
Accrued interest of the restructured loans	16,900
Restructured loans liquidation (partial or total)	(1,036,811)
Reclassifyed loans from "restructured" to "normal"	(953,785)
Other	84,292
Balance of restructured loans at 31-12-2016	6,210,348

f) Details of the fair value of the credit portfolio's underlying collateral, namely corporate, construction, "commercial real estate" (CRE) and housing

	31-12-2016											
	Corporate				Construction and real estate (CRE)				Households - Housing			
	Real Estate		Other real collaterals		Real Estate		Other real collaterals		Real Estate		Other real collaterals	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Fair value												
<0.5 M€	6,954	901,134	13,776	779,063	3,988	482,889	3,559	217,815	485,299	58,549,385	1,223	1,804,454
≥ 0.5 M€ and < 1 M€	1,005	554,916	576	507,298	538	290,342	259	150,634	2,870	2,219,834	16	217,996
≥ 1 M€ and < 5 M€	1,014	1,557,306	377	1,309,476	868	1,377,504	266	439,741	463	634,995	4	83,293
≥ 5 M€ and < 10 M€	149	785,624	38	594,927	116	565,014	46	234,775	35	236,197	-	-
≥ 10 M€ and < 20 M€	53	484,003	19	602,252	55	552,847	19	278,562	25	291,018	-	-
≥ 20 M€ and < 50 M€	39	656,283	21	964,301	26	510,590	11	271,244	9	181,324	-	-
≥ 50 M€	5	496,596	3	3,752,753	23	4,338,325	12	1,093,938	3	490	-	-
	9,219	5,435,862	14,810	8,510,070	5,614	8,117,511	4,172	2,686,710	488,704	62,113,243	1,243	2,105,742

	31-12-2015											
	Corporate				Construction and real estate (CRE)				Households - Housing			
	Real Estate		Other real collaterals		Real Estate		Other real collaterals		Real Estate		Other real collaterals	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Fair value												
<0.5 M€	8,779	1,025,018	15,078	622,108	3,983	548,324	3,295	194,985	511,904	60,481,587	1,273	1,711,837
≥ 0.5 M€ and < 1 M€	971	528,305	485	395,657	632	355,188	240	132,618	2,874	2,165,568	21	189,857
≥ 1 M€ and < 5 M€	928	1,427,823	268	1,008,958	1,074	1,761,615	314	530,888	396	617,932	6	66,468
≥ 5 M€ and < 10 M€	122	563,620	30	460,100	185	900,496	56	298,444	36	266,372	-	-
≥ 10 M€ and < 20 M€	32	236,230	13	582,615	84	880,515	26	355,756	22	300,718	-	-
≥ 20 M€ and < 50 M€	9	147,856	21	961,093	59	1,035,622	12	418,322	7	181,076	-	-
≥ 50 M€	5	467,791	6	3,752,753	27	2,758,354	13	1,034,582	3	634	-	-
	10,846	4,396,644	15,901	7,783,284	6,044	8,240,113	3,956	2,965,595	515,242	64,013,886	1,300	1,968,162

g) LTV ratio of corporate, construction and CRE and housing segments

Segment / Ratio	31-12-2016			
	Number of properties	Performing loans	Non-performing loans	Impairment
Corporate				
With no associated collateral		11,561,405	1,740,602	1,224,376
< 60%	4,117	1,057,591	182,084	62,193
>= 60% and < 80%	2,140	471,312	98,910	29,190
>= 80% and < 100%	1,922	515,718	135,846	53,624
>= 100%	3,135	1,087,858	606,486	376,626
	11,314	14,693,884	2,763,928	1,746,009
Construction and real estate (CRE)				
With no associated collateral		3,984,526	1,333,913	1,204,984
< 60%	2,059	452,715	182,402	67,331
>= 60% and < 80%	839	292,101	320,785	155,900
>= 80% and < 100%	1,054	331,713	550,288	224,047
>= 100%	2,023	376,647	1,374,184	859,726
	5,975	5,437,703	3,761,572	2,511,988
Households - Housing				
With no associated collateral		1,049,345	69,798	44,240
< 60%	386,855	12,574,833	401,502	40,084
>= 60% and < 80%	140,261	9,501,991	405,585	68,749
>= 80% and < 100%	72,022	5,311,723	486,750	145,612
>= 100%	20,432	1,090,124	650,234	309,010
	619,570	29,528,016	2,013,869	607,695
Households - Consumption and other purposes				
With no associated collateral		1,701,939	463,852	447,480
< 60%	2,675	132,367	21,154	13,631
>= 60% and < 80%	632	79,540	31,886	17,436
>= 80% and < 100%	1,023	53,249	34,242	16,843
>= 100%	1,123	139,313	64,334	34,847
	5,453	2,106,406	615,468	530,238
Other financial institutions				
With no associated collateral		497,327	187,343	119,743
< 60%	73	12,015	105,928	13,873
>= 60% and < 80%	17	6,662	1,316	22
>= 80% and < 100%	33	33,828	21,741	7,910
>= 100%	31	49,145	59,820	56,326
	154	598,976	376,148	197,874
	642,466	52,364,986	9,530,985	5,593,804

Segment / Ratio	31-12-2015			
	Number of properties	Performing loans	Non-performing loans	Impairment
Corporate				
With no associated collateral		11,160,972	1,238,101	1,011,289
< 60%	4,261	1,773,216	103,106	38,325
>= 60% and < 80%	2,133	427,681	53,004	20,415
>= 80% and < 100%	1,823	425,087	482,409	229,118
>= 100%	2,999	1,255,161	404,566	232,195
	11,216	15,042,118	2,281,186	1,531,343
Construction and real estate (CRE)				
With no associated collateral		4,634,215	1,775,205	1,364,281
< 60%	2,396	661,590	180,201	57,546
>= 60% and < 80%	972	412,001	314,166	119,561
>= 80% and < 100%	1,122	715,860	389,339	131,908
>= 100%	2,262	827,904	1,500,723	629,701
	6,752	7,251,569	4,159,634	2,302,997
Households - Housing				
With no associated collateral		663,278	201,858	178,311
< 60%	391,926	13,440,059	350,339	52,141
>= 60% and < 80%	148,279	9,852,541	395,543	87,600
>= 80% and < 100%	82,252	5,969,078	522,352	166,847
>= 100%	20,707	929,295	671,039	328,228
	643,164	30,854,250	2,141,132	813,128
Households - Consumption and other purposes				
With no associated collateral		1,542,660	537,245	361,086
< 60%	2,996	554,677	9,408	11,782
>= 60% and < 80%	714	95,842	10,876	4,155
>= 80% and < 100%	685	85,154	23,038	9,994
>= 100%	1,022	134,036	65,087	30,030
	5,417	2,412,370	645,654	417,048
Other financial institutions				
With no associated collateral		629,160	169,529	68,558
< 60%	97	37,548	104,143	5,369
>= 60% and < 80%	25	75,032	52	5,669
>= 80% and < 100%	39	27,465	18,992	5,108
>= 100%	33	2,968	60,883	43,281
	194	772,172	353,599	127,985
	666,743	56,332,479	9,581,204	5,192,501

h) Details of fair value and net accounting value of property received in kind or repossessed by type of assets and seniority

Asset	31-12-2016 Number of real estate	Fair value of assets	Book value
Land			
Urban	855	261,731	57,858
Rural	113	11,533	2,530
Under construction buildings			
Commercial	4	3,755	2,748
Housing	665	100,708	62,422
Other	172	10,078	4,254
Concluded buildings			
Commercial	601	189,350	104,514
Housing	4,193	409,131	264,858
Other	2,174	210,426	107,341
	8,777	1,196,711	606,525

Time elapsed since the initial recognition / repossesssion	31-12-2016 < 1 year	≥ 1 year and < 2,5 years	≥ 2,5 years and < 5 years	≥ 5 years	Total
Land					
Urban	10,141	27,862	11,651	8,204	57,858
Rural	757	570	661	542	2,530
Under construction buildings					
Commercial	-	220	2,528	-	2,748
Housing	15,695	18,641	7,459	4,553	46,348
Other	606	2,626	2,350	483	6,065
Concluded buildings					
Commercial	11,136	52,172	30,939	10,268	104,514
Housing	98,282	84,577	63,567	18,432	264,858
Other	22,962	40,281	51,592	6,770	121,605
	159,579	226,949	170,746	49,251	606,525

Asset	31-12-2015 Number of real estate	Fair value of assets	Book value
Land			
Urban	636	170,398	104,327
Rural	61	5,238	4,071
Buildings in development			
Commercial	8	6,097	4,632
Housing	617	88,970	56,345
Other	199	10,690	5,893
Built buildings			
Commercial	700	232,528	183,177
Housing	4,220	378,912	256,255
Other	2,525	306,668	213,949
	8,966	1,199,500	828,650

Time elapsed since the initial recognition / repossesssion	31-12-2015 < 1 year	>= 1 year e < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Land					
Urban	19,857	23,751	27,822	32,898	104,327
Rural	3,178	139	259	496	4,071
Buildings in development					
Commercial	923	2,982	726	-	4,632
Housing	8,206	28,090	11,160	8,888	56,345
Other	1,770	1,577	1,644	903	5,893
Built buildings					
Commercial	56,243	59,411	50,586	16,936	183,177
Housing	51,777	139,918	31,205	33,356	256,255
Other	66,022	77,764	53,661	16,502	213,949
	207,975	333,632	177,063	109,979	828,650

<u>Explanatory notes on filling in the quantitative disclosures:</u>

. Common Definitions

Segmentation – the segments used are based on the definitions provided in the Bank of Portugal's *Monetary and Financial Statistics* publication:

i. "Government" – *local and central government* sector which includes institutional units whose main 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. "Corporate" – *non-financial corporations* sector, comprising institutional units with their own legal personality whose main activity consists of producing non-financial goods and services;

iii. ""Construction CRE" – *non-financial corporations* ("Corporates") whose economic activity is related to the "construction" or "property activities" sectors, according to the respective "CAE" (Classification of Economic Activity) Release 3.

Households sector – includes individuals or groups thereof, 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 allocated to 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.

iv. "Individuals – housing" – household sector comprising loans for housing purposes;

v. "Individuals - Consumption and other purposes" – households sector not comprising mortgage loans (usually consumer credit);

vi. "Other " – *Other financial corporations* (financial *institutions* sector which includes institutional units having their own legal personality which are mercantile producers and whose main activity consists of producing financial services, excluding financial brokerage) and other institutions or individuals.

Performing/non-performing loans follow the default criteria defined in item 8 of the qualitative information.

Restructured credit follows the criteria defined in item 4 of the qualitative information.

Separate and collective analyses – difference between credit with separate and collective impairment in accordance with the Impairment Model.

. Table a)

Cured credit refers to performing credit that, according to the Credit Impairment Model has already been in default.

Note: The classification of Restructured Credit prevails in the case of *cured credit* which has been *restructured*.

Performing loans with signs (of default), follow the default criteria defined in item 8 of the qualitative information.

Non-performing credit in arrears for less than 90 days refers to the other event losses defined in item 8 of the qualitative information.

. Table b)

Year of Production refers to the date upon which the portfolio operations in December 2016 were entered into.

. Table c)

Activity Sectors refer to the Classification of Economic Activity Codes – Release 3 of customers in the "Corporate" and "Government" sectors.

i. Customers in the "Other Financial Institutions" segment were included in the "Other financial activities" sector.
ii. Customers classified as being "Individual customers – Housing" and – "Individual customers - Other" were allocated.

Several balances were transferred owing to the revision of the NACE ("statistics nomenclature for economic activities") code in CGD headquarters in respect of several customers in December.

The impact of this change is more significant in *Other Financial Activities* and *Consultancy, scientific, technical and similar activities,* as noted in the December 2015 and 2016 tables.

Reference is made, in each geography, to the portfolio credit of Entities with an activity in the said region/geography.

. Table d)

In the case of restructuring measures, the first event noted on a level of contractual changes after having been marked as restructured is assumed to derive from financial difficulties. The "Other" restructuring measure includes the following events:

a. Capitalisation of interest;
b. Refinancing operations;
c. Moratoria on payments/maturity;
d. Capital deferments;

e. Other non-systemised automatic or manual markings.

. Table f)

Real Collateral considered in the Impairment Model:

- Property refers to mortgage guarantees on immovable assets;

- Other real collateral includes mortgage guarantees on material/moveable assets and financial collateral such as deposits, bonds, shares, other;

The fair value of collateral is understood to be the valuation price in the case of mortgage collateral and market value for financial collateral. In cases in which the same guarantee/collateral covers more than one credit operation, fair value is duly weighted by the operations based on the amount of the credit.

. Table g)

LTV is the ratio between outstanding credit on a loan and the fair value of the collateral held.

<u>Liquidity Risk</u>

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 market value.

Under IFRS 7, the contractual periods to maturity of financial instruments, at December 31, 2016 and 2015, were as follows:

	31-12-2016									
	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	1,840,553	-	-	-	-	-	-	-	-	1,840,553
Cash balances at other credit institutions	756,534	-	-	-	-	-	-	-	-	756,534
Loans and advances to credit institutions	2,184,976	302,202	224,154	427,304	7,353	2,694	6,350	43,763	43,358	3,242,154
Securities										
Trading	680	174,987	1,612,422	3,040,961	40,682	12,495	26,349	3,710	1,526,144	6,438,429
Other (net of impairment)	151,891	138,642	428,223	709,858	1,297,123	2,081,279	2,482,212	829,512	1,758,373	9,877,112
Loans and advances to customers (gross)	3,385,420	2,690,791	4,371,144	3,788,037	12,948,875	10,073,067	14,989,776	23,813,259	100,922	76,161,291
Assets with repurchase agreement	22,086	3,222	12,594	179,488	143,278	157,171	354,877	-	29,280	901,995
Hedging derivatives	-	-	-	-	-	-	-	-	9,541	9,541
	8,342,141	3,309,843	6,648,536	8,145,647	14,437,310	12,326,706	17,859,564	24,690,245	3,467,618	99,227,611
Liabilities										
Resources of central banks and credit institutions	(811,854)	(208,539)	(320,933)	(410,192)	(1,522,316)	(2,230,881)	(420,423)	(3,366)	16,977	(5,911,526)
Customer resources	(29,935,179)	(7,873,561)	(11,517,041)	(6,847,682)	(10,505,777)	(1,482,051)	(606,831)	(1,265,138)	(92,933)	(70,126,194)
Debt securities	(102,920)	(50,181)	(635)	(78,399)	(1,746,389)	(1,181,320)	(1,277,394)	(22,264)	6,239	(4,453,263)
Financial liabilities at fair value through profit or loss	(1,678)	(1,335)	(780)	(1,795)	(1,305)	(171)	(6,798)	(1,106)	(1,680,513)	(1,695,481)
Hedging derivatives	-	-	-	-	-	-	-	-	(2,197)	(2,197)
Subordinated liabilities	(951,366)	(7,105)	(10,948)	(456,091)	(945,427)	(12,143)	(30,332)	(112,143)	(24)	(2,525,578)
Consigned resources	(265)	(1,046)	(19,923)	(53,507)	(148,425)	(133,502)	(446,193)	(23,955)	(80)	(826,894)
	(31,803,262)	(8,141,767)	(11,870,259)	(7,847,666)	(14,869,638)	(5,040,068)	(2,787,970)	(1,427,972)	(1,752,531)	(85,541,134)
Derivatives	(3,146)	(4,576)	9,911	19,804	7,060	11,002	78,654	270,368	-	389,077
Difference	(23,464,267)	(4,836,500)	(5,211,812)	317,784	(425,268)	7,297,640	15,150,248	23,532,641	1,715,086	14,075,554

	31-12-2015									
	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	2,881,731	-	-	-	-	-	-	-	-	2,881,731
Cash balances at other credit institutions	770,636	-	-	-	-	-	-	-	-	770,636
Loans and advances to credit institutions	3,322,779	252,240	94,691	273,204	9,424	3,270	9,813	36,731	38,249	4,040,401
Securities										
Trading	150	12,632	250,160	465,180	22,897	147,950	35,447	3,397	1,639,552	2,577,364
Other (net of impairment)	468,196	1,045,823	1,230,077	3,991,191	2,455,484	2,093,440	3,369,695	895,000	2,611,100	18,160,006
Loans and advances to customers (gross)	3,566,676	2,802,165	4,096,862	3,579,653	10,681,101	10,854,742	15,905,664	30,558,101	(45,782)	81,999,183
Assets with repurchase agreement	2,187	20	76,687	40,344	728,684	159,166	144,692	-	37,390	1,189,170
Hedging derivatives	-	-	-	-	-	-	-	-	46,468	46,468
	11,012,356	4,112,880	5,748,478	8,349,573	13,897,589	13,258,567	19,465,311	31,493,228	4,326,978	111,664,960
Liabilities										
Resources of central banks and credit institutions	(958,523)	(288,660)	(408,231)	(306,561)	(2,929,496)	(161,505)	(497,925)	-	(37,239)	(5,588,141)
Customer resources	(29,124,073)	(6,936,404)	(10,936,301)	(10,131,560)	(12,268,621)	(3,918,427)	(637,862)	(183,526)	(62,749)	(74,199,523)
Debt securities	(180,514)	(280,077)	(166,324)	(1,893,908)	(1,113,611)	(2,077,231)	(1,392,644)	(48,417)	4,159	(7,148,567)
Financial liabilities at fair value through profit or loss	(8,513)	(1,037)	(891)	(2,125)	(10,074)	(6,813)	(8,243)	(975)	(1,699,926)	(1,738,597)
Hedging derivatives	-	-	-	-	-	-	-	-	(10,812)	(10,812)
Subordinated liabilities	(7,305)	(7,600)	(77,219)	(75,493)	(1,814,236)	(559,637)	(30,332)	(118,206)	(22)	(2,690,049)
Consigned resources	-	(936)	(19,724)	(53,370)	(148,249)	(145,221)	(502,412)	(34,417)	(653)	(904,983)
	(30,278,928)	(7,514,715)	(11,608,691)	(12,463,017)	(18,284,287)	(6,868,834)	(3,069,418)	(385,541)	(1,807,241)	(92,280,672)
Derivatives	(1,743)	(7,702)	7,716	15,239	12,743	33,400	114,379	361,865	-	535,897
Difference	(19,268,315)	(3,409,537)	(5,852,497)	(4,098,206)	(4,373,955)	6,423,134	16,510,273	31,469,552	2,519,737	19,920,185

The above tables also include cash flow projections on capital and interest and are not therefore directly comparable to the accounting balances at 31 December 2015 and 2016. Interest projections on variable-rate operations incorporate the forward rates implicit in the current yield curve in force on the respective references 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 contain information on CGD Group's structural (as opposed to contractual) periods to maturity, at December 31, 2016 and 2015, 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 the 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 up to 6 years buckets based on a uniform distribution of balances. This approach endeavours to correspond to the recommendations of the Basel Committee on Banking Supervision[3] namely as regards the average and maximum maturity of core deposits;
  Up to December 31, 2015, the average maturity of the customers' core sight deposits stock was longer than the one now recommended by the BCBS for which in order to ensure the comparability of information, the data for December 31, 2015 has been re-expressed in accordance with the new methodology in force;
- Term deposits and savings accounts (CGD headquarters): reallocation of balances by buckets in accordance with an estimation model on their expected useful average lives.

[3] Basel Committee on Banking Supervision, "Standards – Interest Rate Risk in the Banking Book", April 2016

The amounts presented also correspond to outstanding capital balances and do not include interest or accrued interest projections.

	31-12-2016									
	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	1,840,553	-	-	-	-	-	-	-	-	1,840,553
Cash balances at other credit institutions	756,534	-	-	-	-	-	-	-	-	756,534
Loans and advances to credit institutions	2,182,388	300,715	222,709	426,301	4,804	181	-	38,886	43,358	3,219,341
Securities										
Trading	2,001,813	47,990	234,346	441,875	611,819	907,712	3,729	1,410,815	773,935	6,434,034
Other (net of impairment)	2,632,988	30,415	178,010	116,891	1,094,566	1,490,242	309,956	1,939,230	770,955	8,563,253
Loans and advances to customers (gross)	3,263,453	2,516,330	4,054,588	3,239,071	11,142,810	8,703,560	11,764,890	18,664,847	100,922	63,450,470
Assets with repurchase agreement	195,855	-	419,054	153,538	-	-	-	-	28,655	797,102
	12,873,584	2,895,449	5,108,706	4,377,676	12,854,000	11,101,694	12,078,575	22,053,778	1,717,825	85,061,286
Liabilities										
Resources of central banks and credit institutions	(811,261)	(199,256)	(318,832)	(400,026)	(1,479,759)	(2,195,700)	(403,346)	-	16,977	(5,791,203)
Customer resources	(16,290,273)	(8,228,073)	(12,002,886)	(7,882,227)	(14,488,380)	(5,615,286)	(2,660,068)	(2,269,288)	(84,164)	(69,520,646)
Debt securities	-	(50,000)	-	(72,500)	(1,563,000)	(1,115,345)	(1,265,656)	(22,076)	6,239	(4,082,338)
Financial liabilities at fair value through profit or loss	(1,678)	(1,335)	(780)	(1,795)	(1,305)	(171)	(6,798)	(1,106)	(1,680,513)	(1,695,481)
Subordinated liabilities	(906,183)	-	(449)	(447,365)	(909,505)	-	-	(100,000)	(24)	(2,363,526)
Consigned resources	(253)	(1,002)	(19,047)	(50,289)	(141,084)	(127,384)	(439,848)	(22,857)	(80)	(801,844)
	(18,009,649)	(8,479,666)	(12,341,994)	(8,854,202)	(18,583,033)	(9,053,886)	(4,775,716)	(2,415,328)	(1,741,566)	(84,255,038)
Difference	(5,136,065)	(5,584,217)	(7,233,288)	(4,476,526)	(5,729,033)	2,047,808	7,302,859	19,638,450	(23,741)	806,248

	31-12-2015									
	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	2,879,591	-	-	-	-	-	-	-	-	2,879,591
Cash balances at other credit institutions	770,636	-	-	-	-	-	-	-	-	770,636
Loans and advances to credit institutions	3,324,150	247,776	94,617	271,266	7,207	1,043	4,274	31,630	38,249	4,020,211
Securities										
Trading	541,189	4,877	37,500	68,904	161,049	21,109	5,008	179,027	1,530,493	2,549,155
Other (net of impairment)	8,300,790	203,537	183,090	593,972	2,759,755	273,625	467,776	2,841,751	812,866	16,437,163
Loans and advances to customers (gross)	3,439,852	2,618,948	3,782,294	3,074,469	8,827,650	9,126,984	11,812,614	22,764,012	(45,872)	65,400,951
Assets with repurchase agreement	112,200	-	290,490	40,000	582,233	-	-	-	52,877	1,077,800
	19,368,407	3,075,138	4,387,991	4,048,610	12,337,894	9,422,761	12,289,671	25,816,420	2,388,613	93,135,506
Liabilities										
Resources of central banks and credit institutions	(957,778)	(279,100)	(405,437)	(294,809)	(2,878,065)	(117,001)	(455,759)	-	(37,239)	(5,425,187)
Customer resources	(16,819,203)	(7,193,794)	(11,319,570)	(10,957,439)	(15,987,085)	(7,878,466)	(2,633,340)	(313,780)	(54,783)	(73,157,461)
Debt securities	(75,000)	(273,820)	(159,315)	(1,806,500)	(882,700)	(1,926,901)	(1,361,259)	(48,390)	4,159	(6,529,726)
Financial liabilities at fair value through profit or loss	(8,513)	(1,037)	(891)	(2,125)	(10,074)	(6,813)	(8,243)	(975)	(1,699,926)	(1,738,597)
Subordinated liabilities	(7,305)	-	(21,662)	(21,073)	(1,720,400)	(536,729)	-	(100,000)	(22)	(2,407,191)
Consigned resources	-	(864)	(18,841)	(49,856)	(139,761)	(136,004)	(491,094)	(32,995)	(653)	(870,069)
	(17,867,799)	(7,748,616)	(11,925,715)	(13,131,803)	(21,618,085)	(10,601,914)	(4,949,694)	(496,141)	(1,788,464)	(90,128,231)
Difference	1,500,608	(4,673,477)	(7,537,724)	(9,083,193)	(9,280,191)	(1,179,154)	7,339,977	25,320,279	600,149	3,007,275

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.

Short term or accounting perspective

Interest rate gap

Detailed information on financial instruments exposed to interest rate risk, based on their maturity or interest refixing date, at December 31, 2016 and 2015, is set out in the following tables:

	31-12-2016								
	Repricing dates / Maturity dates								
	<= 7 days	>7 days <= 1 month	> 1 month <= 3 months	> 3 months <= 6 months	> 6 months <= 12 months	> 12 months <= 3 years	> 3 years	Unspecified	Total
Assets									
Cash and cash equivalents at central banks	1,840,553	-	-	-	-	-	-	-	1,840,553
Cash balances at other credit institutions	756,534	-	-	-	-	-	-	-	756,534
Loans and advances to credit institutions	1,515,336	668,859	299,127	223,709	426,301	4,804	37,847	43,358	3,219,341
Securities									
Trading	-	1,897	174,050	1,603,848	3,037,729	30,966	31,656	44,020	4,924,167
Other (net of impairment)	53,002	452,385	386,081	370,675	498,266	525,331	4,269,148	2,008,364	8,563,253
Loans and advances to customers (gross)	2,991,937	15,711,994	19,270,084	16,325,568	3,378,469	1,730,041	3,941,604	100,774	63,450,470
Assets with repurchase agreement	-	174,794	159,200	103,540	153,538	-	176,750	29,280	797,102
	7,157,363	17,009,931	20,288,542	18,627,339	7,494,304	2,291,142	8,457,004	2,225,795	83,551,420
Liabilities									
Resources of central banks and credit institutions	(716,551)	(281,430)	(699,832)	(291,585)	(301,980)	(1,417,954)	(2,098,848)	16,977	(5,791,203)
Financial liabilities at fair value through profit or loss	(774)	(749)	(1,335)	(780)	(1,950)	(1,305)	(8,075)	(1,680,513)	(1,695,481)
Liabilities associated with unit-linked products	(26,500,004)	(5,653,211)	(10,214,769)	(13,245,410)	(6,359,212)	(6,030,930)	(1,428,260)	(88,851)	(69,520,646)
Customer resources	-	-	(300,000)	-	(147,500)	(1,528,000)	(2,113,077)	6,239	(4,082,338)
Subordinated liabilities	(961,926)	-	(391,622)	(537,178)	(368,522)	(4,254)	(100,024)	0	(2,363,526)
Consigned resources	-	(444)	(346,522)	-	(16,402)	(33,458)	(404,938)	(80)	(801,844)
	(28,179,256)	(5,935,834)	(11,954,081)	(14,074,952)	(7,195,565)	(9,015,900)	(6,153,221)	(1,746,229)	(84,255,038)
Derivatives									
Interest Rate Swaps (IRSs)	3,921,320	(271,066)	(1,016,353)	(569,286)	(563,247)	872,867	(2,275,290)		98,945
Interest rate futures	115,971	-	3,128,150	168,876	193,419	164,838	99,326		3,870,579
Interest rate options	31,446	8,478	(239,415)	(118,484)	298,787	20,600	(328,396)		(326,984)
									3,642,540
Net exposure	(21,021,893)	11,074,096	8,334,462	4,552,387	298,738	(6,724,758)	2,303,784	479,566	2,938,921

	31-12-2016								
	Repricing dates / Maturity dates								
	<= 7 days	>7 days <= 1 month	> 1 month <= 3 months	> 3 months <= 6 months	> 6 months <= 12 months	> 12 months <= 3 years	> 3 years	Unspecified	Total
Assets									
Cash and cash equivalents at central banks	2,859,273	20,317	-	-	-	-	-	-	2,879,591
Cash balances at other credit institutions	770,636	-	-	-	-	-	-	-	770,636
Loans and advances to credit institutions	2,224,270	1,096,924	256,227	93,367	272,516	7,207	31,452	38,249	4,020,211
Securities									
Trading	-	2,113	11,361	250,000	459,358	9,467	169,308	68,293	969,900
Other (net of impairment)	136,547	933,163	1,440,934	1,289,765	5,350,030	855,618	3,698,798	2,732,308	16,437,164
Loans and advances to customers (gross)	3,101,608	14,178,326	20,424,795	17,752,891	1,641,192	1,560,900	6,744,042	(2,803)	65,400,950
Assets with repurchase agreement	-	83,000	205,000	455,695	-	206,932	89,783	37,390	1,077,800
	9,092,333	16,313,843	22,338,317	19,841,718	7,723,096	2,640,124	10,733,384	2,873,438	91,556,252
Liabilities									
Resources of central banks and credit institutions	(650,787)	(456,991)	(950,522)	(331,563)	(327,819)	(2,647,503)	(22,763)	(37,239)	(5,425,187)
Financial liabilities at fair value through profit or loss	(95)	(8,418)	(1,037)	(891)	(2,125)	(10,074)	(16,031)	(1,699,926)	(1,738,597)
Liabilities associated with unit-linked products	(25,746,062)	(6,710,025)	(11,155,297)	(14,534,035)	(6,805,501)	(5,996,584)	(2,155,146)	(54,811)	(73,157,461)
Customer resources	-	(79,264)	(698,832)	(159,315)	(1,671,500)	(913,640)	(3,011,334)	4,159	(6,529,726)
Subordinated liabilities	-	-	(474,661)	(558,391)	(368,976)	(905,142)	(100,000)	(22)	(2,407,191)
Consigned resources	-	-	(398,428)	-	(16,191)	(33,020)	(421,777)	(653)	(870,069)
	(26,396,945)	(7,254,698)	(13,678,776)	(15,584,195)	(9,192,112)	(10,505,962)	(5,727,052)	(1,788,491)	(90,128,231)
Derivatives									
Interest Rate Swaps (IRSs)	5,232,788	(498,000)	(1,972,141)	(1,075,139)	(271,501)	203,988	(1,523,437)	-	96,559
Interest rate futures	71,861	-	1,406,113	44,229	77,074	227,624	56,993	-	1,883,893
Forward Rate Agreements (FRAs)	-	-	-	-	-	-	10,000	-	10,000
Interest rate options	(400)	3,200	(535,573)	(13,554)	(10,486)	30,000	(2,400)	-	(529,212)
	5,304,249	(494,800)	(1,101,601)	(1,044,463)	(204,913)	461,612	(1,458,845)	-	1,461,240
Net exposure	(12,000,362)	8,564,344	7,557,940	3,213,060	(1,673,928)	(7,404,226)	3,547,487	1,084,946	2,889,261

The above tables include the amounts of outstanding capital, excluding accrued interest and value adjustments.

Their production was based on the following assumptions:

- Claims on central banks were classified in the up to 1 month column and customers' sight deposits were classified in the "<= 7 days" column;
- The difference between the nominal and market value of debt securities recognised at fair value is considered in the "indeterminate" column and includes the accrued interest component;
- Equity instruments were classified in the "indeterminate" column.

Sensitivity analyses

The following table demonstrates the effect on CGD Group's net interest income of a parallel shift of benchmark interest rate yield curves of ±50, ±100 e ±200 for 2017 and 2016, respectively. The estimates were obtained from the interest rate gap and are therefore, particularly conservative, in a macroeconomic environment of negative interest rates.

As, up to December 31, 2015, the divulgence of items, herein, did not consider the "negative market indexer" effect, in order to ensure the comparability of information, the estimates of the impacts on net interest income for 2016 were re-expressed in conformity with the methodology now being applied.

ESTIMATED NET INTEREST INCOME

	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
2016	(344,158)	(172,079)	(86,040)	86,040	172,079	344,158
2017	(311,859)	(155,929)	(77,965)	77,965	155,929	311,859

The analysis set out in the above table, at December 31, 2016, excludes the effect on net interest income of the parallel shifts in the reference interest rates curve for the operations of the Timor and Zhuhai branches. At December 31, 2015. the sensitivity analysis also included the operations of Banco Caixa Geral - Brasil, S.A., Banco Comercial e de Investimentos, SARL, Banco Interatlântico, S.A., Banco Comercial do Atlântico, S.A., Mercantile Bank and Banco Caixa Geral Totta Angola.

The information set out in the preceding table does not take into consideration structural balance sheet changes or interest rate risk management policies which may be adopted as a consequence of analyses of the performance of sensitivity analyses.

Long term or economic perspective

Fair value

The following tables set out information on the balance sheet and fair values of the main financial assets and liabilities, at amortised cost, at December 31, 2016 and 2015.

	31-12-2016					
	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	1,840,560	-	1,840,560	-	-	1,840,560
Cash balances at other credit institutions	757,726	-	757,726	-	-	757,726
Loans and advances to credit institutions	2,886,523	-	2,902,490	15,967	331,274	3,217,797
Assets with repurchase agreement	234,830	-	231,220	(3,609)	-	234,830
Held-to-maturity investments	433,131	-	433,131	-	-	433,131
Loans and advances to customers	61,134,467	-	58,817,433	(2,317,034)	1,732,359	62,866,825
	67,287,236	-	64,982,560	(2,304,676)	2,063,633	69,350,868
Liabilities						
Resources of central banks and other credit institutions	(5,542,275)	-	(5,560,296)	(18,020)	(257,436)	(5,799,712)
Customer resources	(67,503,291)	-	(67,677,756)	(174,465)	(2,176,839)	(69,680,130)
Debt securities	(4,190,817)	(3,791,212)	(540,899)	(141,294)	7,088	(4,183,729)
Subordinated liabilities	(2,407,887)	(546,328)	(1,812,086)	49,473	(16,247)	(2,424,133)
Consigned resources	(799,855)	-	(804,729)	(4,875)	(1,989)	(801,844)
	(80,444,124)	(4,337,540)	(76,395,765)	(289,180)	(2,445,423)	(82,889,548)

	31-12-2015					
	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	2,879,645	-	2,879,645	-	-	2,879,645
Cash balances at other credit institutions	773,163	-	773,163	-	-	773,163
Loans and advances to credit institutions	3,545,300	-	3,554,028	8,728	466,215	4,011,515
Assets with repurchase agreement	418,866	-	436,511	17,645	-	418,866
Loans and advances to customers	62,583,352	-	60,200,975	(2,382,377)	3,175,681	65,759,033
	70,200,325	-	67,844,322	(2,356,004)	3,641,896	73,842,221
Liabilities						
Resources of central banks and other credit institutions	(5,051,338)	-	(5,115,621)	(64,283)	(381,732)	(5,433,070)
Customer resources	(68,679,522)	-	(68,991,342)	(311,820)	(4,746,743)	(73,426,265)
Debt securities	(6,620,491)	(5,179,588)	(1,586,134)	(145,231)	(79,589)	(6,700,081)
Subordinated liabilities	(2,415,300)	(516,239)	(1,953,311)	(54,249)	(13,625)	(2,428,925)
Consigned resources	(869,416)	-	(866,025)	3,391	(653)	(870,069)
	(83,636,067)	(5,695,827)	(78,512,433)	(572,192)	(5,222,343)	(88,858,410)

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, cash flow projections, 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;

  → Market interest rates incorporating average spreads charged 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;
  - → The balances of several entities not included in Caixa’s centralised calculation.

Sensitivity analyses

The impact of parallel shifts of the reference interest rates yield curve of ±50, ±100 and ±200 basis points (bps), on the fair value of financial instruments sensitive to interest rate risk, excluding derivatives, at December 31, 2016 and 2015, is set out in the following tables:

	Fair Value						
	31-12-2016						
	- 200 bp	- 100 bp	- 50 bp	Base scenario	+ 50 bp	+ 100 bp	+ 200 bp
Cash and cash equivalents at central banks	1.924.075	1.924.066	1.924.060	1.924.053	1.923.896	1.923.722	1.923.375
Loans and advances to credit institutions	3.887.093	3.886.892	3.888.521	3.888.995	3.883.625	3.878.093	3.867.472
Securities							
Trading	5.003.990	5.001.477	5.000.162	4.998.720	4.983.743	4.968.887	4.939.529
Other	6.724.664	6.705.271	6.654.071	6.567.068	6.430.955	6.301.275	6.059.429
Assets with repurchase agreement	552.637	552.637	552.169	550.426	544.653	539.053	528.341
Loans and advances to customers	62.259.323	62.257.787	62.254.274	62.245.909	62.167.960	62.090.145	61.937.070
Asset	**80.351.782**	**80.328.129**	**80.273.257**	**80.175.171**	**79.934.832**	**79.701.174**	**79.255.216**
Resources of central banks	(3.599.321)	(3.599.295)	(3.599.244)	(3.599.193)	(3.550.965)	(3.503.708)	(3.412.008)
Resources of other credit institutions	(2.507.033)	(2.506.647)	(2.506.122)	(2.505.713)	(2.503.148)	(2.500.591)	(2.495.500)
Customer resources	(71.826.139)	(71.760.556)	(71.723.079)	(71.667.685)	(71.307.433)	(70.954.523)	(70.270.018)
Debt securities	(4.390.939)	(4.390.136)	(4.388.835)	(4.383.851)	(4.328.847)	(4.275.113)	(4.171.291)
Subordinated liabilities	(2.476.211)	(2.476.052)	(2.474.260)	(2.470.515)	(2.463.897)	(2.457.493)	(2.445.284)
Liabilities	**(84.799.643)**	**(84.732.688)**	**(84.691.541)**	**(84.626.956)**	**(84.154.290)**	**(83.691.429)**	**(82.794.101)**
Market value	**165.151.425**	**165.060.817**	**164.964.797**	**164.802.128**	**164.089.122**	**163.392.603**	**162.049.317**

	Fair Value						
	31-12-2015						
	- 200 bp	- 100 bp	- 50 bp	Base scenario	+ 50 bp	+ 100 bp	+ 200 bp
Cash and cash equivalents at central banks	2.324.567	2.324.567	2.324.567	2.324.548	2.324.362	2.324.177	2.323.806
Loans and advances to credit institutions	4.300.068	4.301.383	4.301.884	4.300.162	4.295.330	4.290.489	4.280.948
Securities							
Trading	909.099	908.986	908.553	906.817	900.622	894.546	882.740
Other	13.223.368	13.176.927	13.065.794	12.934.610	12.761.215	12.595.947	12.287.444
Assets with repurchase agreement	653.033	653.032	652.020	650.053	645.065	640.200	630.818
Loans and advances to customers	60.273.146	60.249.109	60.212.141	60.185.122	60.125.168	60.067.149	59.957.905
Asset	**81.683.281**	**81.614.003**	**81.464.959**	**81.301.313**	**81.051.762**	**80.812.509**	**80.363.661**
Resources of central banks	(2.809.118)	(2.809.118)	(2.809.114)	(2.807.534)	(2.772.666)	(2.737.797)	(2.670.000)
Resources of other credit institutions	(2.801.736)	(2.801.736)	(2.801.874)	(2.801.336)	(2.797.495)	(2.793.685)	(2.786.152)
Customer resources	(70.656.240)	(70.653.180)	(70.642.848)	(70.532.545)	(70.168.302)	(69.811.279)	(69.118.149)
Debt securities	(6.798.516)	(6.797.072)	(6.787.123)	(6.752.723)	(6.671.475)	(6.592.300)	(6.439.857)
Subordinated liabilities	(2.568.548)	(2.567.150)	(2.562.942)	(2.558.556)	(2.544.965)	(2.531.690)	(2.506.028)
Liabilities	**(85.634.157)**	**(85.628.256)**	**(85.603.902)**	**(85.452.693)**	**(84.954.903)**	**(84.466.752)**	**(83.520.186)**
Market value	**167.317.438**	**167.242.260**	**167.068.861**	**166.754.007**	**166.006.665**	**165.279.262**	**163.883.847**

It should be noted that, at December 31, 2016, the analysis set out in the above table excluded the effect of parallel shifts of the respective benchmark interest rate curves on the fair value of the operations of the Timor and Zhuhai branches. At December 31, 2015, the sensitivity analysis also excluded the operations of Banco Caixa Geral – Brasil, S.A., Banco Comercial e de Investimentos, SARL, Banco Interatlântico, S.A., Banco Comercial do Atlântico, S.A., Mercantile Bank and Banco Caixa Geral Angola.

The form of measuring the fair value of financial instruments recognised in the financial statements, at fair value, at December 31, 2016 and 2015, may be summarised as follows:

	31-12-2016			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held for trading	4,764,322	159,360	485	4,924,167
Securities at fair value through profit or loss	255,443	-	464,449	719,892
Available-for-sale financial assets	4,915,303	981,200	1,360,417	7,256,920
Assets with repurchase agreement	358,683	19,105	187,114	564,901
Trading derivatives	716	(685,259)	501,094	(183,449)
Other financial liabilities at fair value through profit or loss	(2,165)	-	-	(2,165)
Hedging derivatives	-	7,344	-	7,344
	10,292,302	481,750	2,513,558	13,287,610

(*) The amounts presented exclude loans and other receivables

	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held for trading	964,393	5,085	422	969,900
Securities at fair value through profit or loss (*)	316,060	-	500,662	816,722
Available-for-sale financial assets	9,722,252	3,812,181	1,911,300	15,445,733
Assets with repurchase agreement	326,218	215,396	120,686	662,300
Trading derivatives	1,164	(695,295)	534,788	(159,343)
Other financial liabilities at fair value through profit or loss	-	-	-	-
Hedging derivatives	-	35,657	-	35,657
	11,330,087	3,373,024	3,067,859	17,770,970

(*) The amounts presented exclude loans and other receivables

The preparation of the above table was based on the following criteria:

. **Level 1** – Market prices – this column included financial instruments measured on the basis of prices in active markets;

. **Level 2** – Measurement techniques – observable market input – this column included financial instruments measured on the basis of internal models using observable market input (interest rates, foreign exchange rates, ratings of external entities, other). It also includes financial instruments measured on the bid prices supplied by external counterparties;

. **Level 3** – Other measurement techniques – this column includes financial instruments 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.

Information on movements in financial instruments, classified in the "Other measurement techniques" column, in 2016 and 2015, is set out below:

	Financial assets at fair value through profit or loss			Available-for-sale financial assets				Derivatives financial instruments	Total
	Equity instruments	Debt instruments	Subtotal	Equity instruments	Debt instruments		Subtotal		
		Corporate bonds			Asset-backed securities	Corporate bonds			
Book value (net) at 31-12-2015	494.403	6.681	501.084	1.158.991	368.530	504.466	2.031.987	534.788	3.067.859
Changes in consolidation perimeter	-	-	-	(348)	-	-	(348)	-	(348)
Acquisitions	19.738	-	19.738	21.868	-	157.502	179.370	1.668	200.776
Amortisations	(55.069)	-	(55.069)	(89.302)	-	(2.116)	(91.418)	-	(146.488)
Sales	-	(5.000)	(5.000)	-	(44.100)	(194.152)	(238.252)	45.994	(197.258)
Gains / (losses) recognised as a charge to results - alienated instruments	7.852	(14)	7.838	26.479	-	(39)	26.441	-	34.279
Gains / (losses) recognised as a charge to results - portfolio instruments [*]	(4.249)	2.873	(1.377)	15.844	5.891	(2.700)	19.034	(81.356)	(63.699)
Impairment for the year	-	-	-	(117.782)	(746)	(382)	(118.910)	-	(118.910)
Gains / (losses) recognised as a charge to fair value reserves	-	-	-	(88.205)	(17.411)	(14.443)	(120.058)	-	(120.058)
Transfers from / (to) other levels (Levels 1 and 2)	-	-	-	-	4.548	-	4.548	-	4.548
Exchange differences	(2.709)	428	(2.281)	2.405	-	(103.577)	(101.172)	-	(103.452)
Other	-	-	-	(43.692)	-	-	(43.692)	-	(43.692)
Book value (net) at 31-12-2016	459.965	4.968	464.934	886.259	316.712	344.560	1.547.530	501.094	2.513.558

[*] It includes values of equity units redemptions portfolio

	Financial assets at fair value through profit or loss			Available-for-sale financial assets				Derivatives financial instruments	Total
	Equity instruments	Debt instruments	Subtotal	Equity instruments	Debt instruments		Subtotal		
		Corporate bonds			Asset-backed securities	Corporate bonds			
Book value (net) at 31-12-2014	522.230	6.996	529.225	1.031.575	397.588	158.803	1.587.965	522.412	2.639.602
Acquisitions	51.837	13	51.850	158.390	9.615	117.711	285.716	90.429	427.995
Amortisations	-	(49)	(49)	-	(44.583)	(16.202)	(60.785)	106.602	45.768
Sales	(124.427)	-	(124.427)	(74.461)	(10.747)	(26.252)	(111.460)	-	(235.887)
Gains / (losses) recognised as a charge to results - alienated instruments	(7.832)	(0)	(7.832)	(281)	826	(129)	417	-	(7.416)
Gains / (losses) recognised as a charge to results - portfolio instruments	42.186	228	42.413	23.840	7.192	3.123	34.155	(181.394)	(104.826)
Impairment for the year	-	-	-	(69.853)	-	-	(69.853)	-	(69.853)
Gains / (losses) recognised as a charge to fair value reserves	-	-	-	32.555	8.639	674	41.868	-	41.868
Transfers from / (to) other levels (Levels 1 and 2)	2	-	2	150	-	266.738	266.888	(3.261)	263.629
Other	10.408	(506)	9.902	12.955	-	-	12.955	-	22.858
Other	-	-	-	44.122	-	-	44.122	-	44.122
Book value (net) at 31-12-2015	494.403	6.681	501.084	1.158.991	368.530	504.466	2.031.987	534.788	3.067.859

[*] It includes values of equity units redemptions portfolio

At December 31, 2016 and 2015, a positive shift of 100 bps on the interest rate curve used to discount cash flow projections on debt instruments measured by internal models, would result in decreases of around €241 thousand and €280 thousand in fair value in the balance sheet and revaluation reserves and results, respectively.

Equity instruments valued by other measurement techniques (Level 3) at December 31, 2016 and 2015, essentially include investment structures measured on the basis of data on net asset values provided by management entities or other information service providers.

Assets classified at level 3, at December 31, 2015, also include the €22,341 thousand equity stake in Visa Europe Limited as a result of its measurement in the sphere of the transaction in progress with Visa International. The disposal of this investment, resulting in capital gains of €38,941 thousand, was completed in first half 2016.

In 2016 and 2015 transfers between levels 1 and 2 of the fair value ranking were as follows:

	31-12-2016			
	Securities at fair value through profit or loss		Available-for-sale financial assets	
	Transfers from level 1 to level 2	Transfers from level 2 to level 1	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Debt instruments	-	-	33,005	28,960
Equity investments	-	-	-	-
	-	-	33,005	28,960

	31-12-2015			
	Securities at fair value through profit or loss		Available-for-sale financial assets	
	Transfers from level 1 to level 2	Transfers from level 2 to level 1	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Debt instruments	-	304	69,138	32,350
Equity investments	-	-	144	-
	-	304	69,282	32,350

The transfers noted between classification levels in the fair value ranking essentially derive from the changes in the sources available for the valuation of these assets (market or external counterparties).

Derivatives

Derivative transactions are made in organised and OTC markets.

Listed derivatives operations are measured on prices taken from financial information systems (Reuters/Bloomberg).

OTC derivatives are measured by commonly accepted theoretical, reasonably complex theoretical models, in line with the characteristics of the product in question:

- Discounted cash flow projections based on an adequate yield curve;
- 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 cash flow projections, depending on the period of the operation's indexer.

Volatility curves are produced on the basis of the implicit volatilities in the prices of listed options on underlying assets. If there are no listed options for an underlying asset, historic volatility is calculated on the basis of the historical price series of its component parts.

Prices of shares/indices, exchange rates and dividend yields are supplied by Reuters/Bloomberg.

According to IFRS 13 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.

CVA/DVA is assessed by a methodology implemented on a Caixa Geral de Depósitos level. This methodology is based on the estimation of exposure at the time of default (“Exposure at default” or “EAD”) on each operation and the application of risk parameters on EAD estimates in order to assess expected loss for CGD (CVA) and counterparty (DVA). 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 or LGDs 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 risk parameters underpinning the prices and uses them in the calculation;
- 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.

The value of CVA (credit value adjustments) recognised in "Financial assets held-for-trading", at December 31, 2016 and 2015 and DVA (debit value adjustments) recognised in "Financial liabilities held-for-trading" totalled €138,551 thousand and €3,290 thousand respectively and €156,428 thousand and €3,197 thousand, respectively.

Debt instruments of financial and non-financial entities

Whenever possible, securities are valued 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 interest rate futures or FRAs) to a CLO (collateralised loan obligations) cascade payment on the basis of information disclosed in Investor Reports.

For discount purposes, internal measurements use a listed credit curve complying with the 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 also allocated to level 3. Securitisations with reduced liquidity are also allocated to Level 3.

Yield curves are calculated on money market rates and swap prices. Euro, GBP and USD yield curves are adjusted by the market price of interest rate futures and/or FRAs.

The values of the curves of the currencies with greater exposure, at December 31, 2016 and 2015, were as follows:

	31-12-2016			31-12-2015		
	EUR	USD	GBP	EUR	USD	GBP
O/N	-0.4200	1.7500	0.1950	-0.3000	0.4500	0.4500
1 month	-0.4100	1.4500	0.5300	-0.2300	0.6300	0.5400
2 months	-0.3831	1.3900	0.5400	-0.2055	0.6700	0.6300
3 months	-0.3545	1.3686	0.5277	-0.1813	0.6976	0.6492
6 months	-0.2716	1.2014	0.4542	-0.1043	0.7379	0.6537
9 months	-0.2528	1.2189	0.4405	-0.1056	0.8090	0.6936
1 year	-0.2253	1.2673	0.4418	-0.0890	0.8864	0.7472
2 years	-0.1754	1.5118	0.4972	-0.0489	1.1982	0.9973
3 years	-0.0929	1.6785	0.7010	0.0634	1.4205	1.3094
5 years	0.0720	1.9830	0.8728	0.3310	1.7545	1.6017
7 years	0.3040	2.1780	1.0320	0.6197	1.9970	1.8146
10 years	0.6430	2.3600	1.2197	1.0013	2.2190	2.0245
15 years	1.0000	2.5170	1.4003	1.4033	2.4520	2.1925
20 years	1.1420	2.5820	1.4485	1.5713	2.5830	2.2232
25 years	1.1830	2.6000	1.4377	1.6093	2.6390	2.2027
30 years	1.1960	2.6060	1.4157	1.6143	2.6470	2.1796

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 December 31, 2016 and 2015, were as follows:

	31-12-2016		31-12-2015	
	Portuguese Government	German Government	Portuguese Government	German Government
3 months	-0.1562	-0.9590	0.0000	-0.6342
6 months	-0.0392	-0.8440	-0.0033	-0.3915
9 months	-0.0343	-0.8530	0.0072	-0.4205
1 year	-0.0382	-0.8595	0.0201	-0.3763
2 years	0.3235	-0.8025	0.1218	-0.3495
3 years	1.0170	-0.7619	0.4672	-0.2763
5 years	2.1482	-0.5550	1.2839	-0.0437
7 years	3.2787	-0.2170	1.9467	0.2359
10 years	3.7678	0.1710	2.5534	0.6275
15 years	4.2602	0.4137	3.1914	1.0553
20 years	4.3389	0.6506	3.4541	1.3408
25 years	4.5131	0.7609	3.6125	1.4148
30 years	4.6222	0.8713	3.7117	1.4888

Foreign exchange rates are assessed on the prices set by the Central Bank. The following table provides information on the foreign exchange rate pairings of several relevant currencies, at December 31, 2016 and 2015:

	31-12-2016	31-12-2015
EUR/USD	1.0541	1.0887
EUR/GBP	0.8562	0.7340
EUR/CHF	1.0739	1.0835
EUR/AUD	1.4596	1.4897
EUR/JPY	123.4000	131.0700
EUR/BRL	3.4305	4.3117

Equity instruments held as part of a venture capital activity

The value of unlisted shareholders' equity instruments held as part of venture capital operations 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;

iv) Settlement price comprising the subsidiary company's net equity;

v) Acquisition cost.

Market Risk

Market risk comprises the risk of a change in fair value or the cash flows of financial instruments deriving from 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 – comprising money market funding, derivatives associated with this activity and debt issuances exposed to market risk;
  - Branches – CGD London, CGD New York and CGD Cayman;
  - 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' separate financial statements;
  - Caixa - Banco de Investimento;

. BCG Spain;

. BNU Macau.

. Sensitivity analysis on all financial instruments with optionality;

. Stress tests.

VaR analysis – market risk

VaR 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);
- confidence level: 99% (investment and own portfolios, branches and subsidiaries) and 95% (trading portfolio and treasury management);
- price sample period: 730 calendar days;
- 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 December 31, 2016 and 2015:

Activity of Caixa Geral de Depósitos (Headquarters and Branches)

Held for Trading portfolio Group CGD (VaR 99%, 10 days)

	31-12-2016	Maximum	Minimum	31-12-2015
VaR by type of risk	24,524	26,339	18,504	22,804

Trading portfolio (VaR 95%, 1 day)

	31-12-2016	Maximum	Minimum	31-12-2015
VaR by type of risk				
Interest rate	375	1,122	375	787
Foreign exchange rate	187	1,744	10	72
Price	24	208	20	118
Volatility	1	3	0	2
Diversification effect	(158)			(163)
	429	1,884	416	816

Treasury management (VaR 95%, 1 day)

	31-12-2016	Maximum	Minimum	31-12-2015
VaR by type of risk				
Interest rate	1,582	2,077	359	449
Foreign exchange rate	5,631	8,538	2,694	4,973
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	(1,414)			(144)
	5,799	8,677	2,950	5,278

Own portfolio (VaR 99%, 10 days)

	31-12-2016	Maximum	Minimum	31-12-2015
VaR by type of risk				
Interest rate	614	683	4	11
Foreign exchange rate	37	5,278	1	146
Price	2,904	3,339	2,654	2,879
Volatility	-	-	-	-
Diversification effect	(619)			(194)
	2,936	4,787	2,177	2,841

Investment portfolio (VaR 99%, 10 days)

	31-12-2016	Maximum	Minimum	31-12-2015
VaR by type of risk				
Interest rate	102,916	115,908	72,017	85,760
Foreign exchange rate	5	566	3	14
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	(2)			(12)
	102,919	115,915	72,026	85,762

London branch activity (VaR 99%, 10 days)

	31-12-2016	Maximum	Minimum	31-12-2015
VaR by type of risk				
Interest rate	258	2,614	240	1,077
Foreign exchange rate	90	312	17	66
Price	1,191	3,870	995	1,179
Volatility	240	667	223	367
Diversification effect	(540)			(1,211)
	1,240	3,870	1,094	1,478

Investment banking activity

Caixa - Banco de Investimento (VaR 99%, 10 days)

	31-12-2016	Maximum	Minimum	31-12-2015
VaR by type of risk				
Interest rate	9,859	16,543	9,655	12,701
Foreign exchange rate	1,306	2,659	53	2,514
Price	52	305	52	90
Volatility	697	888	354	850
Diversification effect	(300)			(1,378)
	11,613	17,268	11,177	14,777

The diversification effect is calculated implicitly. Total VaR refers to the combined effect of interest rate, price, foreign exchange rates and volatility risks.

Foreign exchange risk

Breakdown of financial instruments by currency

Financial instruments were broken down into the following currencies, at December 31, 2016 and 2015:

	31-12-2016												
	Currency												
	Euros	US Dollars	Pounds Sterling	Yen	Macau Patacas	Hong Kong Dollar	Mozambican Meticais	South African Rand	Cape Verde Escudo	Kwanzas Angola	Other	Book value of trading derivatives	Total
Assets													
Cash and cash equivalents at central banks	945,934	136,339	4,492	1,119	105,733	179,137	198,457	10,140	73,942	164,877	20,390		1,840,560
Cash balances at other credit institutions	501,932	80,761	8,219	6,433	77,250	33,579	827	1,381	1,501	32,950	12,892		757,726
Loans and advances to credit institutions	165,467	948,242	245,938	-	1,144,534	83,244	9,792	4,667	197,066	1,145	424,826		3,224,922
Financial assets at fair value though profit or loss	5,456,716	122,971	2,787	422	-	165	-	-	2,332	-	58,665	1,509,867	7,153,925
Available-for-sale financial assets	6,261,487	768,258	6,662	-	-	12,203	198,367	19,581	62,563	390,451	188,816		7,908,388
Loans and advances to customers (gross)	62,232,410	1,281,393	61,742	5,706	1,238,944	1,724,824	648,735	-	583,338	572,686	150,446		68,500,222
	-	-	-	-	-	-	-	-	-	433,131	-		433,131
Assets with repurchase agreement	780,627	-	-	-	-	-	-	-	-	-	19,793		800,419
Other assets	1,728,623	1,055,267	(217,993)	713	897,779	124,232	5,510	2,818	13,082	33,770	(199,304)		3,444,497
Accumulated impairment (financial instruments)	(6,088,097)	(264,103)	(5,188)	(337)	(37,465)	-	(37,255)	-	(47,268)	(22,342)	(20,880)		(6,522,935)
	71,985,099	4,129,128	106,660	14,055	3,426,775	2,157,384	1,024,434	38,587	886,557	1,606,667	655,643	1,509,867	87,540,854
Liabilities													
Resources of central banks and other credit institutions	(5,193,010)	(430,363)	(38,066)	(1,122)	(25,431)	(16,767)	(9,524)	(7,537)	(3,771)	(19,869)	(54,253)		(5,799,712)
Customer resources	(57,947,091)	(2,963,390)	(75,549)	(4,982)	(3,585,221)	(1,500,977)	(933,397)	(19,396)	(864,477)	(1,401,081)	(384,570)		(69,680,130)
Debt securities	(4,153,950)	-	-	(29,779)	-	-	-	-	-	-	-		(4,183,729)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	(1,695,481)	(1,695,481)
Subordinated liabilities	(2,412,529)	-	-	-	-	-	(6,320)	-	(5,284)	-	-		(2,424,133)
Consigned resources	(799,935)	-	-	-	-	-	(1,909)	-	-	-	-		(801,844)
Other	1,411,468	24,778	1,411	4,702	1,186,877	13,522	15,179	122,343	27,323	53,521	153,612		3,014,736
	(69,095,046)	(3,368,975)	(112,203)	(31,181)	(2,423,774)	(1,504,221)	(935,972)	95,410	(846,209)	(1,367,429)	(285,211)	(1,695,481)	(81,570,293)
Derivatives (Notional)													
Currency swaps	(68,047)	368,880	(214,079)	(1)	-	146,250	-	(6,957)	-	-	(205,193)	-	20,853
Interest rate swaps	(92,616)	132,603	-	29,579	-	-	-	-	-	-	29,379	-	98,945
Other swaps	-	28,460	-	-	-	-	-	-	-	-	-	-	28,460
Futures	(2,994,799)	(2,039)	-	-	-	-	-	-	-	-	(990,851)	-	(3,987,689)
Options and Caps & Floors	(188,426)	(23,835)	(496)	(16,719)	-	-	-	-	-	-	(6,299)	-	(235,775)
Forward foreign exchange transactions	17,993	(1,050,181)	3,675	(459)	-	1,033,763	-	(1)	-	-	3,833	-	8,623
	(3,325,895)	(546,112)	(210,900)	12,400	-	1,180,013	-	(6,958)	-	-	(1,169,131)	-	(4,066,583)
Net exposure	(435,843)	214,041	(216,443)	(4,727)	1,003,001	1,833,175	88,462	127,039	40,349	239,238	(798,699)	(185,615)	1,903,979

	31-12-2015												
	Currency												
	Euros	US Dollars	Pounds Sterling	Yen	Macau Patacas	Hong Kong Dollar	Mozambican Meticais	South African Rand	Cape Verde Escudo	Kwanzas Angola	Other	Book value of trading derivatives	Total
Assets													
Cash and cash equivalents at central banks	1,800,142	154,154	3,268	1,206	36,807	190,366	269,019	24,799	40,550	347,122	12,212		2,879,645
Cash balances at other credit institutions	540,193	96,397	63,694	6,506	22,812	26,092	381	137	960	-	15,991		773,163
Loans and advances to credit institutions	247,763	1,966,052	54,596	133,530	1,113,330	34,861	33,562	-	169,608	-	269,607		4,022,909
Financial assets at fair value though profit or loss	1,635,158	117,744	4,198	320	-	421	-	-	2,315	-	26,467	1,579,254	3,365,877
Available-for-sale financial assets	14,070,422	587,420	-	-	165,535	-	325,894	32,413	67,585	646,449	85,423		15,981,141
Loans and advances to customers (gross)	64,085,121	1,401,130	82,750	5,206	1,146,573	1,719,537	923,946	432,024	556,483	419,499	184,470		70,956,739
Assets with repurchase agreement	1,065,679	-	-	-	-	-	-	-	-	-	15,487		1,081,166
Other assets	2,187,000	429,525	(156,347)	(133,639)	880,752	280,592	11,732	63,800	13,448	4,860	(470,191)		3,111,532
Accumulated impairment (financial instruments)	(5,490,956)	(182,582)	(3,655)	(52)	(29,364)	(14)	(30,596)	(3,570)	(50,147)	(12,631)	(11,993)		(5,815,559)
	80,140,522	4,569,840	48,504	13,077	3,336,445	2,251,855	1,533,938	549,603	800,802	1,405,299	127,473	1,579,254	96,356,613
Liabilities													
Resources of central banks and other credit institutions	(4,630,121)	(627,875)	(1,393)	(22)	(14,343)	(19,733)	(13,496)	(7,808)	(3,960)	(73,511)	(40,808)		(5,433,070)
Customer resources	(60,988,655)	(3,847,746)	(60,344)	(6,947)	(3,388,451)	(1,202,686)	(1,365,936)	(380,883)	(807,650)	(950,109)	(426,858)		(73,426,265)
Debt securities	(6,602,097)	(1,378)	-	(42,254)	-	-	(18,103)	(36,249)	-	-	-		(6,700,081)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	(1,738,597)	(1,738,597)
Subordinated liabilities	(2,415,361)	(7,390)	-	-	-	-	-	-	(6,174)	-	-		(2,428,925)
Consigned resources	(869,520)	(7)	-	-	-	-	(542)	-	-	-	-		(870,069)
Other	(1,344,241)	(69,651)	5,666	(3,732)	(1,048,517)	(19,183)	(33,015)	(126,249)	(24,776)	(46,447)	(138,242)		(2,848,387)
	(76,849,995)	(4,554,047)	(56,071)	(52,955)	(4,451,311)	(1,241,602)	(1,431,092)	(551,189)	(842,560)	(1,070,067)	(605,908)	(1,738,597)	(93,445,394)
Derivatives (Notional)													
Currency swaps	(103,755)	(84,399)	(48,556)	(93,844)	-	335,817	(7,249)	(570)	-	-	187	-	(2,369)
Interest rate swaps	(289,425)	311,950	-	40,436	-	-	-	-	-	-	33,598	-	96,559
Other swaps	(25,000)	27,556	-	-	-	-	-	-	-	-	-	-	2,556
Futures	428,080	111,078	39,853	-	-	-	-	-	-	-	(825,514)	-	(246,503)
Forward Rate Agreements	(10,000)	-	-	-	-	-	-	-	-	-	-	-	(10,000)
Options and Caps & Floors	(121,019)	(137,477)	(1,145)	(15,212)	-	-	-	-	-	-	(159,521)	-	(434,374)
Forward foreign exchange transactions	149,142	(751,798)	2,710	(1,925)	-	569,683	-	4,536	-	-	11,892	-	(15,760)
	28,023	(523,090)	(7,138)	(70,545)	-	905,500	(7,249)	3,966	-	-	(939,358)	-	(609,891)
Net exposure	3,318,550	(507,297)	(14,705)	(110,423)	(1,114,866)	1,915,753	95,597	2,380	(41,758)	335,233	(1,417,793)	(159,343)	2,301,328

VaR Analysis – Foreign Exchange Risk

To guarantee the control and measurement of foreign exchange risk, Caixa calculates and monitors Value-at-Risk (VaR) and limits on its total open and currency positions for each relevant Group unit on a daily basis, consolidating the amounts every month.

Information on CGD Group's VaR (10 days with a 99% confidence level) by currency, at December 31, 2016 and 2015, is shown in the following table:

	VaR	
	31-12-2016	31-12-2015
Hong Kong Dollar	68,788	63,848
Macau Pataca	60,995	59,529
South African Rand	17,149	7,450
US Dollar	18,340	6,425
Mozambican Meticais	12,380	17,483
Pound Sterling	6	249
Japanese Yen	209	190
Other currencies	45,931	23,628
Diversification effect	(171,440)	(132,978)
Total	52,358	45,824

With the application of the above referred to methodology the diversification effect is calculated implicitly.

42. CAPITAL MANAGEMENT

Regulatory Capital Requirements

Capital management objectives, in Caixa Geral de Depósitos, are in line with the following general principles:

- To comply with the regulatory requirements established by the Supervisors, i.e. European Central Bank, Bank of Portugal and the National Council of Financial Supervisors;
- To generate an adequate level of return for the company, creating value for its shareholder and return on capital applied;
- To sustain the development of operations that CGD is legally authorised to perform, maintaining a solid capital structure, capable of providing for the growth of activity and adequate to its respective risk profile;
- To ensure the Bank's and Group's reputation, maintaining the integrity of the operations performed during the course of their activities.

Caixa Geral de Depósitos plans its short and medium term capital requirements to finance its operations to achieve the above referred to objectives, particularly using its own and other resources. This planning is based on internal estimates of the growth of balance sheet operations and borrowings primarily raised from subordinated debt issuances, including Complementary Own Funds within certain limits.

The activity of credit institutions in Portugal is governed by the General Credit Institutions and Financial Corporations Regime approved by Decree Law 298/92, which plays a primary role in Portuguese prudential regulation, largely reflecting Community directives applicable to the financial system (Directives 2006/48/EC, 2006/49/EC and 2010/76/EU).

The Basel II regulatory framework was in force up to December 31, 2013, with capital ratio levels (and their respective component parts) having been defined in *Official Notice* 6/2010, subject to the amendments of *Official Notice*s 7/2011, 2/2012 and 3/2013, all of which issued by the Bank of Portugal.

The new Basel III regulatory framework (Regulation 575/2013/EU and European Parliament and Council Directive 2013/36/EU, both dated June 26), applicable to all European Union Member States and defining the prudential requirements for credit institutions and investment firms, came into force in January 2014.

The regulatory framework provides for a collection of transitional dispositions permitting the staged application of the new capital requirements, with greater restrictions on capital quality to be computed and on the calculation of risk-weighted assets, with the competent authorities of Member States being entitled to maintain or bring forward its respective implementation.

The main impacts of Regulation 575/2013/EU (CRR/CRD IV) on capital ratios were on DTA (deferred tax assets), dispositions relative to impairment deficits based on loss projections, pension fund corridor, non-controlling interests in consolidated subsidiaries, significant equity investments in non-consolidated financial institutions and additional requirements for market and counterparty risk.

The Bank of Portugal, herein, issued *Official Notice* 6/2013 which regulates the transitional regime provided for in Regulation 575/2013/EU, having established that the transitional implementation of the impacts of own funds components will take place up to 2017, except for the impact of deferred tax assets which are contingent upon future returns and subordinated debt and non-eligible hybrid instruments in accordance with the new regulation, whose schedule has been extended to the end of 2023 and 2021, respectively.

Article 3 of the referred to *Official Notice* 6/2013 also ruled that institutions should ensure the permanent existence of a level 1 (Common Equity Tier 1 or CET 1) ratio of not less than 7%.

Subscription for the Deferred Tax Assets Regime

On October 17, 2014, CGD's sole shareholder issued a *Unanimous Written Corporate Declaration* approving CGD's subscription for the special regime applicable to deferred tax assets resulting from the non-deduction of expenses and negative equity changes with impairment losses on credit and post employment or long term employee benefits as set out in Law 61/2014 of August 26, 2014.

With this measure CGD complied with the second assumption required by article 2 of the Law in question. The first assumption – an expression of intent to subscribe in the form of a written communication addressed to the member of government responsible for the area of finance to be submitted to the Tax and Customs Authority ("AT") was promptly complied with by CGD. The regime is applicable to expenses and negative equity changes accounted for in the tax periods beginning on or after January 01, 2015 as well as to the deferred tax assets recognised in the annual accounts for 2014 and the associated part of the expenses and negative equity changes.

The special regime provides for the following:

- The application of specific rules on the future deductibility of the referred to expenses and negative equity changes, with the deduction provided for in the IRC Code in each year being limited to the amount of taxable profit calculated prior to the deduction of such expenses and negative equity changes permitting the deduction from taxable profit, with the same limit. Accordingly the deduction of such expenses or negative changes in equity may not result in fiscal losses, thus avoiding the recognition of deferred tax assets.
- The conversion of the referred to deferred tax assets into tax credit when the taxpayer assesses negative net income or is liquidated on the basis of an involuntary dissolution, insolvency decreed by a judicial ruling or, when applicable, the revocation of the respective authorisation by a competent supervisory body in which case the associated expenses and equity changes also cease to be included in the taxpayer's fiscal income. On the other hand, the amount of the tax credit may be used to offset several tax debts of the taxpayer who shall be reimbursed for the unused part.

The special regime sets out the measures which grant the referred to assets the characteristics of non-deductibility from the principal level 1 Own Funds of paragraph 2 of article 39 of the European Parliament and Council Regulation 575/2013/EU of June 26, 2013 in respect of the new prudential legislation, which came into force on January 01, 2014.

The practical effect of subscribing for the regime consists of the non-deduction of the part of the deferred tax assets resulting from temporary differences from principal level 1 Own Funds. The weighting of the part which has not been written-off from such deferred assets also declines from 250% to 100%, for the purposes of calculating risk-weightings.

Law 23/2016 of August 19, amending the time span of the special regime of Law 61/2014, was published in 2016, thus converging with the legislative adjustments of other European countries. Law 61/2014 of August 26, herein, ceased to apply to the accounting of expenses and negative equity changes in tax periods beginning on or after January 01, 2016 and their respective deferred tax assets.

Requirement to set up a Capital Buffer

In September 2015, the Bank of Portugal, in its *Official Notice* 1/2015, required credit institutions headquartered in Portugal to bring forward the application of the own funds conservation reserve of 2.5%, under article 138-D of the General Credit Institutions and Financial Corporations Regime.

The context of the Single Supervisory Mechanism (SSM) in which credit institutions' capital decisions are assessed and adopted for the whole of the euro area and, on the other hand, that the capital operations deriving from such decisions should essentially be made with recourse to the market, required the need to ensure that domestic credit institutions should operate under the same conditions as the majority of institutions in the same space. As such, the Bank of Portugal issued *Official Notice* 6/2016 of 31 May, revoking *Official Notice* 1/2015, as it considered that bringing forward the application of the own funds conservation reserve, under the terms of *Official Notice* 1/2015 could prejudice the existence of such conditions and imply the subjection of the entities to the transitional regime of nos. 1 to 4 of article 23 of Decree Law 157/2014 of October 24.

Requirement to set up a capital buffer for "Other systemically important institutions"

The Bank of Portugal, in article 138-Q of the General Credit Institutions and Financial Corporations Regime and in accordance with the guidelines of the European Banking Authority (EBA) for the identification of "Other Systemically Important Institutions – OSIIs) identified CGD as an O-SII having informed the European Banking Authority and the European Central Bank thereof.

The practical consequence of this decision for CGD consists of the obligation to set up an O-SII buffer totally covered by CET 1, on a consolidated basis.

The amount of this capital buffer was set by the Bank of Portugal at 1%, although it will be implemented in stages, at 50% beginning January 2018 and 100% from January 2019, in accordance with the Bank of Portugal's resolution of July 29, 2016 resulting in the application of 0.5% in 2018 and 1% in 2019 for CGD.

Requirement to set up a counter cycle buffer

According to the Basel Committee, the main objective of the counter cycle buffer is to ensure that banks have a sufficiently large capital buffer to enable them to absorb unexpected losses when faced with a negative systemic shock and therefore not compromising lending to the real economy.

The Bank of Portugal in exercising its competence as the national macro prudential entity, may force credit institutions to set up an additional own funds reserve with the objective of protecting the banking sector in the periods in which cyclical systemic risk increases owing to excessive credit growth.

The counter cycle buffer (measured as a percentage of the total amount of risk positions) will be set at between 0% and 2.5%, unless exceptional circumstances justify the definition of a higher percentage.

The buffer's percentage for each institution, i.e. the "percentage of the institution's specific counter cycle buffer" is a weighted average of the counter cycle buffer's percentages applicable in the countries in which the said institution's credit risk positions are located.

For 2016 the Bank of Portugal set the counter cycle reserve at 0% of the total amount of risk positions.

It should be pointed out that any default on any of the previously identified buffers (O-SII, counter cyclic buffer and specific buffer) does not call into question the continuity of an institution's activity.

It does, however, imply restrictions on the payment of dividends and repurchase of treasury shares, in addition to a requirement for the said institutions to submit a properly scheduled own funds conservation plan to the Bank of Portugal with the objective of fully complying with the combined own funds requirement. The Bank of Portugal is responsible for defining the timeline for the production of the plan.

Following the definition of the amounts of the buffers, the minimum regulatory ratios in 2016 were:

- Common Equity Tier 1 = 5.125% (4.5% regulatory minimum +0.625% Conservation Buffer)
- Tier 1 = 6.625% (6% regulatory minimum +0.625% Conservation Buffer)
- Total Ratio = 8.625% (8% regulatory minimum +0.625% Conservation Buffer)

ECB's Capital Requirements for 2016

The ECB, in the sphere of the competence afforded by Regulation 1024/2013/EU of October 15, revises and evaluates institutions, using stress tests and, based on this review process may insist upon specific additional own funds requirements for credit institutions as well as specific information disclosure requirements.

Based on SREP (Supervisory Review and Evaluation Process) results for 2015, CGD was notified by the ECB (European Central Bank) of the need to comply with a minimum CET 1 ratio of 9.75%, with this requirement prevailing over the above referred to regulatory minimum of 5.125%.

ECB's Capital Requirements for 2017

In the sphere of SREP results for 2016, CGD was notified by the ECB (European Central Bank) of the minimum capital requirements for 2017.

CGD should, therefore, permanently maintain a TSCR (Total SREP Capital Requirement) of 10.5% on a consolidated basis, comprising a Pillar 1 of 8.0% and Pillar 2 of 2.5%.

Information on other SREP requirements is set out below:

2017					
Ratio	Total	of which:			
		Pillar 1	Pillar 2	buffers	
				Conservation	O-SII
CET1	**8.25%**	4.50%	2.50%	1.25%	0.00%
T1	**9.75%**	6.00%	2.50%	1.25%	0.00%
Total Capital	**11.75%**	8.00%	2.50%	1.25%	0.00%

The fully loaded Capital Conservation Buffer of 1.5% in 2017 will be 2.5% in 2019.

The CET 1 and Total (phased-in) ratios, calculated on a consolidated basis under CRD IV / CRR rules at December 31, 2016 were 7.0% and 8.1%, respectively.

These values were lower than the current SREP requirements established for CGD by the regulators. CGD informed the ECB in advance of the possibility that it would not be able to comply with the ratios at the end of the year owing to the postponement of the recapitalization measures to 2017. In December 2016, the ECB, on the basis of this information and taking into account the situation of governance instability in CGD originated by the resignation of seven members of the Board of Directors, requested CGD to produce and submit a new Capital Restoration and Conservation Plan within two months from the appointment of its new CEO, which requirement was promptly complied with.

In the sphere of the heads of agreement between the European Commission and the Portuguese state for the recapitalization of Caixa Geral de Depósitos, S.A. (CGD) in market terms, it was envisaged that a series of recapitalization operations would be fulfilled in 2016 but this only occurred in 2017. The operations were fulfilled in two different phases:

First phase:

On January 04, 2017, following authorisation from the Bank of Portugal and the European Central Bank, Caixa's state shareholder issued resolutions on the following operations:

1. The use of a global amount of €1,412,460,251 of free reserves and the legal reserve to cover the same amount of negative retained earnings;
2. An increase in CGD's share capital from €5,900,000,000 to €7,344,143,735, based on the issuance of 288,828,747 new ordinary shares with a nominal value of €5.00 each, to be subscribed for and fully paid up by the Portuguese state, as follows:

   (i) €945,148,185 comprising the delivery of CoCo bonds subscribed for by the state, with a nominal value of €900,000,000, plus respective accrued interest for an amount of €45,148,185 thousand;

   (ii) €498,995,550 comprising the book value of the Portuguese state's equity investment in Parcaixa, SGPS, S.A., through the payment in kind of 490,000,000 of the said company's equity shares.
3. A €6,000,000 thousand reduction in the share capital of Caixa Geral de Depósitos, S.A. to €1,344,143,735 through the extinguishing of 1,200,000,000 shares with a nominal value of €5 each to cover negative retained earnings of €1,404,506,311 and to set up free reserves for the amount of €4,595,493,689.

Second phase:

The second phase, comprised a share capital increase in the form of a €2,500 million cash increase by the state, in addition to the market issuance of securities representing Additional Tier 1 own funds, for the amount of €500 million in March 2017.

The amounts, at December 31, 2016, incorporating another year associated with the transitional period plus the impacts of the capitalisation measures, resulted in the assessment of the following phasing-in *pro forma* ratios for January 2017:

	Rules CRD IV / CRR		
	31-12-2015	31-12-2016	01-01-2017 Pro-forma (a)
	Phasing-in		
Capital			
Common Equity Tier 1 (CET 1)	6,551	3,858	6,741
Tier 1	6,551	3,859	7,286
Tier 2	859	579	597
Totais	7,410	4,437	7,883
Risk Weigthed Assets	60,282	55,015	55,886
Solvency ratio			
CET 1	10.9%	7.0%	12.1%
Tier 1	10.9%	7.0%	13.0%
Total	12.3%	8.1%	14.1%
	Fully Implemented		
Capital			
Common Equity Tier 1 (CET 1)	6,047	3,000	6,587
Risk Weigthed Assets	60,316	54,542	55,878
Solvency ratio			
CET 1	10.0%	5.5%	11.8%

(a) Including the two phases of the recapitalization process in the first quarter of 2017.

The evolution of CET 1 between December 2015 and December 2016 resulted from the following combination effects:

- The progression, over time, of the phasing-in process which induces regulatory adjustments to several CET 1 components, namely revaluation reserves and non-controlling interests, implying a reduction of around €125.8 million (- 21 bps of the phased-in CET 1 ratio);
- The results from CGD’s consolidated operations comprising negative net income of around €1,860 million (comprising a 354 bps reduction of the phased-in CET 1 ratio);
- A series of operations with impacts on other CET 1 components leading to a decrease of around 11 bps in the phased-in CET 1 ratio.

The ratios obtained following the recapitalization operations exceed SREP’s minimum capital requirements for 2017, decisively enhancing CGD’s financial strength.

Capital Ratios

The following table summarises Caixa Geral de Depósitos's regulatory capital at December 31, 2016, for its consolidated activity.

	31-12-2015		31-12-2016	
				thousands €
CONSOLIDATED	Transitional	Full	Transitional	Full
Paid in capital	5,900,000	5,900,000	5,900,000	5,900,000
Retained earnings	(812,075)	(812,075)	(1,115,671)	(1,115,671)
Net income	(184,876)	(184,876)	(1,859,719)	(1,859,719)
Revaluation reserves	**160,340**	**392,887**	**61,233**	**95,935**
unrealised gains and losses on available for sale items	100,994	261,573	(19,750)	(32,916)
unrealised gains and losses from a foreign currency hedge of a net investment in a foreign operation	11,367	11,367	9,179	9,179
property revaluation reserve and unrealised gains in investment properties	47,979	119,947	71,803	119,672
Total minority interest given recognition in CET 1 capital	552,221	227,735	411,603	194,524
	5,615,610	**5,523,671**	**3,397,447**	**3,215,070**
State Aid Instruments considered eligible for CET 1	900,000	900,000	900,000	900,000
Total CET 1 capital prior to regulatory adjustments	**6,515,610**	**6,423,671**	**4,297,447**	**4,115,070**
Goodwill, net of related DTLs	(16,797)	(41,993)	(9,607)	(16,011)
Intangibles other than goodwill, net of related DTLs	(37,215)	(93,038)	(67,502)	(112,504)
DTAs (excluding temporary differences only), net of related DTLs	(42,660)	(241,565)	(15,877)	(43,164)
Total CET 1 capital after the regulatory adjustments above	**6,418,937**	**6,047,074**	**4,204,460**	**3,943,391**
Investments in the capital of financial entities not owned more than 10% (amount above the 10% threshold)	-	-	-	-
DTAs arising from temporary differences (amount above 10% threshold)	-	-	(404,721)	(714,168)
Total CET 1 capital after the regulatory adjustments above	**6,418,937**	**6,047,074**	**3,799,739**	**3,229,222**
Regulatory adjustments to be applied to CET 1 (arising from insufficient AT 1)	(13,890)	-	-	-
Total CET 1 capital after the regulatory adjustments above	**6,405,047**	**6,047,074**	**3,799,739**	**3,229,222**
Amount exceeding the 15% threshold	-	-	(41,709)	(229,237)
National filters and deductions that affect CET1	146,062	-	100,092	-
CET 1 capital	**6,551,110**	**6,047,074**	**3,858,122**	**2,999,985**
AT 1	67,129	-	57,539	-
AT 1 - subsidiaries	-	-	-	-
Regulatory adjustments	(67,129)	-	(56,961)	-
Tier 1 capital	**6,551,110**	**6,047,074**	**3,858,700**	**2,999,985**
Tier 2 capital instruments	884,023	100,000	586,954	100,000
Tier 2 capital instruments - subsidiaries	8,823	22,057	13,263	22,105
Regulatory adjustments	(34,056)	-	(21,525)	-
Total capital	**7,409,899**	**6,169,131**	**4,437,392**	**3,122,090**
Total RWA	**60,282,359**	**60,316,415**	**55,014,886**	**54,541,802**
Credit	53,718,633	53,718,633	48,659,362	48,341,278
Market	2,839,418	2,839,418	2,417,329	2,417,329
Operational	2,936,527	2,936,527	3,150,705	3,150,705
CVA	136,889	136,889	120,574	120,574
Others	650,893	684,949	666,916	511,916
CET1 ratio	**10.87%**	**10.03%**	**7.01%**	**5.50%**
T1 ratio	**10.87%**	**10.03%**	**7.01%**	**5.50%**
Total ratio	**12.29%**	**10.23%**	**8.07%**	**5.72%**
Net Income (memorandum item)		(184,876)		(1,859,719)

Differences between the consolidation method for accounting purposes and the consolidation method for the purposes of calculating regulatory capital.

The prudential consolidation perimeter differs from CGD Group's accounting perimeter on account of the treatment afforded to entities whose economic activity is different from the activity characterising credit institutions and financial corporations as set out in the "General Credit Institutions and Financial Corporations Regime". Subsidiaries with an activity in economic sectors not subject to prudential supervision (e.g. commerce, industry, agriculture and insurance) are recognised in the prudential consolidation perimeter by the equity accounting method.

There are several collective investment entities within the Group, as well as special purpose vehicles which were not included in the banking supervision perimeter as they are not classifiable as financial corporations as determined in the "General Credit Institutions and Financial Corporations Regime". The Nostrum Mortgage 2 Fund was included in the prudential perimeter at the behest of the supervisory body.

CGD Group's accounting and prudential consolidation perimeter, at December 31, 2016, comprised the following entities:

	Consolidation Method		Percentage	Country	Activities
	Financial Perimeter	Prudential Perimeter			
Branches					
Cayman Islands Branch	Full	Full	100.00%	Cayman Islands	Financial institutions
Macau Off-Shore Branch	Full	Full	100.00%	China (Macau)	Financial institutions
Luxembourg Branch	Full	Full	100.00%	Luxembourg	Financial institutions
New York Branch	Full	Full	100.00%	USA	Financial institutions
France Branch	Full	Full	100.00%	France	Financial institutions
London Branch	Full	Full	100.00%	United Kingdom	Financial institutions
East Timor Branch	Full	Full	100.00%	Timor	Financial institutions
Zhuhai Branch	Full	Full	100.00%	China	Financial institutions
Spain Branch	Full	Full	100.00%	Spain	Financial institutions
Subsidiaries					
Banco Caixa Geral Brasil, S.A.	Full	Full	100.00%	Brazil	Financial institutions
Banco Caixa Geral, S.A.	Full	Full	99.79%	Spain	Financial institutions
Caixa - Banco de Investimento, S.A.	Full	Full	99.75%	Portugal	Financial institutions
Banco Comercial e de Investimentos, S.A..	Full	Full	52.13%	Mozambique	Financial institutions
Banco Interatlântico, S.A.	Full	Full	70.00%	Cape Verde	Financial institutions
Banco Comercial do Atlântico, S..A.	Full	Full	57.91%	Cape Verde	Financial institutions
Banco Nacional Ultramarino, S.A.	Full	Full	100.00%	China (Macau)	Financial institutions
Caixa - Participações, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
Parbanca, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
Caixa Seguros e Saúde, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
Caixa - Gestão de Activos, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
Wolfpart, SGPS, S.A.	Full	Full	100.00%	Portugal	Financial (holding)
Parcaixa, SGPS, S.A.	Full	Full	51.00%	Portugal	Financial (holding)
Partang, SGPS, S.A. .	Full	Full	100.00%	Portugal	Financial (holding)
CGD Finance	Full	Full	100.00%	Cayman Islands	Financial institutions
Caixa Geral Finance	Full	Full	0.00089%	Cayman Islands	Financial institutions
CGD - North America Finance	Full	Full	100.00%	USA	Financial institutions
CGD Investimentos CVC	Full	Full	99.87%	Brazil	Financial institutions
Interbancos, SA	Full	Full	29.71%	Mozambique	Financial institutions
A Promotora, S.A.	Full	Full	45.30%	Cape Verde	Venture Capital
Esegur - Empresa de Segurança, S.A.	Equity	Equity	50.00%	Portugal	Ancillary Services
Fundger - Soc. Gestora de Fundos de Investimento Imobiliário, S.A.	Full	Full	100.00%	Portugal	Asset Management
Caixagest - Técnicas de Gestão de Fundos, S.A.	Full	Full	100.00%	Portugal	Asset Management
CGD Pensões - Soc. Gestora de Fundos de Pensões, S..A.	Full	Full	100.00%	Portugal	Asset Management
Locarent - Comp. Portuguesa de Aluguer de Viaturas, S.A.	Equity	Equity	50.00%	Portugal	Financial institutions
Caixa Leasing e Factoring, IFIC, S.A.	Full	Full	51.00%	Portugal	Financial institutions
Promoleasing, S.A.	Full	Full	57.91%	Cape Verde	Financial institutions
Imobci, Lda.	Full	Full	45.21%	Mozambique	Real Estate Management
Imocaixa - Gestão Imobiliária, S.A.	Full	Full	100.00%	Portugal	Real Estate Management
Caixanet - Telemática e Comunicações, S.A.	Full	Full	80.00%	Portugal	Ancillary Services
Caixatec, Tecnologias de Comunicação, S.A.	Full	Full	100.00%	Portugal	Ancillary Services
Sogrupo - Compras e Serviços Partilhados, S.A.	Full	Full	90.00%	Portugal	Ancillary Services
Sogrupo - Serviços de Informação, ACE	Full	Full	80.00%	Portugal	Ancillary Services
Sogrupo - Gestão de Imóveis, ACE	Full	Full	82.00%	Portugal	Ancillary Services
GIE - Groupment d'Interet Economique	Full	Full	100.00%	France	Ancillary Services
Mercantile Lisbon Bank Holdings, Ltd.	Full	Full	100.00%	South Africa	Financial institutions
Banco Caixa Geral Angola	Full	Full	51.00%	Angola	Financial institutions
SCI - Rue du Helder	Full	Full	100.00%	France	Real Estate Management
Inmobiliaria Caixa Geral, S.L.	Full	Full	100.00%	Spain	Real Estate Management
Caixa - Imobiliário, S.A.	Full	Full	100.00%	Portugal	Real Estate Management
Cibergradual, Invest. Imobiliário, SA	Full	Full	100.00%	Portugal	Real Estate Management
Special Purpose Entities					
Nostrum Mortgages 2	Full	Full	100.00%	Portugal	Securitisation Fund
FCR - Grupo CGD - Caixa Capital	Full	-	100.00%	Portugal	Venture Capital Fund
FCR - Empreender+	Full	-	100.00%	Portugal	Venture Capital Fund
FCR - Caixa Fundos	Full	-	100.00%	Portugal	Venture Capital Fund
FCR - Caixa Crescimento	Full	-	100.00%	Portugal	Venture Capital Fund
FCR - Cx Tech Trsf Accelerator Ventures	Full	-	100.00%	Portugal	Venture Capital Fund
Caixa Arrendamento - Fundo Fechado (FIIAH)	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
Fundo Especial de Investimento Aberto Estratégias Alternativas	Full	-	74.08%	Portugal	Investment Fund (open-end)
Caixa Imobiliário - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
Caixagest Private Equity (FEI)	Full	-	41.10%	Portugal	Investment Fund (open-end)
Caixagest Imobiliário Internacional (FEI)	Full	-	42.12%	Portugal	Investment Fund (open-end)
Caixagest Infra-Estruturas (FEI)	Full	-	22.51%	Portugal	Investment Fund (open-end)
Beirafundo - Fundo de Investimento Imobiliário Fechado	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
Cidades de Portugal FIIAH	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
Caixa Reabilita FEII	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
Fundolis - Fundo de Investimento Imobiliário Fechado	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
Fundimo	Full	-	58.16%	Portugal	Real Estate Investment Fund (open-end)
Fundo Obrigacoes Rendimento Nacional FEI	Full	-	29.73%	Portugal	Investment Fund (open-end)
Fundiestamo	Full	-	78.08%	Portugal	Real Estate Investment Fund (closed-end)
Iberia - FEIIF	Full	-	100.00%	Portugal	Real Estate Investment Fund (closed-end)
Associated					
GCI - Sociedade Gestora de Fundos, S.A.R.L.	Equity	Equity	34.69%	Mozambique	Venture Capital
SIBS - Sociedade Interbancária de Serviços, S.A.	Equity	Equity	21.60%	Portugal	Financial institutions
Companhia do Papel do Prado, S.A.	Equity	Equity	38.15%	Portugal	Industry
Yunit Serviços, S.A.	Equity	Equity	33.33%	Portugal	Telecommunication services
Turismo Fundos, SGFII, S.A.	Equity	Equity	33.47%	Portugal	Asset management
Vale do Lobo - Resort Turístico Luxo S.A.	Equity	Equity	24.00%	Portugal	Real Estate Management
Bem Comum, Sociedade Capital Risco	Equity	Equity	32.00%	Portugal	Venture Capital
Banco Internacional de S.Tomé e Príncipe	Equity	Equity	27.00%	São Tomé Príncipe	Financial institutions

Reconciliation between the consolidation perimeter balance sheet for accounting purposes and the prudential consolidation perimeter balance sheet.

	Publication Perimeter	Differences between perimeters	Reclassification	Prudencial perimeter	Identifier*
Assets					
Cash and cash equivalents with central banks	1.840.560	39.590	-	1.880.149	--
Availabilities on Other InstitutionsCredit	757.726	(993)	-	756.733	--
Applications in credit institutions	3.217.797	2.245	-	3.220.042	--
Other financial assets at fair value through results	7.153.925	(162.764)	-	6.991.162	--
Financial assets available for sale	7.429.512	879.264	-	8.308.776	--
Derivatives hedging with positive revaluation	9.541	-	-	9.541	--
Held-to-maturity investments	433.131	-	-	433.131	--
Assets with repurchase agreement	799.732	-	-	799.732	--
Loans to customers	62.866.825	700.900	-	63.567.726	--
Non-current assets held for sale	1.426.072	(818.212)	-	607.860	--
Investment properties	978.263	(908.421)	-	69.842	--
Other tangible assets	576.503	(31.847)	-	544.656	--
Intangible assets	116.178	12.337	-	128.515	10
Investments in associated companies	312.338	(25)	-	312.312	--
Current tax assets	41.778	-	-	41.778	--
Deferred tax assets arising from temporary differences	2.502.566	2.628	-	2.505.194	--
Deferred tax assets arising from tax losses	43.219	-	-	43.219	9
Others assets	3.041.648	39.831	-	3.081.479	--
Total Assets	**93.547.313**	**(245.465)**	**-**	**93.301.847**	
Liabilities					
Central bank´s and credit institution's resources	5.799.712	9.290	-	5.809.002	--
Customer resources	69.680.130	758.545	-	70.438.675	--
Liabilities represented by debt security	4.183.729	41.302	-	4.225.030	--
Financial liabilities held for trading	1.695.481	3.025	-	1.698.506	--
Derivatives coverage with negative revaluation	2.197	-	-	2.197	--
Non-current liabilities held for sale	693.369	(693.369)	-	-	--
Provisions for employee benefits	613.094	2.463	-	615.557	--
Provisions for other risks	514.218	10.264	-	524.482	--
Current tax liabilities	50.784	(3.536)	-	47.248	--
Deferred tax liabilities	191.045	1.064	-	192.110	--
Subordinated liabilities	1.524.133	99.921	-	1.624.054	8
Subordinated liabilities (CoCos)	900.000	-	-	900.000	7
Other liabilities	3.816.580	(446.563)	-	3.370.017	--
Total Liabilities	**89.664.472**	**(217.593)**	**-**	**89.446.879**	
Equity					
Capital	5.900.000	-	-	5.900.000	1
Reserves Revaluation (fair value)	(38.347)	14.610	119.672	95.935	2
Other reserves and retained earnings	(983.706)	(12.292)	(119.672)	(1.115.671)	3
Net income for the year	(1.859.523)	(196)	-	(1.859.719)	4
Anticipated dividends	-	-	-	-	--
Minority interest (common shares)	768.658	(29.994)	-	738.664	5
Minority interests (preferred shares)	95.759	-	-	95.759	6
Total Equity	**3.882.841**	**(27.873)**	**-**	**3.854.969**	
Total Equity and Total Liabilities	**93.547.313**	**(245.465)**	**-**	**93.301.847**	

Identifier*: link between elements on Prudential Balance Sheet and regulatory Own Funds

	Identifier*	Prudential Balance Sheet	Transitional
Paid in capital	1	5,900,000	5,900,000
Retained earnings	3	(1,115,671)	(1,115,671)
Net income	4	(1,859,719)	(1,859,719)
Revaluation reserves	2	95,935	61,233
Total minority interest given recognition in CET 1 capital	5	738,664	411,603
State Aid Instruments considered eligible for CET 1	7	900,000	900,000
Total CET 1 capital prior to regulatory adjustments			**4,297,447**
Intangibles (Includes goodwill), net of related DTLs	10	128,515	(77,109)
DTAs (excluding temporary differences only), net of related DTLs	9	43,219	(15,877)
Total CET 1 capital after the regulatory adjustments above			**4,204,460**
Investments in the capital of financial entities not owned more than 10% (amount above the 10% threshold)	--		-
DTAs arising from temporary differences (amount above 10% threshold)	--		(404,721)
Total CET 1 capital after the regulatory adjustments above			**3,799,739**
Regulatory adjustments to be applied to CET 1 (arising from insufficient AT 1)	--		-
Total CET 1 capital after the regulatory adjustments above			**3,799,739**
Amount exceeding the 15% threshold	--		(41,709)
National filters and deductions that affect CET1	--		100,092
Common Equity Tier 1 (CET 1)			**3,858,122**
Additional Tier 1	6	95,759	57,539
Regulatory adjustments	--		(56,961)
Tier 1 capital			**3,858,700**
Tier 2 capital instruments	8	1,624,054	600,217
Regulatory adjustments	--		(21,525)
Total capital			**4,437,392**
Total RWA			**55,014,886**
Credit			48,659,362
Market			2,417,329
Operational			3,150,705
CVA			120,574
Others			666,916
CET1 ratio			**7.01%**
Tier 1 ratio			**7.01%**
Total ratio			**8.07%**

Identifier*: link between elements on Prudential Balance Sheet and regulatory Own Funds

43. SUBSEQUENT EVENTS

Heads of agreement on CGD's recapitalization under market terms were reached between the Portuguese state and the European Commission in August 2016 with the decision being officially approved on March 13, 2017.

The recapitalization took place in the context of the strategic plan approved by the shareholder and was designed to strengthen the own funds solvency ratio under the heads of agreement between the state and the European Commission's DG Comp and to improve CGD's global performance with the aim of ensuring its long term sustainability and creation of shareholder value.

CGD's Recapitalization Plan was based on two phases which took place at different times:

The first phase was completed on January 04, 2017 with the following changes having been decided:

- Use of free reserves and the legal reserve for the amount of €1,412,460 thousand 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 equity shares of Parcaixa, SGPS, S.A. for the amount of €498,996 thousand and the transfer of Coco bonds for the amount of €900,000 thousand (Note 24), plus respective accrued interest for the amount of €45,148 thousand;

- A €6,000,000 thousand reduction in 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.

The second phase, completed on March 30, 2017, comprised:

- A share capital increase of €2,500,000 thousand, 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 the sole shareholder and the issuance of €500,000 thousand in securities representing Additional Tier 1 own funds, fully subscribed for by private, professional investors.

The latter transaction enabled the completion of the second phase of CGD's Recapitalization Plan for a total amount of €3,000,000 thousand in March 2017.

The completion of this important phase of the Recapitalization plan under market conditions agreed between the Portuguese state and the European Commission's DG Comp and consequent strengthening of its solvency will enable Caixa to concentrate on implementing its strategic plan 2017-2020.

The members of CGD, S.A.'s Board of Directors were elected for the 2017-2020 term of office in first quarter 2017 (see chapter 1.9. Closing Remarks).

44. NOTE ADDED FOR TRANSLATION

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in accordance with generally accepted accounting principles in Portugal. In the event of discrepancies, the Portuguese version language version prevails.

2.2. Other Information

2.2.1. INFORMATION ON ASSET ENCUMBRANCES

Bank of Portugal Instruction 28/2014 of 15 January 2015

Consolidated Operations (EUR)

MODEL A – ASSETS

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	16.953.699.704		76.348.147.748	
030	Equity instruments	0	0	2.602.695.052	2.602.695.052
040	Debt securities	4.978.311.370	4.978.311.370	14.035.168.915	14.035.168.915
120	Other assets	11.975.388.335		59.710.283.780	

MODEL B – COLLATERAL RECEIVED

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
130	**Collateral received by the reporting institution**	0	0
150	Equity instruments	0	0
160	Debt securities	0	0
230	Other collateral received	0	0
240	**Own debt securities issued other than own covered bonds or ABSs**	0	0

MODEL C – ENCUMBERED ASSETS, COLLATERAL RECEIVED AND ASSOCIATED LIABILITIES

		Associated liabilities, contingent liabilities or securities lent	Assets, collateral received and own securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	10.113.531.847	16.093.251.062

2.2.2. INFORMATION BY COUNTRY

DISCLOSURE OF FINANCIAL INFORMATION UNDER DECREE LAW N.157/2014

Name, nature of activities and geographic location

Consult Note 3 - *Group companies and transactions in period*, from chapter 2.2. - *Notes to the Consolidated Financial Statements*.

Business volume (*)

(EUR thousand)

	2015-12	2016-12
Domestic activity	**1,218,378**	**789,724**
International activity	**780,433**	**757,427**
Europe	**262,235**	**274,846**
Spain	111,497	90,432
France	127,471	168,516
United Kingdom	21,318	14,193
Luxembourg	1,950	1,705
America	**34,904**	**37,908**
United States of America	417	3,214
Cayman Islands	9,436	7,638
Brazil	25,051	27,055
Africa	**361,418**	**314,932**
Angola	138,274	140,201
Mozambique	193,978	145,464
Cape Verde	29,166	29,267
Asia	**121,875**	**129,741**
China	114,611	119,100
Timor	7,264	10,642
Total	**1,998,810**	**1,547,151**

(*) Refers to total operating income.

Note: Values refer to each geographic area contribution.

Number of employees

	2015-12	2016-12
Europe	**10,708**	**10,033**
Portugal	9,546	8,901
Spain	537	534
France	548	526
United Kingdom	33	29
Luxembourg	30	29
Switzerland	6	6
Belgium	3	3
Germany	5	5
Africa	**4,624**	**4,641**
Angola	552	563
Mozambique	3,015	2,988
Cape Verde	581	589
South Africa	475	500
Algeria	1	1
America	**114**	**108**
Brazil	88	81
USA	14	15
Cayman	3	3
Canada	2	3
Mexico	2	2
Venezuela	5	4
Asia	**612**	**625**
China	484	491
Timor	125	131
India	3	3
Total	**16,058**	**15,407**

Income tax

(EUR thousand)

	2015-12	2016-12
Domestic activity	**18,697**	**-830,300**
International activity	**37,390**	**3,646**
Europe	**18,147**	**-7,669**
Spain	-562	-31,712
France	16,279	25,840
United Kingdom	3,025	-955
Luxembourg	-595	-842
America	**-11,613**	**-14,593**
United States of America	-6,464	-14,630
Cayman Islands	1,540	1,046
Brazil	-6,689	-1,009
Africa	**20,747**	**15,544**
Angola	3,302	9,037
Mozambique	16,436	6,554
Cape Verde	1,009	-47
Asia	**10,109**	**10,364**
China	9,367	8,782
Timor	742	1,582
Total	**56,087**	**-826,654**

Note: Values refer to each geographic area contribution.

Income before tax

(EUR thousand)

	2015-12	2016-12
Domestic activity	**-292,153**	**-2,745,501**
International activity	**176,787**	**59,325**
Europe	**63,084**	**-31,314**
Spain	-5,612	-119,525
France	59,810	94,782
United Kingdom	11,061	-3,493
Luxembourg	-2,176	-3,077
America	**-34,984**	**-51,659**
United States of America	-23,635	-53,491
Cayman Islands	5,631	3,824
Brazil	-16,980	-1,992
Africa	**76,833**	**64,274**
South Africa	10,315	10,821
Angola	28,146	35,304
Mozambique	34,779	16,346
Cape Verde	3,278	1,436
São Tomé e Príncipe	316	368
Asia	**71,854**	**78,023**
China	69,141	72,240
Timor	2,714	5,783
Total	**-115,366**	**-2,686,176**

Note: Values refer to each geographic area contribution.

2.2.3. EBA REPORTS

ADOPTION OF FINANCIAL STABILITY FORUM (FSF) AND COMMITTEE OF EUROPEAN BANKING AUTHORITY (EBA) RECOMMENDATIONS ON TRANSPARENCY OF INFORMATION AND ASSETS MEASUREMENT

Bank of Portugal Circular Letter 97/2008/DSB, of 03 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);	See Board of Directors' Report - Chapters: • 1.2. Message from the Chairman of the Board of Directors and the CEO; • 1.5. Planning the Future; • 1.6. CGD Business Model. See Report on Corporate Governance.
2.	Description of strategies and objectives (including strategies and objectives specifically related with securitisation operations and structured products);	See I.1 above. See Notes to the Consolidated Financial Statements: Notes 12 and 22 on securities issued under securitisation operations and structured products.
3.	Description of the importance of the activities performed and their respective contribution to the business (including a quantitative approach);	The Board of Directors' Report contains a detailed description of CGD Group's activity, its objectives and results, contribution to business, consequences of the turmoil in the Financial Statements, both in quantitative and qualitative terms. Particular note should be taken of the Chapters referred to in item I.1 above and the Chapter on 1.6.3. Financial Analysis. See Notes 27 and 38 of the Notes to the Consolidated Financial Statements.
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. See Board of Directors' Report – Chapter on 1.7. Risk Management. See Note 2 of the Notes to the Consolidated Financial Statements.
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;	See Board of Directors' Report: • Chapter on 1.7. Risk Management. See Notes to the Consolidated Financial Statements: • Note 41: containing a detailed 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.
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;	See Board of Directors' Report – Chapter: • 1.6.3. Financial Analysis. See Notes 6, 8, 19 and 37 of Notes to the Consolidated Financial Statements.
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), assetbacked securities (ABS);	See Board of Directors' Report – Chapter: • 1.6.3. Financial Analysis. See Note 41 of Notes to the Consolidated Financial Statements.
10.	Description of the reasons and factors responsible for the impact;	See Board of Directors' Report – Reference is made, in the various chapters, to the consequences of the turmoil in financial markets on the banking system and on CGD, in particular, namely in the following chapters: • 1.2. Message from the Chairman of the Board of Directors and the CEO; • 1.5. Planning the Future; • 1.6.3. Financial Analysis. See items III. 8 and III.9 above.

III.	**Impact of period of financial turmoil on results**	
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 above.
12.	Breakdown of "write-downs" between realised and unrealised amounts;	See items III.8 to III.10 above, particularly Note 41 of the Notes to the Consolidated Financial Statements.
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;	See Board of Directors' Report, particularly the Chapter: • 1.5. Planning the Future.
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;	See Board of Directors' Report – Chapter: • 1.6.3 – Financial Analysis. 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;	See Board of Directors' Report – Chapter: • 1.7. Risk Management. See Notes to the Consolidated Financial Statements: • Note 2; • Note 41, setting out a comparison between the fair and book value of assets and liabilities recognised at amortised cost.
17.	Information on credit risk mitigating factors (e.g. credit default swaps) and respective effect on present exposures;	See Notes to the Consolidated Financial Statements: • Note 2, describes the accounting policies for derivatives and hedge accounting. • Notes 10 and 41, setting out detailed information on derivatives, notional amounts and book values of Caixa operations using such instruments for which there are exposure limits per product and per customer and daily monitoring of results.

IV.	Levels and types of exposures affected by the period of turmoil	
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;	See Board of Directors'Report: • Note 41 of Notes to the Consolidated Financial Statements.
19.	Movements occurring in exposures between relevant reporting periods and reasons underlying such changes (sales, write-downs, purchases, etc.);	See Board of Directors' Report on exposure of assets affected by the period of turmoil. 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;	See Notes to the Consolidated Financial Statements: • Note 2, setting out a description of the financial instruments and how they are processed in the accounts.
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);	See Notes 7 and 41 of the Notes to the Consolidated Financial Statements. See item IV.16 above, particularly the presentation of the determination of the fair value of the financial instruments.
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.	See Notes to the Consolidated Financial Statements: • Note 2 setting out information and processes applied by CGD in the valuation of financial instruments; • Note 41.
VI.	Other relevant disclosure aspects	
26.	Description of disclosure policies and principles used for reporting disclosures and financial reporting.	See Note 2 of the Notes to the Consolidated Financial Statements.

2.2.4. GLOSSARY

Credit at risk ratio (1)

Ratio between loans and advances to customers at risk (gross) and total loans and advances to customers (gross).

Credit at risk ratio, net (1)

Ratio between loans and advances to customers at risk and total loans and advances to customers, both aggregates net of accumulated impairment on loans and advances to customers (on Balance Sheet).

Credit more than 90 days overdue ratio

Ratio between the loans and advances to customers with instalments of principal or interest more than 90 days overdue and the total loans and advances to customers balance.

Cost-to-income (1)

Ratio between operating costs and the sum of total operating income and income from associated companies.

Cost of credit risk

Ratio between impairment on credit, net of reversals for the period (on P&L) and the average loans and advances to customers balance (gross and average of the last 13 monthly observations).

Coverage ratio on credit at risk

Ratio between accumulated impairment on loans and advances to customers (on Balance Sheet) and loans and advances to customers at risk.

Coverage ratio on Non-performing credit

Ratio between accumulated impairment on loans and advances to customers (on Balance Sheet) and loans and advances to customers in default.

Coverage ratio on credit more than 90 days overdue

Ratio between accumulated impairment on loans and advances to customers (on Balance Sheet) and loans and advances to customers more than 90 days overdue.

Employee costs / total operating income (1)

Ratio between employee costs and total operating income.

External supplies and services / total operating income

Ratio between other administrative expenses and total operating income.

Gross return on assets (ROA)

Ratio between income before tax and non-controlling interests and average net assets (average of the last 13 monthly observations).

Gross return on equity (ROE) (1)

Ratio between income before tax and non-controlling interests and average shareholders' equity (average of the last 13 monthly observations).

Loans-to-deposits ratio (1)

Ratio between total loans and advances to customers net of accumulated impairment on loans and advances to customers (on Balance Sheet) and customer deposits.

Net commissions

Income from services and commissions net of the cost of service and commissions.

Net interest income

Interest and similar income net of interest and similar costs.

Net interest income including income from equity instruments

Net interest income plus income from equity instruments.

Net operating income before impairments

Total operating income net of operating costs.

Net return on assets (ROA)

Ratio between income after tax (3) and average net assets (average of the last 13 monthly observations).

Net return on equity (ROE) (1)

Ratio between income after tax (3) and average shareholders' equity (average of the last 13 monthly observations).

Non-interest income

Sum of net commissions, income from financial operations and other operating income.

Non-performing credit ratio (1)

Ratio between loans and advances to customers in default (gross) and total loans and advances to customers (gross).

Non-performing credit ratio, net (1)

Ratio between loans and advances to customers in default and total loans and advances to customers, both aggregates net of accumulated impairment on loans and advances to customers (on Balance Sheet).

Operating costs

Sum of employee costs, other administrative expenditure and depreciation and amortisation for the year.

Operating costs / average net assets

Ratio between operating costs and average net assets (average of the last 13 monthly observations).

Overdue credit ratio

Ratio between the loans and advances to customers with overdue instalments of principal or interest and the total loans and advances to customers balance.

Restructured credit ratio (2)

Ratio between restructured and total loans and advances to customers.

Restructured credit ratio not included in credit at risk (2)

Ratio between restructured loans and advances to customers not included in loans and advances to customers at risk and total loans and advances to customers.

Securities investments

Sum of financial assets held for trading, financial assets at fair value through profit or loss, available for sale financial assets, financial assets held to maturity and financial assets with repurchase agreements.

Total operating income

Net interest income including income from equity instruments and non-interest income.

Total operating income / average net assets (1)

Ratio between total operating income and income from associated companies and average net assets (average of the last 13 monthly observations).

(1) As defined by Bank of Portugal Instruction 23/2012.

(2) As defined by Bank of Portugal Instruction 32/2013.

(3) Income after tax: net income for the year attributable to the shareholder CGD and net income for the year attributable to non-controlling interests.

2.3. Audit Reports and Opinions

2.3.1. AUDIT REPORT ON THE CONSOLIDATED ACCOUNTS

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AUDIT REPORT ISSUED AS REQUIRED UNDER THE TERMS OF ARTICLE 245, NUMBER 1 b) OF THE PORTUGUESE SECURITIES MARKET CODE ("CÓDIGO DOS VALORES MOBILIÁRIOS")

(Amounts expressed in thousands of Euro – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 44)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Caixa Geral de Depósitos, S.A. ("CGD or Caixa") and of its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2016 (that presents a total of 93,547,313 t.euros and total equity of EUR 3,882,841 t.euros, including a net loss attributable to the shareholder of CGD of 1,859,523 t.euros), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of Caixa Geral de Depósitos, S.A. and its subsidiaries as at 31 December 2016 and its financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards, technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

As explained in Note 1, in order to ensure compliance with the increasing regulatory capital requirements applicable to Caixa, the Portuguese Government, as sole shareholder, and the Directorate-General for Competition of the European Commission ("DGComp") approved in March 2017 a recapitalization plan for Caixa ("Recapitalization Plan")

The Recapitalization Plan includes a strategic plan to be implemented by Caixa until the end of 2020, which sets out measures aimed at promoting its long-term profitability. These measures include, among other aspects, decreases in headcount and in the number of branches and the disposal or closing of some Group entities. In this context, on 31 December 2016 the Group's holding in Mercantile Bank Holdings Limited was classified in accordance with IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations", with an impairment of 18,000 t.euros (Note 13) being recorded. Caixa's Management considered that the requirements set forth in the IFRS in order to record the other estimated costs related to the implementation of the strategic plan in the consolidated financial statements as of 31 December 2016 were not met.

Under the Recapitalization Plan, Caixa's Management performed a review of the valuation for the main asset classes and high risk exposures ("Management Assessment of Asset Value" – MAAV), using the criteria and assumptions that a new significant private investor would use, as agreed with DGComp as a condition for not qualifying CGD's recapitalization as state aid. In this context, in the quantification of impairment losses Caixa's Management considered several factors and assumptions, including its intentions regarding the future management of assets, namely of non-performing exposures ("npe"). A more accelerated divestment strategy was assumed for those exposures, which had impacts, among others, on the valuation of credit collateral and real estate repossessed through credit recovery and on the impairment for a set of loan exposures for which a sale perspective was assumed. In developing these estimates, Management also considered some of the criteria for the determination of impairment and classification of credits set out in recent documents published by the European Central Bank and the European Banking Authority ("EBA"). The MAAV review and the changes in expectations, intentions and underlying assumptions contributed significantly to the amount of provisions and impairment losses for loans and other assets recorded in 2016, which totalled 3,016,942 t.euros.

As described in Note 43, on 4 January 2017 Caixa's share capital was increased by 1,444,144 t.euros through the conversion of hybrid financial instruments eligible as Core Tier 1 capital and the delivery of shares representing 49% of the share capital Parcaixa, SGPS, S.A.. On 30 March 2017, the share capital was further increased by 2,500,000 t.euros in cash, following the issuance of Additional Tier I securities in the amount of 500,000 t.euros. These operations enabled Caixa to resume compliance with the capital requirements defined by the regulator, which was not occurring on 31 December 2016. Under the Recapitalization Plan, Caixa shall also issue additional subordinated debt instruments amounting to 430,000 t.euros within 18 months after the date of this first issue.

Our opinion is not qualified in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the most significant risks of material misstatement identified	Summary of the auditor’s responses to the assessed risks of material misstatement
Impairment for loans to customers (Notes 2.7 d), 2.20, 12, 23, 37 e 41)	
The accumulated impairment losses for loans and provisions for guarantees and other commitments recorded by CGD (“impairment losses”) at 31 December 2016 amount to 5,633,397 t.euros and 360,935 t.euros, respectively, with total impairment losses recorded in 2016 for these exposures amounting to 2,599,880 t.euros. Impairment losses represent the CGD's Management's best estimate of the losses incurred on its credit portfolio at the reference date of the consolidated financial statements. These impairment losses are determined through individual analysis for clients with high exposure and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section “Accounting policies” of the Notes to the consolidated financial statements. The determination of impairment losses has inherently a strong judgmental component from Management, namely in identifying impairment triggers and in estimating the present value of the amounts that CGD expects to recover from the loans. This estimate takes into account the available information on debtors, existing collateral and the recovery strategy to adopt by CGD for each loan. Specifically with regard to collective analysis, impairment is determined based on a model with a certain degree of complexity, as it incorporates in the computation of impairment several variables, namely operations characteristics, the value of collateral and risk parameters, such as the probability of impairment evidence, probability of default and loss given default. As described on the “Emphasis” section, the quantification of impairment losses as of 31 December 2016 also reflects the results of the review of the valuation of the main asset classes and high risk exposures (“Management Assessment of Asset Value” - MAAV) carried out by CGD’s Management under the Recapitalization Plan.	• Analysis of the relevant control activities implemented by CGD in the process of identification and determination of impairment losses for its loan portfolio. • Review of the MAAV results, including the analysis of the underlying assumptions, approaches and judgements made by CGD’s Management. • Selection of a sample of loan customers subject to individual impairment analysis by CGD. For the selected sample, analysis of the reasonableness of the estimated impairment losses recorded in the consolidated financial statements, based on the review of judgments made by CGD regarding the available information to date on the customers’ economic and financial situation, collateral valuation and perspectives on their activity, as well as on the future management of these loans by CGD, taking into account the criteria adopted in the MAAV. • Regarding the collective impairment model: (i) understanding of the main characteristics of the impairment model and critical analysis on the reasonableness of the methodologies used by CGD; (ii) analysis of the changes implemented in 2016; (iii) sample based analysis of the risk parameters and collective impairment calculation; and (iv) sample based validation of the inputs used to determine the main risk parameters. • Review of the disclosures included in the consolidated financial statements related to impairment for loans to customers, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Impairment for loans to customers (Notes 2.7 d), 2.20, 12, 23, 37 e 41) (cont.)	
The MAAV review and the underlying changes in expectations, intentions and assumptions significantly contributed to the amount of impairment losses recorded in 2016. Considering this is an area in which Management has to make estimates that incorporate a high degree of subjectivity and certain complexity, as well as the materiality of the amounts in the context of the CGD's consolidated financial statements, impairment for loans to customers was considered as a key audit matter.	
Valuation of real estate assets repossessed under loan recovery (Notes 2.8, 2.9, 2.20, 13 e 14)	
At 31 December 2016 the net book value of real estate assets repossessed under loan recovery classified as non-current assets held for sale and as investment properties amounted to 606,525 t.euros and 232,388 t.euros, respectively, and the impairment losses and property revaluation losses recorded in 2016 for these assets amounted to 125,708 t.euros and 192,641 t.euros. Real estate assets classified as non-current assets held for sale are recorded at the lower of book value and fair value less costs to sell, in accordance with IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations". Real estate assets classified as investment property are recorded at fair value as set forth in IAS 40 – "Investment Property". The valuation was determined through individual analysis for the most significant assets. For the remainder, a collective analysis was performed as described in section "Accounting policies" of the Notes to the consolidated financial statements. The valuation of these assets recorded in the Group's accounts as of 31 December 2016 represents Caixa's Management estimate of their recoverable value. In this context it considered appraisals by real estate experts, but also its intentions regarding the future management of the assets, namely a more accelerated divestment strategy, as considered under the asset valuation review process ("MAAV") referred to in section "Emphasis". This review contributed significantly to the amount of impairment losses and other operating losses recorded in 2016 regarding these assets.	• Analysis of the relevant control activities implemented by the Group in the process of valuing real estate assets classified as non-current assets held for sale and investment properties. • Verification of the registration of the external appraisers in the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários" (CMVM)) and analysis of their independence for a sample of real estate assets appraised in 2016. • Review of the reasonableness of the assumptions used in the valuation of a sample of properties analyzed individually by CGD taking into account their current characteristics, market data and Management's intentions regarding the commercialization of these assets. Internal specialists were involved in performing these procedures. • Regarding the collective impairment analysis of real estate assets: (i) understanding of the impairment model's main features and critical analysis of the reasonableness of the methodologies used by CGD; (ii) analysis of the changes introduced in 2016; (iii) sample based analysis of haircuts determined for collective impairment calculation; and (iv) sample based validation of the inputs used to determine collective impairment. • Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Valuation of real estate assets repossessed under loan recovery (Notes 2.8, 2.9, 2.20, 13 e 14) (cont.)	
Taking into consideration that the valuation of these assets incorporates several assumptions that are judgmental by nature, and the materiality of these assets in CGD's consolidated financial statements, this area was considered as a key audit matter.	
Liabilities with post-employment benefits of CGD employees (Notes 2.15, 2.20 e 35)	
CGD has assumed the responsibility of paying to its pensioners and employees retirement pensions and other post-employment benefits. As of 31 December 2016, the liabilities for past services regarding retirement pensions and post-employment medical and social assistance amount to 2,540,514 t.euros and 491,352 t.euros, respectively. CGD's liabilities associated with these defined benefit plans were determined by the responsible actuary, considering a set of actuarial assumptions, including the discount rate, the growth rate of wages and pensions, and the mortality table. Any changes in actuarial assumptions may have a material impact on past service liabilities regarding pensions and other post-employment benefits. Given the materiality of past service liabilities related to pensions and other post-employment benefits in the context of CGD's consolidated financial statements and the relevance of the actuarial assumptions used in their determination, we considered this area to be a key audit matter.	• Analysis of the relevant internal control procedures implemented by CGD in the determination of past services liabilities related to pensions and post-employment medical and social assistance. • Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and reading of its independence statement in the actuarial study of 31 December 2016. • Reading of the actuarial study with reference to 31 December 2016 and discussion with the responsible actuary of the main actuarial assumptions used. • Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into consideration: (i) the actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by Management. • Review of the disclosures included in the consolidated financial statements for this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Recoverability of deferred tax assets and application of the Regulatory Decree No. 5/2016 (Notes 2.13, 2.20 e 18)	
As of 31 December 2016, the consolidated balance sheet presents 2,545,785 t.euros of deferred tax assets. According to the Group's interpretation, these include 1,373,023 t.euros which are dependent on the existence of future taxable income (deferred tax assets that are not eligible under the Special Regime applicable to deferred tax assets, approved by Law No. 61/2014, of 26 August – "REAID"). In 2016, CGD used deferred tax assets regarding tax losses carried forward from previous years, in accordance with its interpretation of the Regulatory Decree No. 5/2016, of 18 November (DR 5/2016), including 126,611 t.euros originated in 2013 that had been written-off in 2015. In accordance with IAS 12 - Income Taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal. CGD prepared an estimate of its taxable income for the period between 2017 and 2031 in order to assess the recoverability of deferred tax assets. This estimate is judgmental by nature and depends on the assumptions made by Management to calculate the evolution of pre-tax profit and on its understanding and interpretation regarding the tax legislation that will be in force in that period. The DR 5/2016 extended the tax framework applicable to impairment losses for specific credit risk to the taxation period started in 1 January 2016. However, its introduction states that it is expected that the tax treatment of this matter will be reviewed in 2017.	• Analysis of the relevant internal control procedures implemented by CGD with regard to the assessment of the recoverability of deferred tax assets. • Understanding of the main assumptions considered by CGD to estimate the future evolution of pre-tax profit, including the analysis of their consistency with internal documentation regarding projections of net profit and management of non-performing exposures ("npe"). • Analysis of the application of DR 5/2016 and the interpretation of the relevant tax legislation, namely the one in force and the one CGD estimates will be approved, which was considered in the estimate of future taxable profits. • Review of the calculations made by CGD to demonstrate the recoverability of deferred tax assets, considering our understanding of the assumptions used in estimating the pre-tax profits and our review of the interpretation of the tax legislation that will be applicable in the terms described above. • Review of the disclosures included in the consolidated financial statements for this matter, considering the applicable accounting framework. In performing the above procedures we involved internal tax specialists.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Recoverability of deferred tax assets and application of the Regulatory Decree No. 5/2016 (Notes 2.13, 2.20 e 18) (cont.)	
In this context, as disclosed in Note 18, the base scenario considered by Management in its projections assumes the approval of a new tax regime for credit impairment to be effective as of 1 January 2017, based on a preliminary draft law proposal to amend article 28.º-C of the Income Tax Code ("IRC"), to be in force as from 1 January 2017. This new tax framework, comprised in a document made available in December 2016 by the Portuguese Tax Affairs State Secretariat ("Secretaria de Estado dos Assuntos Fiscais") to the Portuguese Banking Association ("APB") for comments and analysis by its members, includes a transitional regime for the deduction to taxable profit during a period of 15 years of non-deducted impairment that originate the deferred tax assets that are recorded as of 31 December 2016. The approval of this document without substantial changes in relation to the above-mentioned preliminary draft is considered to be highly probable by CGD's Management. As part of the assessment of the recoverability of deferred tax assets, CGD also prepared scenarios under the assumption of future maintenance of the tax regime applicable to loan impairment in 2016. Under these scenarios, it will be necessary to reduce the pace of divestment in loans with non-deductible impairments and to take other measures to postpone the tax deductibility of impairment losses already recorded as of 31 December 2016, in order to reduce the risk of not being able to recover part of the corresponding deferred tax assets. Although CGD's Management attributes a reduced probability to these scenarios, it considers that it will be able to implement these measures, should it be necessary. In light of the foregoing, any changes in the assumptions used in the estimation of future results or in the tax legislation that CGD expects to be in force in that period, especially with respect to the referred transitional regime, may have relevant impacts on the recovery of deferred tax assets. Given the materiality of deferred tax assets in CGD's consolidated financial statements and the need to use estimates to determine their recoverability, this area was considered as a key audit matter.	

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Resolution Fund (Note 23)	
Following the resolution measures applied to Banco Espírito Santo, S.A. ("BES") and Banif – Banco Internacional do Funchal, S.A. ("Banif"), the Resolution Fund became holder of the entire share capital of Novo Banco, S.A. and Oitante, S.A.. In this context the Portuguese State and a banking syndicate have granted loans to the Resolution Fund and the Resolution Fund has assumed other liabilities and contingent liabilities. CGD has participated in the banking syndicate through a loan agreement. In order to reimburse these loans and to meet other responsibilities it may assume, the proceeds of the Resolution Fund are essentially the periodic contributions from participating institutions (including CGD) and contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order that the participating institutions make special contributions in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have sufficient own resources for the fulfilment of its obligations. The cost with periodic contributions and with the contribution over the banking sector is recorded on an annual basis, as provided in IFRIC 21 - Levies. As of 31 December 2016, the Portuguese State's loan to the Resolution Fund of 3,900,000 t.euros and the banking syndicate's loan of 700,000 t.euros, after a first amendment to the initial contracts, were to mature on 31 December 2017, although it was public since September 2016 that all contracts were being renegotiated, including the extension of its maturity. According to a public notice from the Resolution Fund dated 21 March 2017, the conditions of the loans that the Resolution Fund obtained to finance the resolution measures applied to BES and Banif were *de facto* renegotiated in the first quarter of 2017, including the extension of the maturity date for 31 December 2046 including the possibility of adjusting that date, with the purpose of guaranteeing the capacity of the Resolution Fund to fully meet its obligations based on regular revenues and without the need to resort to special contributions or any other type of extraordinary contributions from the banking sector.	• Analysis of the loan agreement celebrated between CGD and the Resolution Fund and the respective amendments signed in August 2016 and February 2017. • Analysis of the public communications from the Resolution Fund and from the Office of the Portuguese Minister of Finance of 28 September 2016 and of the public communication from the Resolution Fund of 21 March 2017, regarding the new conditions of the loans to the Resolution Fund and the corresponding impact on its sustainability and financial soundness. • Reading of the last Report and Accounts of the Resolution Fund that refers to the year 2015. • Analysis of a simplified model of cash flow projections of the Resolution Fund presented to us by CGD. • Review of the accounting framework of the contributions to the Resolution Fund. • Following the announcement on 31 March 2017 of the forthcoming sale by the Resolution Fund of 75% of the share capital of Novo Banco, we obtained representation from Management that, according to the perspectives that were transmitted to them by the relevant authorities, the terms of this operation shall not imply the payment by the Group of any special or other extraordinary contributions to the Resolution Fund. • Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Resolution Fund (Note 23) (cont.)	
It was also established the *pari passu* treatment of the Resolution Fund's obligations arising from the loan agreement entered into with the banking syndicate of which CGD is a part, and the loan agreements entered into with the Portuguese State. The consolidated financial statements as of 31 December 2016 reflect the Group's expectation that no special contributions or any other extraordinary contributions will be required to finance the resolution measures applied to BES and Banif. Taking into account the potential impact of the responsibilities of the Resolution Fund in the Group and the judgments of the Management in this matter as described above, this was considered a key audit matter.	

Other matters

Our audit report on the consolidated financial statements as of 31 December 2015, dated 29 April 2016, included an emphasis of matter related to CGD's capital ratios at that date, which ceased to be applicable following the capital increases made in January and March 2017.

Responsibilities of Management and Supervisory Body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that present true and fairly the financial position, the financial performance and the cash flows of the Group in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRSs);
- the preparation of the management report, including the corporate governance report, under the applicable legal and regulatory terms;
- the implementation and maintenance of an appropriate internal control system that allows the preparation of financial statements that are free from material misstatements due to fraud or error;
- the adoption of accounting principles and criteria appropriate in the circumstances; and
- the evaluation of the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body is responsible for overseeing the Group's consolidated financial closing and reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility consists in obtaining reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we should draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and we are the ultimate responsibles for our audit opinion;

- we communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during our audit;

- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter;

- we declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be perceived to threat our independence, and where applicable, related safeguards.

Our responsibility also includes the verification of the consistency of the information included in the Management report with the consolidated financial statements and the verifications included in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais").

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the Management report was prepared in accordance with the current applicable law and regulations and the financial information included therein is in agreement with the audited consolidated financial statements, and considering our knowledge of the Group we did not identify material misstatements.

About the Corporate Governance report

In compliance with article 451, number 4 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the Corporate Governance report includes the elements required to the Group pursuant to article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material misstatements in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and m) of the referred article.

About the additional elements included in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- Deloitte & Associados, SROC S.A. audits Caixa Geral de Depósitos, S.A. since 2002. The most recent appointment was for the fiscal year of 2016 and it took place at the meeting of the Audit Committee held on 29 February 2016.

- Management confirmed to us that they are unaware of the occurrence of any fraud or suspected fraud with a material effect in the consolidated financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Group's Supervisory Body on 28 April 2017.

- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors ("Estatuto da Ordem dos Revisores Oficiais de Contas") and that we kept our independence from the Group during the execution of the audit.

Lisbon, 28 April 2017

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Deloitte & Associados, SROC S.A.
Represented by Maria Augusta Cardador Francisco, ROC

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

2.3.2. STATUTORY AUDIT CERTIFICATE ON THE CONSOLIDATED ACCOUNTS

OR&A

OLIVEIRA REGO & ASSOCIADOS
Sociedade de Revisores Oficiais de Contas

STATUTORY AUDIT CERTIFICATE ON THE CONSOLIDATED ACCOUNTS

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Caixa Geral de Depósitos, S.A. ("Caixa or CGD") and of its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2016 (that presents a total of 93,547,313 thousand euros and total equity of EUR 3,882,841 thousand euros, including a net loss attributable to the shareholder of CGD of 1,859,523 thousand euros), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of Caixa Geral de Depósitos, S.A. and its subsidiaries as at 31 December 2016 and its financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards, technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

As explained in Note 1, in order to ensure compliance with the increasing regulatory capital requirements applicable to Caixa, the Portuguese Government, as sole shareholder, and the Directorate-General for Competition of the European Commission ("DGComp") approved in March 2017 a recapitalization plan for Caixa ("Recapitalization Plan")

The Recapitalization Plan includes a strategic plan to be implemented by Caixa until the end of 2020, which sets out measures aimed at promoting its long-term profitability. These measures include, among other aspects, decreases in headcount and in the number of branches and the disposal or closing of some Group entities. In this context, on 31 December 2016 the Group's holding in Mercantile Bank Holdings Limited was classified in accordance with IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations", with an impairment of 18,000 thousand euros (Note 13) being recorded. Caixa's Management considered that the requirements set forth in the IFRS in order to record the other estimated costs related to the implementation of the strategic plan in the consolidated financial statements as of 31 December 2016 were not met.

Under the Recapitalization Plan, Caixa's Management performed a review of the valuation for the main asset classes and high risk exposures ("Management Assessment of Asset Value" – MAAV), using the criteria and assumptions that a new significant private investor would use, as agreed with DGComp as a condition for not qualifying CGD's recapitalization as state aid. In this context, in the quantification of impairment losses Caixa's Management considered several factors and assumptions, including its intentions regarding the future management of assets, namely of non-performing exposures ("npe"). A more accelerated divestment strategy was assumed for those exposures, which had impacts, among others, on the valuation of credit collateral and real estate repossessed through credit recovery and on the impairment for a set of loan exposures for which a sale perspective was assumed. In developing these estimates, Management also considered some of the criteria for the determination of impairment and classification of credits set out in recent documents published by the European Central Bank and the European Banking Authority ("EBA"). The MAAV review and the changes in expectations, intentions and underlying assumptions contributed significantly to the amount of provisions and impairment losses for loans and other assets recorded in 2016, which totalled 3,016,942 thousand euros.

As described in Note 43, on 4 January 2017 Caixa's share capital was increased by 1,444,144 thousand euros through the conversion of hybrid financial instruments eligible as Core Tier 1 capital and the delivery of shares representing 49% of the share capital Parcaixa, SGPS, S.A.. On 30 March 2017, the share capital was further increased by 2,500,000 thousand euros in cash, following the issuance of Additional Tier I securities in the amount of 500,000 thousand euros. These operations enabled Caixa to resume compliance with the capital requirements defined by the regulator, which was not occurring on 31 December 2016. Under the Recapitalization Plan, Caixa shall also issue additional subordinated debt instruments amounting to 430,000 thousand euros within 18 months after the date of this first issue.

Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Impairment for loans to customers (Notes 2.7 d), 2.20, 12, 23, 37 e 41)	
The accumulated impairment losses for loans and provisions for guarantees and other commitments recorded by CGD ("impairment losses") at 31 December 2016 amount to 5,633,397 thousand euros and 360,935 thousand euros, respectively, with total impairment losses recorded in 2016 for these assets amounting to 2,599,880 thousand euros. Impairment losses represent the CGD's Management's best estimate of the losses incurred on its credit portfolio at the reference date of the consolidated financial statements. These impairment losses are determined through individual analysis for clients with high exposure and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section "Accounting policies" of the Notes to the consolidated financial statements. The determination of impairment losses has inherently a strong judgmental component from Management, namely in identifying impairment triggers and in estimating the present value of the amounts that CGD expects to recover from the loans. This estimate takes into account the available information on debtors, existing collateral and the recovery strategy to adopt by CGD for each loan. With regard to collective analysis, impairment is determined based on a model which	• Analysis of the relevant control activities implemented by CGD in the process of identification and determination of impairment losses for its loan portfolio. • Analysis of the MAAV results, including the underlying assumptions, approaches and judgements made by CGD's Management. • Selection of a sample of loan customers subject to individual impairment analysis by CGD. For the selected sample, analysis of the reasonableness of the estimated impairment losses recorded in the consolidated financial statements, based on the review of judgments made by CGD regarding the available information to date on the customers' economic and financial situation, collateral valuation and perspectives on their activity, taking into account the criteria adopted in the MAAV. • Regarding the collective impairment model, understanding of the main characteristics of the model and analysis on the reasonableness of the methodologies used by CGD and changes implemented in 2016. • Analysis of the documents produced by independent external consultants on this matter. • Review of the disclosures included in the consolidated financial statements related to impairment for loans to customers, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
incorporates in the computation of impairment several variables, namely operations characteristics, the value of collateral and risk parameters, such as the probability of impairment evidence, probability of default and loss given default. As described on the "Emphasis of matter" section, the quantification of impairment losses as of 31 December 2016 also reflects the results of the review of the valuation of the main asset classes and high risk exposures ("Management Assessment of Asset Value" - MAAV) carried out by CGD's Management under the Recapitalization Plan. Considering this is an area in which Management has to make estimates that incorporate a high degree of subjectivity or of certain complexity, as well as the materiality of the amounts in the context of the CGD's consolidated financial statements, impairment for loans to customers was considered as a key audit matter.	
Valuation of real estate assets repossessed under loan recovery (Notes 2.8, 2.9, 2.20, 13 e 14)	
At 31 December 2016 the net book value of real estate assets repossessed under loan recovery classified as non-current assets held for sale and investment properties amounted to 606,525 thousand euros and 232,388 thousand euros, respectively, and the total losses recorded in 2016 for these assets amounted to 125,708 thousand euros and 192,641 thousand euros. Real estate assets classified as non-current assets held for sale are recorded at the lower of book value and fair value less costs to sell, in accordance with IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations". Real estate assets classified as investment property are recorded at fair value as set forth in IAS 40 – "Investment Property". The valuation was determined through individual analysis for the most significant assets. For the remainder, a collective analysis was performed as described in section "Accounting policies" of the Notes to the consolidated financial statements. The valuation of these assets recorded in the Group's accounts as of 31 December 2016 represents Caixa's Management estimate of their recoverable value. In this context it considered appraisals by real estate experts, but also its intentions regarding the future management of the assets, namely a more accelerated divestment strategy, as considered under the asset valuation review process ("MAAV") referred to in section "Emphasis of matter". This review contributed significantly to the amount of impairment losses and other operating losses recorded in 2016 regarding these assets. Taking into consideration that the valuation of these assets incorporates several assumptions that are judgmental by nature, and the materiality of these assets in CGD's consolidated financial statements, this area was considered as a key audit matter.	• Analysis of the relevant control activities implemented by the Group in the process of valuing real estate assets classified as non-current assets held for sale and investment properties. • Verification of the registration of the external appraisers in the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários" (CMVM)). • Analysis of the reasonableness of the assumptions used in the valuation of properties analyzed individually by CGD. • Regarding the collective impairment analysis of real estate assets: (i) understanding of the impairment model's main features and analysis of the reasonableness of the methodologies used by CGD; (ii) analysis of the changes introduced in 2016; (iii) sample based analysis of haircuts determined for collective impairment calculation; and (iv) sample based validation of the inputs used to determine collective impairment. • Analysis of the documents produced by independent external consultants on this matter. • Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's responses to the assessed risks of material misstatement</th></tr>
<tr><td colspan="2">Liabilities with post-employment benefits of CGD employees (Notes 2.15, 2.20 e 35)</td></tr>
<tr><td>CGD has assumed the responsibility of paying to its pensioners and employees retirement pensions and other post-employment benefits. As of 31 December 2016, the liabilities for past services regarding retirement pensions and post-employment medical and social assistance amount to 2,540,514 thousand euros and 491,352 thousand euros, respectively.
CGD's liabilities associated with these defined benefit plans were determined by the responsible actuary, considering a set of actuarial assumptions, including the discount rate, the growth rate of wages and pensions, and the mortality table.
Any changes in actuarial assumptions may have a material impact on past service liabilities regarding pensions and other post-employment benefits.
Given the materiality of past service liabilities related to pensions and other post-employment benefits in the context of CGD's consolidated financial statements and the relevance of the actuarial assumptions used in their determination, we considered this area to be a key audit matter.</td><td>• Analysis of the relevant internal control procedures implemented by CGD in the determination of past services liabilities related to pensions and post-employment medical and social assistance.
• Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and reading of its independence statement in the actuarial study of 31 December 2016.
• Reading of the actuarial study with reference to 31 December 2016 and analysis of the main actuarial assumptions used.
• Analysis of the documents produced by independent external consultants on this matter.
• Review of the disclosures included in the consolidated financial statements for this matter, considering the applicable accounting framework.</td></tr>
<tr><td colspan="2">Recoverability of deferred tax assets and application of the Regulatory Decree No. 5/2016 (Notes 2.13, 2.20 e 18)</td></tr>
<tr><td>As of 31 December 2016, Caixa's consolidated balance sheet presents 2,545,785 thousand euros of deferred tax assets.
According to the CGD's interpretation, these include 1,373,023 thousand euros which are dependent on the existence of future taxable income (deferred tax assets that are not eligible under the Special Regime applicable to deferred tax assets, approved by Law No. 61/2014, of 26 August – "REAID").
In 2016, CGD used deferred tax assets regarding tax losses carried forward from previous years, in accordance with its interpretation of the Regulatory Decree No. 5/2016, of 18 November (DR 5/2016), including 126,611 thousand euros originated in 2013 that had been written-off in 2015.
In accordance with IAS 12 - Income Taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal.
CGD prepared an estimate of its taxable income for the period between 2017 and 2031 in order to assess the recoverability of deferred tax assets. This estimate is judgmental by nature and depends on the assumptions made by Management to calculate the evolution of pre-tax profit and on its interpretation regarding the tax legislation that will be in force in that period.
The DR 5/2016 extended the tax framework applicable to impairment losses for specific credit risk to the taxation period started in 1 January 2016. However, its introduction states that it is expected that the tax treatment of this matter will be reviewed in 2017.
In this context, as disclosed in Note 18, the base scenario considered by Management in its projections assumes the approval of a new tax regime for credit impairment to be effective as of 1 January 2017, based on a preliminary draft law proposal to amend article 28.º-C of the Income Tax Code ("IRC"), to be in force as from 1 January 2017. This new tax framework, comprised in a document</td><td>• Analysis of the relevant internal control procedures implemented by CGD with regard to the demonstration of the recoverability of deferred tax assets.
• Understanding of the main assumptions considered by CGD to estimate the future evolution of pre-tax profit, including the analysis of their consistency with internal documentation regarding projections of net profit and management of non-performing exposures ("npe").
• Analysis of the application of DR 5/2016 and the interpretation of the relevant tax legislation, in force and expected to be approved, which was considered in the estimate of future taxable profits.
• Analysis of the calculations made by CGD to demonstrate the recoverability of deferred tax assets, considering our understanding of the assumptions used in estimating the pre-tax profits and our review of the interpretation of the tax legislation that will be applicable in the terms described above.
• Analysis of the documents produced by independent external consultants on this matter.
• Review of the disclosures included in the consolidated financial statements for this matter, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
made available in December 2016 by the Portuguese Tax Affairs State Secretariat ("Secretaria de Estado dos Assuntos Fiscais") to the Portuguese Banking Association ("APB") for comments and analysis by its members, includes a transitional regime for the deduction to taxable profit during a period of 15 years of non-deducted impairment that originate the deferred tax assets that are recorded as of 31 December 2016. The approval of this document without substantial changes in relation to the above-mentioned preliminary draft is considered to be highly probable by CGD's Management. As part of the demonstration of the recoverability of deferred tax assets, CGD also prepared scenarios under the assumption of future maintenance of the tax regime applicable to loan impairment in 2016. Under these scenarios, it will be necessary to reduce the pace of divestments in loans with deductible impairments and to take other measures to postpone the tax deductibility of impairment losses already recorded as of 31 December 2016, in order to reduce the risk of not being able to recover part of the corresponding deferred tax assets. Although CGD's Management attributes a reduced probability to these scenarios, it considers that it will be able to implement these measures, should it be necessary. In light of the foregoing, any changes in the assumptions used in the estimation of future results or in the tax legislation will be in force in that period, especially with respect to the transitional regime, may have relevant impacts on the recovery of deferred tax assets. Given the materiality of deferred tax assets in CGD's consolidated financial statements and the need to use estimates to determine their recoverability, this area was considered as a key audit matter.	
Resolution Fund (Note 23)	
Following the resolution measures applied to Banco Espírito Santo, S.A. ("BES") and Banif – Banco Internacional do Funchal, S.A. ("Banif"), the Resolution Fund became holder of the entire share capital of Novo Banco, S.A. and Oitante, S.A.. In this context the Portuguese State and a banking syndicate have granted loans to the Resolution Fund and the Resolution Fund has assumed other liabilities and contingent liabilities. CGD has participated in the banking syndicate through a loan agreement. In order to reimburse these loans and to meet other responsibilities it may assume, the proceeds of the Resolution Fund are essentially the periodic contributions from participating institutions (including CGD) and contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order that the participating institutions make special contributions in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have sufficient own resources for the fulfilment of its obligations.	• Analysis of the loan agreement celebrated between CGD and the Resolution Fund and the respective amendments signed in August 2016 and February 2017. • Analysis of the public communications from the Resolution Fund and from the Office of the Portuguese Minister of Finance of 28 September 2016 and of the public communication from the Resolution Fund of 21 March 2017, regarding the new conditions of the loans to the Resolution Fund and the corresponding impact on its sustainability and financial soundness. • Reading of the last Report and Accounts of the Resolution Fund that refers to the year 2015. • Analysis of a simplified model of cash flow projections of the Resolution Fund presented to us by CGD. • Verification of the accounting framework of the contributions to the Resolution Fund. • Following the announcement on 31 March 2017 of the forthcoming sale by the Resolution Fund of 75% of the share capital of Novo Banco, we obtained declaration from Management that, according to the perspectives that were transmitted to them by the relevant authorities, the terms of this operation shall not imply the payment

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
The cost with periodic contributions and with the contribution over the banking sector is recorded on an annual basis, as provided in IFRIC 21 - Levies. As of 31 December 2016, the Portuguese State's loan to the Resolution Fund of 3,900,000 thousand euros and the banking syndicate's loan of 700,000 thousand euros, after a first amendment to the initial contracts, were to mature on 31 December 2017, although it was public since September 2016 that all contracts were being renegotiated, including the extension of its maturity. According to a public notice from the Resolution Fund dated 21 March 2017, the conditions of the loans that the Resolution Fund obtained to finance the resolution measures applied to BES and Banif were renegotiated in the first quarter of 2017, including the extension of the maturity date for 31 December 2046 including the possibility of adjusting that date, with the purpose of guaranteeing the capacity of the Resolution Fund to fully meet its obligations based on regular revenues and without the need to resort to special contributions or any other type of extraordinary contributions from the banking sector. It was also established the *pari passu* treatment of the Resolution Fund's obligations arising from the loan agreement entered into with the banking syndicate of which CGD is a part, and the loan agreements entered into with the Portuguese State. The consolidated financial statements as of 31 December 2016 reflect the Group's expectation that no special contributions or any other extraordinary contributions will be required to finance the resolution measures applied to BES and Banif. Taking into account the potential impact of the responsibilities of the Resolution Fund in the Group and the judgments of the Management in this matter as described above, this was considered a key audit matter.	by the CGD of any special or other extraordinary contributions to the Resolution Fund. • Review of the disclosures included in the consolidated financial statements related to these matter, considering the applicable accounting framework.

Other matters

Our Statutory Audit Certificate on the consolidated financial statements as of 31 December 2015, dated 29 April 2016, included an emphasis of matter related to CGD's capital ratios at that date, which ceased to be applicable following the capital increases made in January and March 2017.

Responsibilities of Management and Supervisory Body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that present true and fairly the financial position, the financial performance and the cash flows of the Group in accordance with the International Financial Reporting Standards (IFRSs) as endorsed by the European Union;
- the preparation of the management report, including the corporate governance report, under the applicable legal and regulatory terms;
- the implementation and maintenance of an appropriate internal control system that allows the preparation of financial statements that are free from material misstatements due to fraud or error;
- the adoption of accounting principles and criteria appropriate in the circumstances; and

- the evaluation of the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body is responsible for overseeing the Group's consolidated financial closing and reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility consists in obtaining reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we should draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and we are the ultimate responsibles for our audit opinion;
- we communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during our audit;
- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter;
- we declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be perceived to threat our independence, and where applicable, related safeguards.

Our responsibility also includes the verification of the consistency of the information included in the Management report with the consolidated financial statements and the verifications included in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais").

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the Management report was prepared in accordance with the current applicable law and regulations and the financial information included therein is in agreement with the audited consolidated financial statements, and considering our knowledge of the Group we did not identify material misstatements.

About the Corporate Governance report

In compliance with article 451, number 4 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the Corporate Governance report includes the elements required to the Group pursuant to article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material misstatements in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and m) of the referred article.

About the additional elements included in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- Oliveira Rego & Associados, SROC, Lda. was appointed as CGD's statutory auditor in the date of its transformation into a public liability limited company exclusively owned by the State. In the general meeting held on 31 May 2013, we were appointed for the period of 2013-2015.
- Management confirmed to us that they are unaware of the occurrence of any fraud or suspected fraud with a material effect in the consolidated financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud.
- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Group's Supervisory Body on 28 April 2017.
- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors ("Estatuto da Ordem dos Revisores Oficiais de Contas") and that we kept our independence from the Entity during the execution of the audit.

Lisbon, 28 April 2017

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Pedro Miguel Marques Antunes Bastos, ROC
Oliveira Rego & Associados, SROC, Lda.
Av. Praia da Vitória, 73-2º Esq. 1050-183 Lisboa

2.3.3. REPORT AND OPINION OF THE SUPERVISORY BOARD

1. Introduction

In conformity with the dispositions of sub-paragraph g) of no. 1 of article 420 of the Commercial Companies Code (CSC), the Supervisory Board is responsible for producing a report on its inspection activities and issuing an opinion on Caixa Geral de Depósitos's (hereinafter Caixa or CGD) accounting documents for the year ended 31 December 2016.

The Supervisory Board was elected under the sole shareholder's resolution of 31 August 2016, in the sphere of the adoption of a new corporate governance model for CGD.

Board member Luís Manuel Baptista Branco and deputy board member Manuel Sotto-Mayor Coelho de Sousa resigned from their positions on 12 December 2016.

Board member Manuel Lázaro Oliveira de Brito and deputy board member Nuno Filipe Abrantes Leal da Cunha Rodrigues assumed office on 24 April 2017.

In addition to the competence afforded by law and the company's articles of associations ("Articles"), the Supervisory Board is responsible for:

(a) Inspecting the company's management;

(b) Monitoring compliance with the law and the company's articles;

(c) Verifying the regularity of the company's books, accounting records and supporting documents;

(d) Verifying the exactness of the accounting documents and, in general, supervising the quality and integrity of the financial information therein contained;

(e) Inspecting the process for the preparation and disclosure of financial information;

(f) Verifying whether the accounting policies and measurement criteria adopted by the company lead to the correct assessment of its assets and results;

(g) Annually producing a report on its inspection actions and issuing an opinion on the report, accounts and proposals submitted by the Board of Directors;

(h) Inspecting the revision of the accounts and auditing of the company's accounting documents;

(i) Submitting a proposal to the general meeting of shareholders on the nomination of the Statutory Audit Company;

(j) Inspecting the independence of the Statutory Audit Company, namely as regards its provision of additional services;

(k) (Inspecting the quality and effectiveness of the risk management system, internal control system and internal audit system and supervising the execution of the functions performed in the internal audit and internal control system spheres;

(l) Receiving communications concerning irregularities, protests and/or complaints submitted by the shareholder, CGD employees or others and implementing procedures for the reception, registration and processing thereof;

(m) (Contracting for the services of experts to assist it in its functions, with the contracting and remuneration of such experts taking the importance of the issues and CGD's economic situation into account;

(n) Approving the proposal of the Audit and Internal Control Committee on the Statutory Audit Company's fees for its provision of audit services to CGD and other CGD Group companies;

(o) Approving the proposal of the Audit and Internal Control Committee on contracting for additional services to be provided by the Statutory Audit Company to CGD and other CGD Group companies, in addition to the respective remuneration terms.

The Supervisory Board is also responsible for:

(a) Attending the meetings of the Board of Directors and General Meetings of Shareholders to which they are invited and when considered expedient for the performance of their functions, or at which the annual accounts are considered;

(b) Performing a conscientious and impartial inspection;

(c) Making a written record of all verifications, inspections, denunciations received and steps taken and results thereof;

(d) Informing the Board of Directors of the verifications, inspections, steps taken and results thereof;

(e) Issuing an opinion on any issue provided for in the applicable legal dispositions or which have been requested by the Board of Directors;

(f) Raising the Board of Directors' attention to any matter which should be considered.

Members of the Supervisory Board, up to 31 December 2016, are also members of the following special advisory and support committees to the Board of Directors:

(a) Guilherme d'Oliveira Martins – Governance Committee;

(b) António Borges de Assunção – Audit and Internal Control Committee;

(c) Luís Manuel Baptista Branco – Appointments, Appraisal and Remuneration and Governance Committee;

(d) Manuel Coelho de Sousa – Financial Risks Committee.

2. Activities performed by the Supervisory Board in respect of 2016

Since its election, in 2016, the Supervisory Board has met twice, with all of its members being present.

In addition to these meetings, the Supervisory Board was represented at the three meetings of the Audit and Internal Control Committee (CACI) and the two meetings of the Financial Risks Committee (CRF) which took place on 31 December 2016 as well as having taken part in three meetings of the Board of Directors, which enabled it to:

(i) analyse all of the document distributed in support of the respective works;

(ii) attend the presentations given on each of the issues subject to discussion and resolution, in many cases with the assistance of external consultants;

(iii) benefit from the explanations given by the persons responsible for each of the areas whose issues were discussed, analysed and decided;

(iv) discuss issues and requests for clarification that may have been raised by the documents under analysis and the presentations and explanations thereon; and

(v) directly oversee the evolution of the multiple aspects of CGD Group's activity, paying special attention to compliance with the company's articles and legal and regulatory dispositions.

The Supervisory Board met on 4 January 2017 and reiterated its full agreement with the resolutions passed at the Board of Directors' meeting in which it took part on the same day, with the aim of ensuring CGD's operation following the resignations tendered by 7 of the 11 members of the Board of Directors, by carrying out all acts necessary or expedient for the furtherance of the company's corporate object.

The Supervisory Board also took part in the Board of Directors' meetings of 10 March 2017 and 27 April 2017 at which the annual accounts for 2016, and the documents for the production of such annual accounts, were considered and approved.

In performing its functions and complying with its lawfully attributed competence, the Supervisory Board performed several activities of which special reference should be made, on account of their importance, to the following, as detailed and listed below.

<u>2.1. Inspecting the company's management and monitoring compliance with the law and the company's articles.</u>

The Supervisory Board took note of the approval of the Industrial Plan following the heads of agreement reached between the Portuguese state and the European Commission, involving a business plan up to 2020 and which includes an increase in CGD's capital social to be fully subscribed for and paid up by the state.

In the sphere of this Recapitalization plan, CGD measured the value of its assets in line with the "significant new private investor" appraisal principle (or which would be used by a private investor intending to make a significant investment in CGD Group), as agreed with the European Directorate General for Competition (process referred to as MAAV-Management Assessment of Asset Value), which exercise the Supervisory Board oversaw in detail.

Following the authorisation of the European Central Bank and the Bank of Portugal and the approval of the state in its capacity as the sole shareholder, CGD continued to implement the operations pertaining to the first two phases of the recapitalization project in 1st quarter 2017. The completion of the second phase of the Recapitalization plan and consequent increase in solvency enable Caixa to concentrate on implementing its Strategic Plan 2020. Considering the completion of the referred to two phases provided for in the Recapitalization plan, the pro forma values of the phased-in and fully implemented Common Equity Tier 1 (CET 1) ratios and CGD's Tier 1 and totally phased-in ratios, at 31 December 2016, meet the applicable SREP (Supervisory Review and Evaluation Process) capital requirements.

The Supervisory Board took regular note of the exchange of correspondence between CGD and the supervisors.

<u>2.2 Supervision of the process for preparing and disclosing financial information (verifying the exactness of the books, accounting records and supporting documents, verifying the exactness of the accounting documents and, in general, supervising the quality and integrity of the financial information therein contained; inspecting the process for the preparation and disclosure of financial information; verifying whether the accounting policies and measurement criteria adopted by the company lead to the correct assessment of its assets and results, inspecting the revision of the accounts and auditing of CGD's accounting documents).</u>

The Supervisory Board analysed the results and conclusions of the procedures for the revision of the financial statements performed by the External Auditor and the Statutory Audit Company, in addition to the information submitted, at the time, on accounting policies and practices, in respect of the results reported by CGD at the end of 2016. Reference should be made to the highly significant impact of the MAAV.

The Supervisory Board analysed the documents supplied on the Consolidated and Separate Statutory Audit Certificates having contacted the External Auditor and the Statutory Audit company enabling it to better understand the situations that, from its respective viewpoint should merit greater attention from CGD.

<u>2.3. Submitting a proposal on the nomination of the Statutory Audit Company to the general meeting of shareholders.</u>

In the sphere of the competence attributed to it, the Supervisory Board, after obtaining the favourable opinion of CACI, decided to propose the Statutory Audit Company for 2016 under the terms of the already submitted proposal.

As Deloitte & Associados, SROC as the External Auditor and Oliveira Rego & Associados, SROC as the Statutory Audit Company have already attained the maximum length of time provided for the performance of their respective functions, the Supervisory Board resumed the selection process for their replacement and at a meeting of 6 March 2017, decided to propose the Statutory Auditors and, at the same time, Auditor for the term of office 2017-2020.

<u>2.4. To inspect the independence of the Statutory Audit Company, as regards its provision of additional services; to approve the proposal of the Audit and Internal Control Committee on the fees to be paid to the Statutory Audit Company for the provision of audit services to CGD and other CGD Group companies; to approve the proposal of the Audit and Internal Control Committee on contracting for additional services to be provided by the Statutory Audit Company to CGD and other CGD Group companies, in addition to the terms of their respective remuneration.</u>

The Supervisory Board supervised and appraised the activity and independence of the Statutory Audit Company and External Auditor, controlling the relative proportion of the fees charged in respect of the additional services to the total agreed fees.

After obtaining the favourable opinion of CACI, it approved the fees of Deloitte in respect of the "Extension of the work performed in the sphere of the revision of the consolidated financial statements at 30 June 2016", to include the following tasks: i) collection and systemisation of information on the composition and type of the diverse categories of assets and the measurement approach adopted by CGD; ii) overseeing the assets measurement process; iii) taking part in working meetings with the Executive Committee and CGD Divisions involved in the assets measurement process; iv) independent analysis of the calculations and application of the assets measurement criteria defined by the Executive Committee; v) production of the independent validation report.

In 2017, in the sphere of the capitalisation process, the Supervisory Board decided on Deloitte’s issue of a comfort letter for the issuance of subordinated AT1 debt.

<u>2.5. Inspecting the quality and efficiency of the risk management system, internal control system and internal audit system and supervising the execution of the functions performed in the sphere of the internal audit and internal control system.</u>

The Supervisory Board oversaw a significant number of wide-ranging initiatives and actions designed to achieve best practice in risk management terms. Particular reference should be made to the following:

(a) Centralisation of CGD Group’s Risk Management Function in its “Chief Risk Officer” (“CRO”), as a member of the Executive Committee of the Board of Directors of CGD, with global responsibility for monitoring the Group’s risk management framework;

(b) The Credit Risks Division was created at the end of 2016 – with functions in the area of the analysis, issue of opinions and decisions on credit operations, in accordance with the credit regulations and the Delegation of Competence currently in force. It is also responsible for validating the separate evaluation process on credit impairment, monitoring defined credit alerts and ratings on enterprises and economic groups.

(c) Creation of the Models Validation Office – for the internal validation of the risk assessment models used in CGD Group with the objective of enshrining the principle of the separation of functions between the risk models' owner functions and the function for measuring the quality thereof;

(d) Approval of the Internal Risk Management Function Regulation – setting out the mission, responsibilities and competence of the Risk Management Function in Caixa Geral de Depósitos, S.A., as well as the principles, rules and duties governing their performance, according to EBA (European Banking Authority) guidelines on the internal governance of banking institutions;

(e) Revision and update of the Risk Appetite Framework, complemented by the Group's Risk Appetite Statement with the objective of establishing the governance model and involvement of the Bank's different areas in risk management and monitoring mechanisms and the integration of Risk Appetite in risk management and decision-making processes;

(f) Formalising of the governance models for CGD Group's self-assessment processes on capital and liquidity adequacy – ICAAP and ILAAP – with the publication of the respective internal corporate standards.

The Supervisory Board, through its participation in CACI, oversaw the audit reports produced by the Internal Audit Division and also kept a close eye on the activity of the Compliance Office.

2.6. Receiving communications concerning irregularities, protests and/or complaints submitted by the shareholder, CGD employees or others and implementing procedures for the reception, registration and processing thereof.

The Supervisory Board took regular note of the protests and complaints submitted to it, having passed the processes on to CGD's competent services.

2.7. Annually producing a report on its inspection actions and issuing an opinion on the report, accounts and proposals submitted by the Board of Directors

Pursuant to legal statutory and regulatory dispositions, the Supervisory Board:

(a) contacted the senior officers and technical staff of the External Auditor and Statutory Audit Company, overseeing the works being performed and, in particular, having met with them: (i) on 22 January 2017 (External Auditor) and 6 March 2017 (Statutory Audit Company) as regards the planning of the audit works; (ii) on 22 March 2017 to obtain the opinion of the External Auditor on the accounts and the current status of the audit works; (iii) on 20 April 2017 with the External Auditor for a status report on and the expected content of the audit reports; (iv) on 27 April 2017 with the External Auditor and Statutory Audit Company for the presentation of the significant conclusions on the examinations made and the circumstances affecting the form and contents of the reports;

(b) examined the following documents prepared for 2016, with which they were in agreement:

    (i) the Annual Report – including the Separate and Consolidated Balance Sheet at 31 December, Separate and Consolidated Income Statements and their respective Notes;

(ii) the statutory audit certificates produced by the Statutory Audit Company on the separate and consolidated accounts;

(iii) the Audit Reports on the separate and consolidated financial statements issued by the External Auditor, under the terms of article 245, no. 1, sub-paragraph b) of the Securities Market Code, without any reservations (and with emphases of matters on the Recapitalization Plan and the Adoption of the International Financial Reporting Standards as adopted in the European Union for the separate accounts), with, given the fact that the new format was used this year, reference being made to the "Relevant Audit Matters" therein included: (1) impairment on loans and advances to customers; (2) valuation of real estate received as payment in kind on loans; (3) liabilities for the post-employment benefits of CGD employees; (4) recoverability of deferred tax assets and application of Regulatory Decree 5/2016; (5) resolution fund; (6) impairment on investments in subsidiaries, associates and jointly controlled entities;

(iv) the Additional Report of the External Auditor and the Statutory Audit Company submitted to the Supervisory Board in compliance with the dispositions of article 24 of the Legal Regime on Audit Supervision approved by Law 148/2015 of 9 September and article 11 of European Parliament and the Council Regulation (EU) 537/2014 of 16 April 2014;

(c) assessed compliance with the current legal guidelines on the State's Corporate Sector, namely compliance with the guidelines on remunerations in force in 2016 and in respect of the Corporate Governance Report included in the Annual Report, consideration of which was positive.

3. Activity Indicators

SEPARATE ACCOUNTS

- CGD's net assets were down €7.9 billion over 31 December 2015 to €82.9 billion. Particular reference should be made to the reduction of loans and advances to customers (heavily influenced by write-offs) and securities investments.
- CGD's liabilities were down €5.5 billion over the preceding year to 80.5 billion, owing to the reductions in customer resources and debt securities.
- Shareholders' equity was down €2.4 billion over the preceding year to €2.4 billion, particularly on account of the negative evolution of net income for the year.
- Cost-to-income was 81.2% against 52.8% in 2015, owing to the decrease in total operating income.
- The fully implemented and phased-in Common Equity Tier 1 (CET 1) ratios, on a separate basis calculated under CRD IV/CRR rules, at the end of 2016, were 5.9% and 6.6% respectively.
- Separate net income reflecting the increase in provisions and impairment for the year was a negative €2,050.4 million.

CONSOLIDATED ACCOUNTS

- CGD Group's net assets were down €7.4 billion over the preceding year to €93.5 billion, essentially deriving from the decrease of securities investments and loans and advances to customers.

- Liabilities were also down €5.1 billion over 31 December 2015 to €89.7 billion, with particular reference to the decrease of customer resources and other loans and debt securities.

  There was a particular reduction of customer deposits in the institutional segment with a decrease in individual customers' deposits as a consequence of sales of Variable Yield Treasury Bonds registered across the year.

- The Group's shareholders' equity, particularly translating the negative evolution of net income for the year, was down €2.3 billion to €3.9 billion, over the preceding year.
- Cost-to-income was 77.8% in 2016 (66.7% in the preceding year), with the change particularly deriving from the lower level of total operating income.
- The fully implemented and phased-in Common Equity Tier 1 (CET 1) ratios, on a consolidated basis, calculated under CRD IV / CRR rules, were 5.5% and 7.0%, respectively.
- Consolidated net income attributable to CGD's shareholder comprised a negative €1,859.5 million against a negative €171.5 million in 2015.

4. Opinion of the Supervisory Board

In light of the above, the Supervisory Board considers, in respect of 2016, that CGD's Board of Directors' Report, the Proposal for the Appropriation of Net Income therein expressed, CGD Group's Separate and Consolidated Annual Accounts, respective Statutory Audit Certificate and Audit Report and Report on Corporate Governance are in accordance with the applicable legal, statutory or accounting dispositions and therefore recommends the approval thereof at the General Meeting of Shareholders.

The signatories declare that, to the best of their knowledge, the Board of Directors' Report, the Separate and Consolidated Annual Accounts, respective Statutory Audit Certificate and Audit Reports and CGD's other accounting documents, all of which for 2016, were produced in conformity with the applicable accounting standards and give a true and appropriate image of the equity and financial results of Caixa and the companies included in its consolidation perimeter and that the Board of Directors' Report gives a faithful account of business evolution and the performance and position of CGD Group and contains a description of the main risks and uncertainties to be faced.

Lisbon, 29 April 2017

2.4. Non Financial Information Verification Statement

Deloitte.

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INDEPENDENT ASSURANCE ENGAGEMENT REPORT
Translation of a report originally issued in Portuguese

To the Executive Committee of
Caixa Geral de Depósitos, S.A.

Introduction

1. We have performed a review to the sustainability information issued by Caixa Geral de Depósitos, S.A. ("CGD") for 2016, to analyze:

   – The compliance with the disclosure of sustainability information requirements defined by the Global Reporting Initiative standards for sustainability reporting, GRI Standards, for the "in accordance – comprehensive" option, as well as the reliability of the related 2016 information provided, as for CGD;

   – CGD's greenhouse gas (GHG) emissions offset information and the underlying process, carried out by reference to 2016, in accordance with the concepts, criteria and methods relevant to its operation as defined by CGD and publicly disclosed within the scope of this report; and

   – The alignment with the disclosure of sustainability information requirements defined by the GRI Standards, within the scope of the GRI performance indicators and management approaches, of Banco Interatlântico, S.A., Banco Comercial do Atlântico, S.A., Banco Caixa Geral Brasil, S.A., and Mercantile Bank Holdings, Ltd. ("Affiliate banks"), included in this report, as well as the reliability of the underlying 2016 information,

   being that information disclosed through the "Annual Report 2016" and the "Sustainability Report 2016", as well as other documents available in CGD website, as identified in the "2016 GRI Content Index".

Responsibilities

2. It is the responsibility of CGD's Board of Directors to prepare the sustainability report in accordance with the GRI Standards, in the context of the criteria established in this reference framework and the additional ones defined by CGD and expressed in that report, as well as the maintenance of an internal control system and appropriate information capture and processing systems and processes to ensure such preparation. It is also the responsibility of CGD's Board of Directors to define the scope and criteria for GHG compensation, as well as the maintenance of an internal control system and systems and processes for the offsetting and capture and processing of the underlying information appropriate, according to the established criteria. Our responsibility is to express an independent conclusion on that compliance and reliability of the underlying information.

Scope of our work

3. We conducted our review in accordance with International Standard on Assurance Engagements 3000 – ISAE 3000, issued by the International Auditing and Assurance Standards Board, for Assurance Engagements other than Audit or Limited Reviews of Historical Financial Information, for a limited level of assurance. We are independent from CGD and Affiliate banks in the terms of the law and we have fulfilled our other ethical responsibilities arising from the requirements of the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

Deloitte.

Deloitte & Associados, SROC S.A.
Registo na OROC nº 43
Registo na CMVM nº 20161389

4. Our work is summarized as follows:

   – Interviews with CGD's responsible for the management of the sustainability strategy and preparation of sustainability reporting and for the management of GHG emissions compensation, as well as those responsible for the reporting data of CGD and Affiliate banks, in order to know and understand the principles of management and reporting, as well as the systems and processes adopted;

   – Review, on a sample basis, the effectiveness of the systems, processes and criteria applied to capture, process and report the 2016 data related to the information reviewed by us, including existing systems, processes and criteria for:

     a) Quantify the GHG emissions associated with the compensation processes;
     b) Evaluate and select the credits generated by reduction projects used to offset these emissions; and
     c) Obtain and allocate credits in sufficient quantity to guarantee the compensation of the abovementioned emissions;

   – Analytical data review and tests, on a sample basis, to the quantitative and qualitative information within the scope of our work, by obtaining confirmations and related evidences;

   – Review of compliance of the CGD contents included in the sustainability report, as indicated in the "2016 GRI Content Index ", with the information disclosure requirements set out in the GRI Standards for the "in accordance – comprehensive" option, and revision of the alignment with the requirements established in this framework in the case of GRI management indicators and approaches related to Affiliate banks, taking into account the general standard and the respective supplement for the financial sector; and

   – Verification of the consistency of information included in the sustainability report with the results of our work, and with relevant information included in the audited CGD and Affiliate banks 2016 separate financial statements.

Conclusion

5. Based on the work described in paragraph 4 above, nothing has come to our attention that leads us to conclude that the sustainability information referred to in paragraph 1 above is not, in all material respects: (i) in accordance with the disclosure of sustainability information requirements set out in the GRI Standards for the "in accordance – comprehensive" option, including the reliability of the underlying 2016 information relating to CGD; (ii) free of material misstatements in regard to CGD's GHG compensation and the underlying process, carried out by reference to 2016, in accordance with the concepts, criteria and methods relevant to its operation; and (iii) aligned with the sustainability information disclosure requirements for set out in the GRI Standards within the scope of the GRI performance indicators and management approaches of the Affiliate banks, including the reliability of underlying 2016 information.

Lisbon, 28 April 2017

Deloitte & Associados, SROC S.A.

Deloitte & Associados, SROC S.A.
Represented by João Carlos Frade

3. Report on Corporate Governance 2016 (*)

(*) Version approved at the meeting of the Board of Directors of 27 April 2017.

3.1. Summary

Caixa Geral de Depósitos, SA's corporate governance report has been produced in conformity with current legislation, namely the dispositions of decree law 133/2013 of 3 October (approving the new legal regime on the state's corporate sector – RJSPE) and the guidelines issued for the purpose by UTAM (Technical Unit for the Oversight and Monitoring of the State's Corporate Sector).

It is considered that Caixa Geral de Depósitos, SA has complied with Good Corporate Governance Practices, in 2016.

In 2016 CGD had two governance models, one of which, up to 31 August, and the other, starting from this date, both of which ensuring effective separation between management and inspection functions. The former comprised a board of directors, made up of an audit committee and a statutory audit company, with the latter comprising a board of directors, supervisory board and statutory audit company.

The board of directors for the 2016 – 2019 term of office, in conformity with the new management and inspection structure model, was elected on 31 August 2016, under a shareholder's written resolution.

The members of the board of directors for the 2017 – 2020 term of office, were elected on 31 January 2017.

3.2. Mission, Objectives and Policies

MISSION

CGD's mission consists of making a decisive contribution to the development of the national economy in order to achieve a balanced evolution between profitability, growth and financial strength, accompanied by prudent risk management, to enhance the stability of the national financial system.

As a driving force behind the country's economic development, CGD's mission comprises the following:

- A strengthening of the competitiveness, innovation capacity and internationalisation of Portuguese companies, particularly SMEs, ensuring their respective funding requirements;
- Promoting manufacturing activity, particularly tradable goods and services oriented to export or import substitution;
- Backing the entrepreneurship and recapitalization process of Portuguese companies;
- The provision of solutions to meet the borrowing requirements of Portuguese households at various times in their lifecycles, encouraging savings and national investment.

VALUES

As CGD's activity and its employees' conduct are governed by the following fundamental values:

- Rigour, which includes objectivity, professionalism, technical skill and diligence always geared to achieving higher levels of economic, financial, social and environmental efficiency, based on the adoption of best banking and financial practice;
- Transparency of information, namely as regards conditions governing the provision of services and the organisation's performance, operating with truth and clarity;
- Security of investments, with prudent risk management and CGD's stability and strength as a sine qua non;
- Organisational and personal responsibility for own actions, endeavouring to correct eventual negative impacts. This includes socially responsible performance and commitment to sustainable development;
- Integrity, understood to mean scrupulous legal, regulatory, contractual and ethical compliance with ethical values and the operating principles adopted;
- Respect for interests which have been entrusted, acting with courtesy, discretion and loyalty, in addition to principles of non-discrimination, tolerance and equality of opportunities.

MAIN STRATEGIC GOALS

STRATEGIC PLAN 2013 – 2017

CGD Group's strategic plan has been structured on two key challenges:

1. To protect and strengthen CGD Group's financial health (solvency, liquidity and profitability) to meet the needs of the new economic and financial sector framework. This challenge requires a response to the needs created by the new economic and financial sector context, even in more adverse scenarios, strengthening the Group's indicators in order to maintain a higher core tier I than required by the supervisors, adequate return on equity, a stable loans-to-deposits ratio of around 100-120% and a growing corporate integration of the business units based on a management, supply and multichannel service approach.
2. To transform CGD, focusing activity on its banking business, in order to ensure the Group's sustainability and competitiveness on an organisational and business model level.This challenge is to prepare and guarantee CGD's sustainability and competitiveness on an organisational and business model level, owing to the paradigm shift in the banking sector, adjusting the Bank's current model in Portugal and integrating it, in terms of supply, with the international network, guaranteeing greater focus on the service/transaction component, a service model more in line with the expectable evolution of the market and the needs of key segments – premium customers, non-residents and companies/SMEs producing tradable goods – and the necessary support based on optimised platforms, processes and HR in line with the market's new requirements.

The furtherance of these two challenges is based on a collection of factors with different timeframes in terms of impact:

- Increase in credit and pricing protection;
- Reduction of funding cost;
- Increasing commissions revenues;
- Reducing structural costs;
- Reducing NPEs (non-performing exposures) and the deleveraging of problematic assets;
- Boosting the profitable and sustainable growth of the international area;
- Protection of capital.

The main thrusts defined to meet the referred to challenges are:

a) To create profitable assets with adequate risk levels by strengthening the relationship with companies, namely with SMEs, making CGD the reference bank in its backing of companies;

b) To retain pole position in loans and advances to customers for mortgages, boosting consumer credit;

c) To increase net interest income by adjusting the mix and improving credit pricing, focusing on higher margin products and reducing funding costs, mainly on deposits;

d) To promote commissions revenues, reviewing policies and processes tending to leverage the collection thereof;

e) To proceed with the evolution of the operational model, simplifying and automating processes, improving efficiency levels by adopting productivity boosting measures, focusing on the mobility of human resources and laying the groundwork for more effective talent management;

f) To optimise structural costs through an early retirement programme;

g) To exploit the efficacy of the functional optimisation of risk management and the credit oversight and recovery model, to reduce provisioning needs;

h) To continue the balance sheet reduction process through the deleveraging of NPEs (non-performing exposures) and real estate assets;

i) To strengthen the positive contribution of each Group entity considered separately in consolidated net income, concentrating on sustainable growth and risk control and stimulating cross-border business between geographies;

j) To identify and implement initiatives designed to optimise the use of capital to fulfil commitments and provide for possible contingencies.

k) To maintain the redefinition and adjustment of the retail branch office network, exploiting the multichannel strategy in the digital area in terms of customer relations;

The strategies and policies defined for the group generally enabled, *grosso modo*, the following corporate objectives to be achieved:

- Liquidity
    - A loans-to-deposits ratio of less than 120%;
    - Stabilization/reduction of intragroup funding requirements;
    - Progressive reduction of ECB funding;
    - Convergence of Stable Funding ratio to 100%.

- Solvency
  - Core Tier I Ratio*:* Compliance with the capital requirements of the EBA's recommendation on the preservation of core tier I, implementation of Basel III and those deriving from the SSM (Single Supervisory Mechanism).
- Efficiency
  - Convergence of the net commissions/employee costs ratio to 100%;
  - Convergence of cost-to-income (BdP) to 50%.

Notwithstanding the implementation of the referred to guidelines and strategic measures, profitability and efficiency objectives continue to be strongly influenced by external factors, particularly:

- The current economic cycle and its impact on consumer confidence and conditioning of demand for credit and evolution of deposits while bringing additional pressure to bear on the cost of risk;
- Historically low levels of market interest rates, which, considering that most loan agreements in the Portuguese financial system are indexed to variable rates, strongly constrains net interest income from domestic banking.

In 2016 the results were significantly influenced by the impact of the recapitalization process, agreed by the Portuguese Government and the European Commission.

Accordingly, CGD undertook an exhaustive review of the valuation of assets, with criteria and assumptions that a private investor would use (Private Investor principle). This revision was also carried out with the objective of reducing the level of NPL (Non-performing loans), namely through asset write-offs and the sale of non-core assets.

STRATEGIC PLAN 2017 – 2020

CGD's capitalisation was designed on the basis of a robust Strategic Plan which has defined the Bank's strategy up to 2020 and which evidences the rationality and sustainability of CGD's sole shareholder's investment decision.

The Portuguese state and CGD are strong believers in the viability of the Strategic Plan, mainly on account of the following:

- The plan is based on a prudent macroeconomic scenario, namely with negative interest rates up to 2020;
- The plan assumes no fundamental changes in market share or launches of new lines of activity, so there is little dependence on growth assumptions which may be less in control of the management team;
- There is significant restructuring of the operational platform, which corresponds to levers under control of the management team;
- The restructuring of the international footprint, based on criteria of economic and strategic rationale, will simplify and de-risk CGD's subsidiary portfolio;
- The plan includes an enhancement of the Group's risk management practices, aimed at aligning CGD with market best practices;
- The evaluation of the loan and securities book will allow for the operation of normalised cost of risk; and
- Governance and remuneration conditions have been reviewed to allow for CGD to compete as a market player.

The Strategic Plan includes (i) the macroeconomic context, (ii) a viable restructuring plan that includes major disposals of non-strategic operations, (iii) a detailed profit and loss analysis accompanied by an overview of CGD's balance sheet with projections of net interest income following the capital increase (iv) an indication of expected returns and (v) the definition of periods for the referred to expected returns.

The goal of the measures contained in the Strategic Plan is to improve the overall performance of CGD in order to ensure its long-term sustainability and the creation of value for its shareholder. As such, it builds on the following principles:

- Maintaining CGD's current leading position in the Portuguese market without fundamentally changing its current business model as a global bank;
- Increasing the operational efficiency of its domestic operations, combining it with the simplification of the group structure and the restructuring of the international portfolio;
- Targeting attractive returns for the shareholder (greater than 9 per cent. as of 2020);
- Strengthening the Group's solvency levels to aim to accomplish the requirements defined by the supervisors and market expectations (CET1 above 12.5 per cent.)
- Maintaining an independent and accountable governance and management model.

The Strategic Plan builds upon four strategic pillars:

Pillar 1 - The first pillar of the Strategic Plan is based on the restructuring of CGD's asset portfolio and on the strengthening of its risk management model with the aim of improving the solvency and resilience of the balance sheet.

Pillar 1 of the Strategic Plan is to be carried out through a set of initiatives aimed at ensuring that the risk management of CGD corresponds to the highest international and regulatory standards and that a cost efficient risk business model is put in place. For these purposes, the following measures shall be implemented:

- Integrating finance and business priorities with risk management, including in the context of strategy/risk appetite, budgeting and performance management;
- Implementing a full "three-lines-of-defence" risk management model;
- Upgrading the compliance and audit infrastructure;
- Revising all the risk management processes;
- Improving the quality of capital measurement models;
- Improving the legacy assets management; and
- Strengthening credit monitoring and recovery.

The process of turning these initiatives into short and medium-term actions has already been started. In particular, a detailed set of underwriting and NPL operational plans have been drawn up.

Furthermore, CGD will explore the creation of a separate unit with dedicated management to oversee legacy real estate assets; if progressed, it should lead to a more efficient recovery process and allow CGD's management team to focus on the bank's ongoing strategy and operations.

Pillar 2 - The second pillar of the Strategic Plan focuses on the adjustment of CGD's domestic operational infrastructure to increase efficiency. The key initiatives to be implemented focus on:

- Adjusting the branch network by reducing the number of branches by 180;
- Reducing headcount by 2,200 (additionally to the leaving contracts in 2016 in the context of the early retirement program - Plano Horizonte);
- Improving the management of Human Resources, including training; and
- Improving service levels and customer service through digitalisation process.

Pillar 3 - Pillar 3 is centered on the restructuring of the international portfolio with the aim of focusing on selected geographies.

CGD's international portfolio has been mainly composed of nine subsidiaries and nine branches. Within the overarching principle of reducing international risk and focusing on core geographies with business affinity to Portugal, CGD will carry out a focused approach, ensuring a review of the business and governance models of assets to keep and sell and divest assets in non-core geographies.

Pillar 4 - Pillar 4 of the Strategic Plan focuses on the modernisation of the commercial franchise of domestic operations to ensure sustainability.

The key initiatives of this pillar include:

- The revision of the segmentation and upgrade of the retail offer;
- Digitalisation of the customer experience;
- Revision of bancassurance and asset management models to support retail value propositions and the penetration of off-balance sheet products;
- The definition of a plan to improve share of wallet in small and medium sized enterprises, capturing treasury and/or cash-management fees;
- The introduction of a risk- and capital- adjusted performance management system; and
- Credit process optimisation.

3.3. Shareholders' Structure

CGD is an exclusively state-owned public liability limited company whose shares may only be owned by the state. Its share capital of €5,900,000,000 comprises 1,180,000,000 shares with a nominal value of €5 each, at 31 December 2016.

(ARTICLE 448 OF COMMERCIAL COMPANIES CODE)

Shareholders	Share Capital at 31/12/2016	% Equity Stake at 31/12/2016
Portuguese State	€ 5,900,000,000	100%

There is no knowledge of shareholders' agreements involving the share capital of CGD,SA.

3.4. Group Structure and Bond holdings

Information on the group's structure in terms of its subsidiaries, by sector of activity is set out below:

		31-12-2016	
	Head Office	Effective Participating interest	Direct Participating interest
Holding Companies			
Caixa - Gestão de Activos, SGPS, S.A.	Lisbon	100.00%	100.00%
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	100.00%
Caixa Desenvolvimento, SGPS, S.A.	Lisbon	99.75%	-
Caixa Seguros e Saúde, SGPS, S.A.	Lisbon	100.00%	100.00%
Parbanca, SGPS, S.A.	Madeira	100.00%	10.00%
Parcaixa SGPS, S.A.	Lisbon	51.00%	51.00%
Partang, SGPS, S.A.	Lisbon	100.00%	100.00%
Wolfpart, SGPS, S.A.	Lisbon	100.00%	100.00%
Banking			
Banco Caixa Geral, S.A.	Vigo	99.79%	99.79%
Banco Comercial do Atlântico, S.A.	Praia	57.91%	54.41%
Banco Comercial e de Investimentos, S.A.	Maputo	52.13%	-
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	99.90%
Banco Interatlântico, S.A.R.L.	Praia	70.00%	70.00%
Banco Nacional Ultramarino, S.A. (Macau)	Macau	100.00%	99.42%
Caixa - Banco de Investimento, S.A.	Lisbon	99.75%	94.04%
CGD - North America Finance	Delaware	100.00%	100.00%
CGD Investimentos CVC, S.A.	São Paulo	99.87%	-
Mercantile Bank Holdings, Ltd.	Johannesburg	100.00%	91.60%
Banco Caixa Geral Angola, S.A.	Luanda	51.00%	-
Specialised Credit			
Caixa Leasing e Factoring - Instituição Financeira de Crédito, S.A.	Lisbon	51.00%	-
Promoleasing - Sociedade de Locação Financeira, S.A.	Praia	57.91%	-
Asset Management			
Caixagest - Técnicas de Gestão de Fundos, S.A.	Lisbon	100.00%	-
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	-
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisbon	100.00%	-
Venture Capital			
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	45.30%	36.21%
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	99.72%	-
Property			
Imobci, Lda	Maputo	45.21%	40.00%
Imocaixa - Gestão Imobiliária, S.A.	Lisbon	100.00%	90.00%
Caixa Imobiliário, S.A.	Lisbon	100.00%	-
Inmobiliaria Caixa Geral S.A.U.	Madrid	100.00%	-
Cibergradual, Investimento Imobiliário, S.A.	Lisbon	100.00%	-
Other Financial Entities			
CGD Finance	Cayman	100.00%	100.00%
Interbancos, S.A.R.L.	Maputo	29.71%	-

		31-12-2016	
Other Companies	Head Office	Effective Participating interest	Direct Participating interest
Caixanet - Telemática e Comunicações, S.A.	Lisbon	80.00%	80.00%
Caixatec, Tecnologias de Comunicação, S.A.	Lisbon	100.00%	100.00%
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%	100.00%
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	100.00%
Fundo de Capital de Risco Caixa Fundos	Lisbon	100.00%	100.00%
Fundo de Capital de Risco Caixa Crescimento	Lisbon	100.00%	100.00%
Fundo Capital de Risco Caixa Tech Transfer Accelerator Ventures	Lisbon	100.00%	-
Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	Lisbon	100.00%	100.00%
Fundo Especial de Investimento Aberto Estratatégias Alternativas	Lisbon	74.08%	-
Caixa Imobiliário - Fundo de investimento Imobiliário de Arrendamento Habitacional	Lisbon	100.00%	-
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	41.10%	-
Caixagest Imobiliário Internacional- Fundo Especial de Investimento	Lisbon	42.12%	-
Caixagest Infra- Estruturas - Fundo Especial de Investimento	Lisbon	22.51%	-
Beirafundo - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	41.39%
Cidades de Portugal - Fundo de Investimento Fechado de Arrendamento Habitacional	Lisbon	100.00%	-
Fundolis - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	-
Fundimo - Fundo de Investimento Imobiliário Aberto	Lisbon	58.16%	-
Fundo Especial de Investimento Obrigações Rendimento Nacional	Lisbon	29.73%	-
Fundiestamo - - Fundo de Investimento Imobiliário Fechado	Lisbon	78.08%	-
Fundo Especial de Investimento Imobiliário Fechado - Iberia	Lisbon	100.00%	-

The above referred to direct equity percentages comprise share capital held and voting rights.

The main movements in the group's subsidiaries in 2016, in terms of acquisitions and disposals of equity stakes and investments were as follows:

Banco Comercial e de Investimentos, S.A.

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.

Interbancos

Interbancos which is 57% owned by Banco Comercial e de Investimentos, S.A., was formed by a public deed of 01 August 2001, with the object of performing an electronic means of payment activity and provision of diverse connected or complementary services. At 31 December 2016, the subscribed and fully paid up share capital of Interbancos, totalled MZN 5,451 thousand, with shareholders maintaining the proportion of their initial share ownership.

Ibéria - Fundo Especial de Investimento Imobiliário

On 08 January 2016, the investors meeting approved a capital increase of €59,977 thousand in Fundo Especial de Investimento Imobiliário, to be paid up in kind. This operation comprised the transfer of a collection of properties owned by Caixa Imobiliário, S.A. to Ibéria - Fundo Especial de Investimento Imobiliário to realise the amount of capital subscribed for in this operation.

Fundo de Capital de Risco Caixa Crescimento

Fundo Caixa Crescimento, FCR, formed on 28 June 2013, operates in the venture capital area by investing in SMEs or midcaps headquartered in Portugal which require funding for their respective investment plans to strengthen their production capacity, expand into new markets, sustain their growth strategies or reinforce structural funding needs for their operating cycle.

An increase in the Fund's capital was approved in first half 2016, based on the issuance of 30,000 investment units for a nominal amount of €1,000 each, fully paid up by Caixa. This capital increase follows the €30,000 thousand capital increase made in 2015, which was also subscribed for by CGD.

An amount of €35,700 thousand of the Fund's total capital has been fully paid up in cash at December 31, 2016, missing €56,300 thousand.

Fundo de Capital de Risco Caixa Tech Transfer Accelerator Ventures

The Caixa Tech Transfer Accelerator Ventures Fund was formed on 16 March 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 Fundo de Capital de Risco Caixa Fundos.

The Fund's corporate object is 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.

An amount of €3,300 thousand of the Fund's total capital has been fully paid up in cash at December 31, 2016.

Fundo Especial de Investimento Imobiliário Fechado (FEII – Caixa Reabilita)

Based on a resolution of its sole shareholder, Caixa Geral de Depósitos, Caixa Reabilita, formed as a corporate vehicle for the Group's equity investment in the sphere of the JESSICA Community initiative, sold its equity investment in Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional - Cidades de Portugal to CGD (Fundo Cidades de Portugal), representing 30% of its capital, at the Fund's closing value at 30 November 2016. This operation gave Caixa Geral de Depósitos the direct ownership of the full amount of the equity of Fundo Cidades de Portugal.

Following the completion of this operation, Caixa Reabilita ceased its operations, with the liquidation proceeds being paid into the disbursement accounts of the JESSICA (Fundo de Desenvolvimento Urbano FDU) line of credit).

The information concerning the non-profitable organizations of which CGD is an associated member can be found in the Annex III of this document.

Information on the bondholding status of members of the board of directors is as follows:

Bondholders Members of the Board of Directors in office as of 31/12/2016:	Security	Number of bonds at 31/12/2016
Emílio Rui Vilar	Subordinated bonds CGD – 2009/2019 – Anniversary	100

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 do not have any investment in companies in which CGD has a direct or indirect majority shareholding.

3.5. Statutory Bodies and Committees

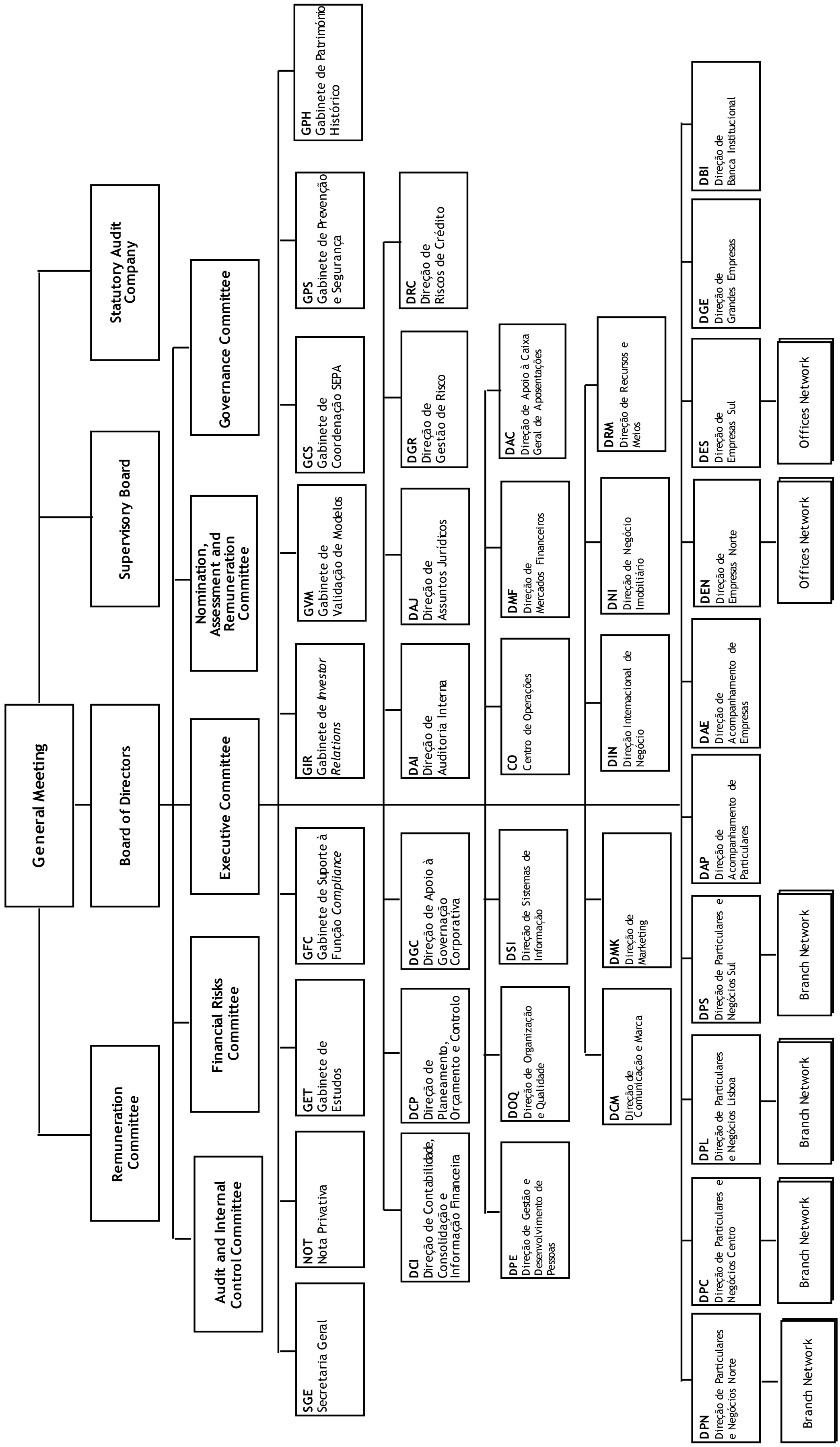
CGD is an exclusively public limited liability company whose shares may only belong to the state. It has a share capital of €5,900,000,000.00 in the form of 1,180,000,000 shares with a nominal value of €5 each.

CGD had two governance models in 2016, one of which, up to 31 August, and the other, starting from this date, both of which ensuring effective separation between management and inspection functions. The former comprised a board of directors, made up of an audit committee and a statutory audit company, with the latter comprising a board of directors, supervisory board and statutory audit company. The two periods will be differentiated throughout the body of this text.

Members of CGD's statutory bodies are elected under a shareholder's resolution for a period of four years and may be re-elected. The maximum number of successive terms of office cannot, however, exceed four, with the exception of members of the supervisory board and the statutory audit company, who are governed by the dispositions set out at law.

CGD's articles of association are changed under the terms of the Commercial Companies Code and their draft changes must be duly substantiated and approved by the shareholder (viz. Decree Law 133/2013 of 3 October, article 36). Under the statutes, there are no shareholders' resolutions, other than those set out at law, that have to be taken by a qualified majority.

CGD'S ORGANISATION CHART



3.5.1. GENERAL MEETING

The board of the shareholders' meeting comprises a chairman, a vice-chairman and a secretary.

Composition of the board of the shareholders' meeting. *(Up to August 31.Term of office: 2013-2015)*

Chairman: Manuel Carlos Lopes Porto

Vice-chairman: vacant

Secretary: José Lourenço Soares

Composition of the board of the shareholders' meeting. *(From August 31.Term of office: 2013-2015)*

Chairman: Paulo Cardoso Correia da Mota Pinto

Vice-chairman: Elsa Maria Roncon Santos

Secretary: José Lourenço Soares

The résumés of members of the shareholders' meeting are set out in an annex to this report.

The shareholders' meeting shall pass resolutions on all issues for which it is competent under the law and the articles of association and is especially with the delegation of competence for:

- Approving the proposal for the appropriation of net income;
- Undertaking a general annual appraisal of the company's management and inspection;
- Electing members of the board of the shareholders' meeting, members of the board of directors, appointing its chairman and vice-chairmen, members of the supervisory board and the statutory audit company;
- Approving changes to the articles of association and capital increases;
- Approving the remuneration of members of statutory bodies, having the right, for the said purpose, to appoint a remuneration committee comprising three independent members with the powers to define the said remuneration;
- Authorising the acquisition and disposal of property and investments, both of which when comprising more than twenty per cent of the share capital;
- Dealing with any other issue for which it has been called.

The Portuguese state, as the sole shareholder, passed the following resolutions, in 2016, either at a shareholders' meeting or in the form of a unanimous written resolution:

i) the appointment of the members of CGD's first appraisal committee (3 March);

ii) approval of the board of directors' report and accounts on separate and consolidated activity for 2015; approval of the proposal for the appropriation of net income; approval of a vote of confidence in the board of directors and the company's inspection bodies to include each of their members (25 May);

iii) appointment of the new members of the appraisal committee (13 July);

iv) changes to the company's articles of association; election of members of the statutory bodies for the term of office 2016 – 2019; appointment of the remuneration committee; approval of the remuneration policy for members of boards of directors and inspection bodies for 2016; change in the internal policy for the selection and appraisal of members of boards of directors and inspection bodies and persons with the delegation of competence for essential functions in Caixa Geral de Depósitos; approval of the industrial plan (31 August);

v) rectification of the name of a supervisory board member (7 September);

vi) appointment of the statutory audit company to produce a report for verifying payments in kind, for the purpose of a global capital increase to be subscribed for and paid up in kind by CGD's sole shareholder).

REMUNERATION COMMITTEE (OF THE SHAREHOLDERS' MEETING)

The remuneration committee for the four year period 2016 – 2019 was appointed on 31 August 2016 under sub-paragraph f) of no. 2 of article 14 of the company's articles of association, with the following composition:

Chairman: Manuel Ferreira de Oliveira

Members: Francisco Veloso and Patrícia Andrea Bastos Teixeira Lopes Couto Viana.

The remuneration committee (of the shareholders' meeting) met twice in 2016.

Minutes recording presences and absences were drawn up on all meetings. There is no record of any absences.

3.5.2. BOARD OF DIRECTORS

According to the articles of association of Caixa Geral de Depósitos, approved by its general meeting of 31 August 2016, the board of directors comprises a minimum number of seven and a maximum number of twenty board members, including a chairman and one or two vice-chairmen.

The appointment, replacement and dismissal of members of the board of directors and members of the other statutory bodies are governed by the rules set out in the Commercial Companies Code and the General Credit Institutions and Financial Corporations Regime.

The assessment of the suitability of members of board of directors and inspection bodies requires good-standing, professional qualification, independence and willingness to serve.

Up to 31 August 2016, the board of directors comprised fourteen members.

Composition of board of directors

Chaiman: Álvaro José Barrigas do Nascimento

Vice-Chairman: José Agostinho Martins de Matos

Members: Nuno Maria Pinto de Magalhães Fernandes Thomaz, João Nuno de Oliveira Jorge Palma, José Pedro Cabral dos Santos, Ana Cristina de Sousa Leal, Maria João Borges Carioca Rodrigues, Jorge Telmo Maria Freire Cardoso, Pedro Miguel Valente Pires Bela Pimentel, José Luís Mexia Fraústo Crespo de Carvalho, José Ernst Henzler Vieira Branco, Eduardo Manuel Hintze da Paz Ferreira, Daniel Abel Monteiro Palhares Traça and Pedro Miguel Ribeiro de Almeida Fontes Falcão.

The term of office of board member Jorge Telmo Maria Freire Cardoso was suspended at his request with effect from 16 September 2014, under the terms of the unanimous written resolutions of 23 October 2014 and 13 April 2015.

Board members Nuno Maria Pinto de Magalhães Fernandes Thomaz and Maria João Borges Carioca Rodrigues resigned from their positions, with effect from 31 May 2016.

The board of directors for the 2016 – 2019 term of office was elected on 31 August 2016, as follows:

Chaiman: António Domingues

Vice-Chairman: Emílio Rui da Veiga Peixoto Vilar

Members: Emídio José Bebiano e Moura da Costa Pinheiro, Henrique Cabral de Noronha e Menezes, João Paulo Tudela Martins, Paulo Jorge Gonçalves Pereira Rodrigues da Silva, Pedro Humberto Monteiro Durão Leitão, Tiago Ravara Belo de Oliveira Marques, Pedro Lopo de Carvalho Norton de Matos, Angel Corcóstegui Guraya and Herbert Walter.

The board of directors comprises board members with executive functions comprising the executive committee and board members with non-executive functions comprising all of the others.

The résumés of the acting board of directors, at 31 December 2016, are set out in an annex to this report and include their professional qualifications and other relevant curricular items, namely their accumulation of positions or activities.

The competence of the board of directors is attributed by law and it is particularly with the delegation of competence in accordance with the company's articles of association, for:

- Managing the company's corporate affairs and performing all acts relating to its corporate object;
- Defining the company's global strategies and policies;
- Defining the company's internal organisation and producing expedient regulations and instructions in order to ensure the implementation of adequate internal control, risk management, reporting, supervision and accounting structures;
- Hiring company workers, defining the terms of their respective contracts and exercising the respective corresponding management and disciplinary authority;
- Appointing proxies with expedient powers;
- Approving, under the terms of no. 3 of article 4 (Object), equity stakes in other companies and in partnership agreements in corporate groupings and European economic interests groups;
- Acquiring, burdening and disposing of any moveable or immoveable assets and rights, including equity stakes and making investments, when considered to be in the company's interests, without prejudice to the dispositions of sub-paragraph g) of no. 2 of article 14 (Competence);
- Approving resolutions on the issuances of bonds or any other financial instruments, under the terms of article 7 (Bonds);
- Executing and ensuring compliance with the resolutions of shareholders' meetings;
- Representing the company in legal and non-legal matters as a plaintiff or defendant, having the right to confess, withdraw or come to terms in any lawsuits and to agree to the decisions of arbitrators in arbitration procedures;
- Exercising the other responsibilities attributed by law or the articles of association and passing resolutions on any other matters outside the sphere of the remit of the company's other bodies.

The activity of the board of directors is governed by its respective regulation, approved by this body on 17 November 2016 and published on CGD's intranet.

The board of directors met 12 times in 2016, 8 with its first and 4 with its second composition.

Minutes recording presences and absences were drawn up on all meetings. The following absences, all of which justified, were recorded in 2016: Daniel Abel Monteiro Palhares Traça (1), Pedro Miguel Ribeiro de Almeida Fontes Falcão (1) and Eduardo Manuel Hintze da Paz Ferreira (2).

BOARD OF DIRECTORS

Up to 31 August 2016

Term of office (Start-End)	Position	Name	Date of the resolution	No. of terms of office performed in Company
2013-2015	Chairman of the Board of Directors	Álvaro José Barrigas Nascimento	08/07/2013	2 (*)
2013-2015	Vice-Chairman of the Board of Directors and Chairman of the Executive Committee	José Agostinho de Matos	08/07/2013	2
2013-2015	Member of the Board of Directors and Vice-Chairman of the Executive Committee	Nuno Maria Pinto de Magalhães Fernandes Thomaz	08/07/2013	2 (**)
2013-2015	Member of the Board of Directors and the Executive Committee	Ana Cristina de Sousa Leal	08/07/2013	1
2013-2015	Member of the Board of Directors and the Executive Committee	João Nuno de Oliveira Jorge Palma	08/07/2013	2
2013-2015	Member of the Board of Directors and the Executive Committee	Jorge Telmo Maria Freire Cardoso	08/07/2013	1
2013-2015	Member of the Board of Directors and the Executive Committee	José Pedro Cabral dos Santos	08/07/2013	2
2013-2015	Member of the Board of Directors and the Executive Committee	Maria João Borges Carioca Rodrigues	08/07/2013	1
2013-2015	Non-Executive Member of the Board of Directors	Daniel Abel Monteiro Palhares Traça	08/07/2013	1
2013-2015	Non-Executive Member of the Board of Directors	Eduardo Manuel Hintze da Paz Ferreira	08/07/2013	2
2013-2015	Non-Executive Member of the Board of Directors	José Ernest Henzler Vieira Branco	08/07/2013	1
2013-2015	Non-Executive Member of the Board of Directors	José Luís Mexia Fraústo Crespo de Carvalho	08/07/2013	1
2013-2015	Non-Executive Member of the Board of Directors	Pedro Miguel Ribeiro de Almeida Fontes Falcão	08/07/2013	1
2013-2015	Non-Executive Member of the Board of Directors	Pedro Miguel Valente Pires Bela Pimentel	08/07/2013	1

(*) One term of office as Non-Executive Member of the Board of Directors and another as the Chairman of the Board of Directors.
(**) One term of office as Member of the Board of Directors and the Executive Committee and another as Member of the Board of Directors and Vice-Chairman of the Executive Committee.

From 31 August 2016

Term of office (Start-End)	Position	Name	Date of the resolution	No. of terms of office performed in Company
2016-2019	Chairman of the Board of Directors and Chairman of the Executive Committee	António Domingues	31/08/2016	1
2016-2019	Chairman of the Board of Directors	Emílio Rui da Veiga Peixoto Vilar	31/08/2016	1
2016-2019	Member of the Board of Directors	Emídio José Bebiano e Moura da Costa Pinheiro	31/08/2016	1
2016-2019	Member of the Board of Directors	Henrique Cabral de Noronha e Menezes	31/08/2016	1
2016-2019	Member of the Board of Directors	João Paulo Tudela Martins	31/08/2016	1
2016-2019	Member of the Board of Directors	Paulo Jorge Gonçalves Pereira Rodrigues da Silva	31/08/2016	1
2016-2019	Member of the Board of Directors	Pedro Humberto Monteiro Durão Leitão	31/08/2016	1
2016-2019	Member of the Board of Directors	Tiago Ravara Belo de Oliveira Marques	31/08/2016	1
2016-2019	Non-Executive Member of the Board of Directors	Angel Corcóstegui Guraya	31/08/2016	1
2016-2019	Non-Executive Member of the Board of Directors	Herbert Water	31/08/2016	1
2016-2019	Non-Executive Member of the Board of Directors	Pedro Lopo de Carvalho Norton de Matos	31/08/2016	1

Composition of Executive Committee

Under the company's articles of association the board of directors shall delegate the management of the company's day-to-day affairs to an executive committee and shall set out the limits and conditions of the referred to delegation.

The composition of the executive committee, up to 31 August 2016, was as follows:

Chairman: José Agostinho Martins de Matos

Vice-chairman: Nuno Maria Pinto de Magalhães Fernandes Thomaz

Members: João Nuno de Oliveira Jorge Palma, José Pedro Cabral dos Santos, Ana Cristina de Sousa Leal, Maria João Borges Carioca Rodrigues and Jorge Telmo Maria Freire Cardoso.

The term of office of member Jorge Telmo Maria Freire Cardoso was suspended at his request on 16 September 2014, under the terms of the unanimous written resolutions of 23 October 2014 and 13 April 2015.

Members Nuno Maria Pinto de Magalhães Fernandes Thomaz and Maria João Borges Carioca Rodrigues resigned from their positions with effect from 31 May 2016.

The composition of the executive committee, from 31 August 2016, was as follows:

Chairman: António Domingues

Members: Emídio José Bebiano e Moura da Costa Pinheiro, Henrique Cabral de Noronha e Menezes, João Paulo Tudela Martins, Paulo Jorge Gonçalves Pereira Rodrigues da Silva, Pedro Humberto Monteiro Durão Leitão and Tiago Ravara Belo de Oliveira Marques.

The activity of the executive committee is governed by its executive regulation, as approved by the board of directors on 17 November 2016 and published on CGD's intranet.

The executive committee generally meets at least once a week, having met 56 times in 2016.

Minutes recording presences and absences were drawn up on all meetings. The following absences, all of which justified, were recorded in 2016: José Agostinho Martins de Matos (1), Nuno Maria Pinto de Magalhães Fernandes Thomaz (5), João Nuno de Oliveira Jorge Palma (3), Ana Cristina de Sousa Leal (3), Maria João Borges Carioca Rodrigues (5), António Domingues (1) and João Paulo Tudela Martins (1).

STRATEGY, GOVERNANCE AND APPRAISAL COMMITTEE

The composition of the strategy, governance and appraisal committee, up to 31 August 2016, was as follows:

Chairman: Álvaro José Barrigas do Nascimento

Members: Pedro Miguel Valente Pires Bela Pimentel, José Luís Mexia Fraústo Crespo de Carvalho and José Ernst Henzler Vieira Branco.

The strategy, governance and appraisal committee did not meet formally in 2016.

RISK COMMITTEE

A risk committee, with the following composition, was in existence up until 31 August 2016:

Chairman: José Luís Mexia Fraústo Crespo de Carvalho

Members: Pedro Miguel Valente Pires Bela Pimentel and José Ernst Henzler Vieira Branco.

The risk committee met 5 times in 2016.

Minutes recording presences and absences were drawn up on all meetings. The following absences, all of which justified, were recorded in 2016: Pedro Miguel Valente Pires Bela Pimentel (2).

REMUNERATION COMMITTEE

A remuneration committee, with the following composition, was in existence up until 31 August 2016:

Chairman: Daniel Abel Monteiro Palhares Traça

Members: José Luís Mexia Fraústo Crespo de Carvalho and Pedro Miguel Ribeiro de Almeida Fontes Falcão.

The remuneration committee met 6 times in 2016.

Minutes recording presences and absences were drawn up on all meetings. The following absences, all of which justified, were recorded in 2016: José Luís Mexia Fraústo Crespo de Carvalho (2) and Pedro Miguel Ribeiro de Almeida Fontes Falcão (1).

SPECIAL COMMITTEES

The articles of association, approved on 31 August 2016, provided for the following special advisory and support committees: Audit and internal control committee, Financial risks committee, Appraisal and Remuneration committee and Corporate governance committee.The activity of these committees is governed by its respective regulation, published on CGD’s intranet. The regulation of Appraisal and Remuneration committee was approved on 15 December 2016. For the remainder special committees the regulation was approved on 17 November 2016.

AUDIT AND INTERNAL CONTROL COMMITTEE

The function of this committee is to oversee the activity of the executive committee, the process for the preparation and disclosure of financial information and the effectiveness of the internal control, management of non-financial risks and internal audit systems, without prejudice to the competence of the supervisory board herein.

The composition of this committee, up to 31 December 2016, was as follows:

Chairman: Emílio Rui da Veiga Peixoto Vilar

Members: Angel Corcóstegui Guraya and António Luís Traça Borges de Assunção.

The audit committee and internal control committee met 3 times in 2016.

Minutes recording presences and absences were drawn up on all meetings. There is no record of any absences.

FINANCIAL RISKS COMMITTEE

The function of this committee is to oversee the management policies of all financial risks connected with the company’s activity, including liquidity, interest rate, foreign exchange, market and credit risks, without prejudice to the competence of the supervisory board herein.

The composition of this committee, at 31 December 2016, was as follows:

Chairman: Herbert Walter

Members: Pedro Lopo de Carvalho Norton de Matos and Manuel Sotto-Mayor Coelho de Sousa.

The financial risks committee met twice in 2016.

Minutes recording presences and absences were drawn up on all meetings. There is no record of any absences.

NOMINATION, ASSESSMENT AND REMUNERATION COMMITTEE

The function of this committee is to issue an opinion on the filling of any vacancy on the statutory bodies, the choice of board members to serve on the executive and other committees, in addition to the appraisal thereof and respective remuneration policy.

The composition of this committee, up to 31 December 2016, was as follows:

Chairman: Pedro Lopo de Carvalho Norton de Matos

Members: Emílio Rui da Veiga Peixoto Vilar and Luís Manuel Baptista Branco.

The appointments, appraisal and remuneration committee met 6 times in 2016.

Minutes recording presences and absences were drawn up on all meetings. The following justified absences were recorded in 2016: Luís Manuel Baptista Branco (2).

CORPORATE GOVERNANCE COMMITTEE

The function of this committee is to produce an annual report on the functioning of the company's governance structure to be submitted to the board of directors, in addition to issuing an opinion on issues related with social, ethical, professional deontology and environmental responsibility issues.

The composition of this committee, up to 31 December 2016, was as follows:

Chairman: Guilherme Valdemar Pereira de Oliveira Martins

Members: Herbert Walter and Luís Manuel Baptista Branco.

There were no meetings of the governance committee in 2016.

EXECUTIVE BOARDS

There were nine executive boards across a part of 2016, with the following composition, competence and frequency of meetings:

- Credit Board, comprising all members of the executive committee, with a minimum of 3, chaired by the chairman of the executive committee, with the delegation of competence for credit matters and which generally meets once a week, having met 50 times in 2016;
- Expanded Credit Board comprising all members of the executive committee, with a minimum of 4, chaired by the chairman of the executive committee also having competence in credit matters, in accordance with the respective delegation and which also generally meets once a week, having met 45 times in 2016;
- Marketing, Communication and Networks Board (CDMC), with the delegation of competence for communication, marketing, financial markets, corporate and individual customers networks and products and services, comprising the chairman of the executive committee and members of the executive committee with their corresponding areas of responsibility, with a minimum of 3, and which generally meets once a fortnight, having met 16 times in 2016;
- Personnel, Media and Systems Board (CDPM), with the delegation of competence for procurement, organisation, personnel, information systems and operational support, comprising the vice-president of the executive committee members and the members of the executive committee with their corresponding areas of responsibility, with a minimum of 3, and which generally meets once a week, having met 31 times in 2016;
- Assets and Liability Management Executive Board (ALCO), with the delegation of competence for the assessment and oversight of the integrated assets and liabilities management process (ALM – asset–liability management), geared to the proactive management of CGD Group's balance sheet and profitability, with the delegation of competence for promoting the ALM process and the actions and procedures necessary for its implementation, considering and issuing resolutions on proposals for strategic guidelines on the Group's funding and liquidity policy and its oversight, assessing and passing resolutions on proposals for strategic guidelines and latter oversight for the risk management policy, analysing and passing resolutions on strategic proposals and latter oversight, on the Group's capital ratios and its resource-taking policy and capital management, passing resolutions on balance sheet and net interest income proposals/optimisation measures in addition to strategic initiatives for the optimisation of the risk/return binomial and promoting articulation between financial strategy and the Group's commercial policy. It comprises all members of the executive committee, with a minimum of 3, chaired by the chairman of the executive committee and, in principle, meets once a month, having met 9 times in 2016;

- Real Estate Business Executive Board (CDNI), with the delegation of competence for the Group's real estate business (domestic and foreign), comprising members of the executive committee with the delegation of competence for the real estate and connected areas, in addition to the oversight of companies and credit recoveries, with a minimum of 3 members, and usually meeting once a fortnight, having met once in 2016;

- Corporate Management Executive Board (CDGC), with the delegation of competence for the consideration of issues related with the consideration and discussion of issues related with the definition and oversight of the execution of the Group's corporate strategy, comprising all members of the executive committee, with a minimum of 3, chaired by the chairman of the executive committee and which usually meets once a month, having met 6 times in 2016.

- Credit Oversight Management Board (CDAC) with the delegation of competence for the appraisal of issues, discussions and resolutions on attributing impairment levels on CGD Group's (CGD and other CGD companies') loans and advances to customers and for ensuring the correct articulation of responsibility for processing customers at risk between CGD's commercial structures and areas specialising in credit oversight and recovery, comprising all members of the executive committee, with a minimum of 3, chaired by the chairman of the executive committee and which in principle, meets once a quarter for impairment related issues and once a month for other issues, having met 8 times in 2016.

- Sustainability Board (CDSU), with the delegation of competence for dealing with issues related to the appraisal, discussion, decision and monitoring of the implementation of CGD's sustainability strategy, based on a corporate approach, and that of CGD Group's branches and subsidiaries, including the maintenance of the environmental management system, chaired by the president of the executive committee and comprising members of the executive committee with the delegation of competence for the areas considered essential for the implementation of the corporate sustainability programme in addition to the maintenance of the environmental management system, in CGD and CGD Group companies, with a minimum of 3 members and which meets at least once every six months, having met once in 2016.

3.5.3. INSPECTION BODIES

Up to 31 August 2016 the Company's inspection is the responsibility of the audit committee and statutory auditor.

The competencies of the audit committee are set out at law and the articles of association, as follows:

- To verify the accuracy of the accounting documents and, in general, supervise the quality and integrity of the financial information published in the company's accounting documents;

- To inspect the process for the preparation and disclosure of financial information;

- To analyse and issue its opinion on relevant accounting and audit-related issues and impact of changes to the accounting standards applicable to the company and its accounting policies in the financial statements;

- To inspect the revision of the accounts and auditing of the company's accounting documents, in addition to supervising and assessing the internal procedures related to accounting and audit matters;

- To propose the appointment of the statutory auditor to the shareholders' meeting;
- To inspect the independence of the statutory auditor as regards the provision of additional services;
- To appoint, hire, confirm or terminate the functions and to define the remuneration of the company's external auditors in addition to examining their qualifications and independence and approving the audit and/or any other services to be provided by the referred to external auditors or persons or entities associated with them;
- To inspect the quality and effectiveness of the risk management, internal control and internal audit systems, supervising the execution of the functions performed in the internal audit and internal control system spheres;
- To receive communications regarding irregularities, protests and/or complaints submitted by shareholders, company employees or others and implement procedures for the reception, registration and processing thereof;
- To engage the services of experts to assist it in its functions, with the hiring and remuneration of such experts taking into account the importance of the issues and the company's economic situation.

The activity of the audit committee is governed by its respective regulation approved by this body on 19 September and the board of directors on 16 December 2011, which has been published on CGD's intranet.

The composition of the audit committee is set out below:

Chairman: Eduardo Manuel Hintze da Paz Ferreira

Vice-Chairman: Daniel Abel Monteiro Palhares Traça

Member: Pedro Miguel Ribeiro de Almeida Fontes Falcão

At 31 August 2016, the company started to be inspected by a supervisory board and a statutory audit company. The Supervisory Board comprises three acting members and one deputy (article 28 no. 1 of CGD's articles of association) with the term of office being defined in the company's articles, but no longer than 4 years (article 415 of the Commercial Companies Code).

The composition of the supervisory board, up to 31 December 2016, was as follows:

Chairman: Guilherme Valdemar Pereira de Oliveira Martins

Members: Luís Manuel Baptista Branco and António Luís Traça Borges de Assunção

Deputy member: Manuel Sotto-Mayor Coelho de Sousa.

The résumés of the acting supervisory board at 31 December 2016 are set out in an annex to this report and include their professional qualifications and other relevant curricular items, namely their accumulation of positions or activities.

The responsibilities of the supervisory board are set out at law and the articles of association and it is particularly with the delegation of competence for:

- Inspecting the company's management;
- Monitoring compliance with the law and the company's articles of association;
- Verifying the regularity of the company's books, accounting records and supporting documents;
- Verifying the exactness of the accounting documents and, in general, supervising the quality and integrity of the financial information contained therein;

- Inspecting the process for the preparation and disclosure of financial information;
- Verifying whether the accounting policies and valuation criteria adopted by the company lead to the correct assessment of its assets and income;
- Producing an annual report on its inspection activities and issuing an opinion on the report, accounts and proposals submitted by the board of directors;
- Inspecting the revision of the accounts and auditing of the company's accounting documents;
- Submitting a proposal on the nomination of the statutory audit company to the shareholders' meeting;
- Inspecting the independence of the statutory audit company, namely as regards its provision of additional services;
- Inspecting the quality and effectiveness of the risk management system, internal control system and internal audit system and supervising the execution of the functions performed in the internal audit and internal control system spheres;
- Receiving communications concerning irregularities, protests and/or complaints submitted by the shareholder, company employees or others and implementing procedures for the reception, registration and processing thereof.
- Contracting for the services of experts to assist it in its functions, with the contracting and remuneration of such experts taking into account the importance of the issues and the company's economic situation.

The inspection body sends the Ministry of Finance a quarterly report on its control, detection of anomalies and eventual detection of the main deviations from any forecasts under article 6, number 2 of Decree Law 287/93 of 20 August.

The activity of the supervisory board is governed by its respective regulation, approved by the board of directors on 17 November 2016 and published on CGD's intranet.

The audit committee met 12 times and the supervisory board 2 times, in 2016.

Minutes recording presences and absences were drawn up on all meetings. The following absences, all of which justified, were recorded in 2016: Eduardo Manuel Hintze da Paz Ferreira (1) and Daniel Abel Monteiro Palhares Traça (1).

3.5.4. STATUTORY AUDIT COMPANY

The company "Oliveira Rego e Associados, SROC", registered with the Chamber of Statutory Auditors under number 46 and the CMVM under number 218, represented by its partner Pedro Miguel Marques Antunes Bastos, statutory auditor registration number 1063, was the statutory auditor for the term of office 2013-2015.

Considering that the procedure to appoint a new statutory auditor was in progress, on 20 March 2017, CGD entered into a services agreement with the company Oliveira Rego e Associados, SROC, with the specific objective of undertaking a statutory review of its separate and consolidated accounts for 2016 and issuing the respective statutory audit certificates and opinion on the internal control system underpinning the Process for the Preparation and Disclosure of Financial Information (financial report), both separate and Group of CGD, under articles 25 and 26 of the Bank of Portugal's Official Notice 5/2008 of 25 June.

The deputising company is "Álvaro, Falcão & Associados, SROC", represented by partner Sérgio Paulo Esteves de Poças Falcão.

STATUTORY AUDIT COMPANY

Term of office (Start-End)	Function	Name (SROC - ROC)	No.	Legal designation of current nomination	Number of Terms
2013-2015	Acting	Oliveira Rego e Associados - Pedro Miguel Marques Antunes Bastos	1,063	General Meeting of 31 May 2013	1
2013-2015	Deputy	Álvaro, Falcão & Associados, SROC - Sérgio Paulo Esteves de Poças Falcão	751	General Meeting of 31 May 2013	1

In the sphere of the Commercial Companies Code and CGD's articles of association, CGD's inspection body is, inter alia, responsible for inspecting the independence of the statutory auditor, assessing its respective professional performance, undertaking an informed analysis procedure on and choice of the statutory auditor and proposing the appointment thereof to the general meeting of shareholders (sub-paragraph m) of article 423-F of the Commercial Companies Code).

The maximum period for performing audit functions for the partner responsible for the guidelines or direct performance of the statutory audit is seven years, starting from the date of the appointment (no. 2 of article 54 of Law 140/2015 of 7 September).

CGD's acting statutory auditor for the term of office 2013-2015, was Pedro Miguel Marques Antunes Bastos, who took up office in 2013 and has completed the 3rd year of performance of his respective term of office. For 2016 the functions of the statutory auditor were performed by the company Oliveira Rego e Associados, SROC, represented by its partner Pedro Miguel Marques Antunes Bastos, as referred to above.

Oliveira Rego & Associados, SROC had a services contract with CGD to assist the inspection body in the performance of its functions, under the terms of article 423-F, number 1, sub-paragraph p) of the Commercial Companies Code, up to 31 October 2016. Information on the amounts associated with the referred to contract is set out in the following table (in other services).

The procedure for the appointment of CGD's new External Auditor and Statutory Auditor, for 2017 and following years is at its final stages, with the necessary opinion of the Supervisory Board having been issued and sent to the Chairman of the Board of CGD's General Meeting of Shareholders.

REMUNERATION PAID TO SROC

(EUR)

	Amount (*)	%
Separate accounts		
Account audit services	128,210	70.4
Fiscal consultancy services	0	0.0
Other non-audit services	54,167	29.6
Total	**182,377**	**100.0**
Consolidated accounts		
Account audit services	197,389	78.5
Fiscal consultancy services	0	0.0
Other non-audit services	54,167	21.5
Total	**251,556**	**100.0**

(*) Amounts exclusive of VAT
Note: The remuneration paid to SROC on consolidated accounts already includes the remuneration paid to SROC on separate accounts.

3.5.5. EXTERNAL AUDITOR

CGD's accounts are annually audited by an independent external entity, Deloitte & Associados, SROC, SA, represented by its partner Maria Augusta Cardador Francisco (ROC) registration no. 934.

The evaluation of the financial statements related to CGD and the external auditors' opinions on them is a competence of the Audit and Internal Control Committee, in accordance with its regulation approved on November 17, 2016, This special committee is also required to monitor the activities and issue an opinion on the external audit activity plans, to be reviewed and approved by the Statutory Audit Company.

The provision of services for CGD's external audit function has been governed by an annual agreement. In July 2015 In July 2015, the audit committee decided to launch a consultation process for the selection of CGD's external auditor. In accordance with good Corporate Governance practice and following the public tender called by Caixa for the selection of the external auditor for the following term of office, the term of office of the current external auditor, Deloitte & Associados, SROC, S.A., was extended for an additional year.

Information on the fees of Deloitte network entities (in Portugal and abroad) in 2016 (exclusive of VAT) is set out in the below tables. The remuneration paid to External Auditor on consolidated accounts already includes the remuneration paid to External Auditor on separate accounts.

REMUNERATION PAID TO EXTERNAL AUDITOR IN 2016

(EUR)

	Deloitte Network Entities			
	Portugal	Abroad	Amount (*)	%
Separate accounts				
External Audit and Revision of Accounts	763,774	347,925	1,111,699	39.3%
Other Assurance Services	692,924	0	692,924	24.5%
Fiscal Consultancy	8,700	221,854	230,554	8.1%
Other Services	785,833	10,100	795,933	28.1%
Total	**2,251,232**	**579,879**	**2,831,111**	**100.0%**
Consolidated accounts				
External Audit and Revision of Accounts	1,297,529	1,322,811	2,620,340	45.0%
Other Assurance Services	779,424	308,921	1,088,345	18.7%
Fiscal Consultancy	148,212	273,642	421,854	7.2%
Other Services	1,092,163	606,705	1,698,868	29.1%
Total	**3,317,328**	**2,512,079**	**5,829,407**	**100.0%**

(*) Amounts exclusive of VAT.

In regards the annual fees on External Audit and Revision of accounts and Other Assurance services, the remuneration corresponds to the agreed amount for 2016 and not the invoice amount in the year.

Owing to the fact that the external auditor has greater knowledge of Caixa and CGD Group and that this provides it with a more advantageous approach in terms of implementation periods, fiscal consultancy works and other services were performed in accordance with the above table.

The procedure for the appointment of CGD's new External Auditor and Statutory Auditor, for 2017 and following years is at its final stages, with the necessary opinion of the Supervisory Board having been issued and sent to the Chairman of the Board of CGD's General Meeting of Shareholders.

The functional status of External Auditors, Deloitte & Associados, SROC, SA, and Statutory Auditors, Oliveira Rego e Associados, remained unchanged in 2016.

3.5.6. COMPANY SECRETARY

Acting: João Manuel Travassos Dias Garcia, up to 31 August 2016

Deputy: Ana Paula Rögenes Perez Lopes Pargana Calado, up to 31 August 2016

3.5.7. PREVENTION OF CONFLICTS OF INTEREST

Members of the Board of Directors are fully aware of the fact that they cannot interfere in considerations of and decisions on operations in which they themselves, their spouses or persons with whom they live in de facto unions, relatives or the like up to the 1st degree, or companies or other collective entities any of which they directly or indirectly control or in which they have a direct or indirect interest, under the terms of article 86 of the General Credit Institutions and Financial Corporations Regime.

Caixa also has a Global Prevention and Management of Conflicts of Interest Policy which sets out the operating principles and standards of professional conduct to be complied with, herein, by CGD, employees and relevant persons in the performance of their respective activities and functions. This policy also defines the organisational measures and necessary procedures to ensure the adequate prevention and effective management of any conflicts of interest.

Caixa Geral de Depósitos complies with its special information duties, namely to the Directorate General of the Treasury and Finance.

The credit operations or similar operations carried out with the entities covered by Article 85 of the RGICSF (Credit Institutions and Financial Companies Regime) are as follows:

(EUR)

Name of holder	Related person name	Type of credit	Debt amount
Manuel Sotto Mayor Coelho de Sousa	Pedro Leotte Rego Coelho de Sousa	Mortgage	69.514.34

3.6. Internal Organisation

3.6.1. STATUTES AND COMMUNICATIONS

COMMUNICATION OF IRREGULARITIES

In the RGICSF (General Credit Institutions and Financial Companies Regime), national legislation requires credit institutions to implement specific, independent and autonomous means to receive, process and file information on serious irregularities related with management, accounting organisation and internal inspections and serious signs of breaches of duties provided for in Regulation (EU) 575/2013, of the European Parliament and the Council, on 26 of July.

The issuance of international recommendations namely by the European Banking Authority (EBA) and the European Commission require banking institutions to adopt internal procedures, as an alternative to the usual means of reporting, to enable employees to report their legitimate concerns on matters related with the activity of organisations.

In line with these recommendations, article 34 of CGD's code of conduct establishes that the Institution should set up an internal communication circuit on irregularities allegedly committed in the sphere of its activity, ensuring confidential treatment as well as non-retaliation against any person submitting the allegation in good faith.

This article is duly regulated by an internal standard which provides CGD workers with SCIPI ("internal communication system on irregular practices") establishing the characteristics thereof, the treatment afforded to the communications, the communication circuit and parties thereto.

The communications through SCIPI concern the following areas:

a) Serious irregularities related with management, accounting organisation and CGD´s internal inspections

b) Serious signs of breaches of duties provided for in the RGICSF (General Credit Institutions and Financial Corporations Regime), as regards rules of conduct, relationships with customers, professional secrecy, own funds, reserves, corporate governance, internal capital, disclosure of information risks and duties;

c) Serious signs of breaches of duties provided for in Regulation (EU) 575/2013 of the European Parliament and the Council on own funds, risks, liquidity, leveraging and disclosure of information;

d) Potential or effective breaches of CGD's obligations in the sphere of its financial brokerage activities as set out in Regulation (EU) 600/2014 of the European Parliament and the Council;

e) Denunciations related with the process for submitting prices which could compromise the integrity of the Euribor benchmark, in compliance with the Code of Obligations of Panel Banks (COPB), as an integral part of the Euribor Code of Conduct, which is binding on CGD.

In short, the adoption of SCIPI aims:

- To detect potential problems in advance, encouraging a preventative and corrective attitude and a culture of integrity;
- To provide employees with a complementary communication channel;
- To provide an internal communication channel on irregular practices, to enable CGD to comply with its COPB obligations;

- To reduce costs and avoid losses on non-conformity with legal, regulatory or behavioural standards;
- To strengthen a reputation of transparency in alignment with best international corporate governance practice;
- To comply with the obligations established in national and Community legislation.

3.6.2. INTERNAL CONTROL AND RISK MANAGEMENT

The internal control system is defined as a collection of strategies, systems, processes, policies and procedures, defined by the board of directors, in addition to the actions taken by the board and other CGD employees, for the purpose of ensuring:

- The efficient and profitable performance of activity, over the medium and long term (performance objectives);
- The existence of full, pertinent, reliable, prompt, financial and management information (information objectives);
- Compliance with applicable legal and regulatory dispositions (compliance objectives).

CGD Group's management of its internal control system is based on good practice guidelines and methodologies, particularly the general internal control methodology proposed by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and the CobiT (Control Objectives for Information and Related Technology) framework in the case of information systems technology. At the same time, the recommendations of the Basel Committee on Banking Supervision and the Committee of European Banking Supervisors (EBA) are considered.

Risk management has its own chapter in the annual report, as well as a note in each of the annexes to the separate and consolidated financial statements referred to as "Disclosures on Financial Instruments", describing the financial risk management policies and quantifying CGD/CGD Group's exposure to each type of risk.

Under this framework and to effectively comply with its defined objectives, CGD Group endeavours to guarantee an adequate control environment, a solid risk management system, an efficient information and communication system and a continuous monitoring process with the objective of ensuring the quality and efficacy of the system over time.

To achieve these objectives, specific, transversal responsibilities related with the management of internal control systems have been attributed to certain CGD structural bodies whose hierarchical and/or functional relationships are reflected in the organisational chart of item IV – Statutory Bodies and Committees.

Reference should be made to the responsibilities of the bodies listed below, developed in conjunction and articulation with the Group's other structures and bodies, specifically to ensure an adequate internal control system:

BOARD OF DIRECTORS

The board of directors is responsible for promoting the implementation and maintenance of an internal control system to ensure the existence of:

- An adequate internal control environment;
- A solid risk management system which should take into consideration credit, market, interest rate, foreign exchange rate, liquidity, compliance, operational, information systems, strategy and reputational risks, in addition to all other risks which may be material to each entity's concrete situation;

- Documented control policies and procedures, information on which has been disclosed to ensure the implementation of risk mitigation measures;
- An efficient information and communication system;
- An effective monitoring process on the adequacy and efficacy of the system itself over time.

EXECUTIVE COMMITTEE

Considering the guidelines and resolutions of the board of directors, the executive committee is responsible for ensuring the implementation of CGD's strategy and risk management and internal control policies, in addition to the alignment of Group entities therewith.

AUDIT AND INTERNAL CONTROL COMMITTEE

This Committee is responsible for the assessment and promotion of the effectiveness of CGD's and CGD Group's internal control systems, ensuring, without prejudice to the competence of the Supervisory Board herein, the oversight of the activity of the Executive Committee, the process for the preparation and disclosure of financial information and non-financial risk management and internal audit.

FINANCIAL RISKS COMMITTEE

Oversight of the management policy of all of the Group's financial risks, including liquidity, interest rate, foreign exchange, market and credit risks, is the responsibility of the Financial Risks Committee without prejudice to the competence of the Supervisory Board, herein.

INSPECTION BODIES

The company is inspected by its Supervisory Board and Statutory Auditor.

GENERAL MODELS VALIDATION COMMITTEE (CGVM)

This is an advisory forum which is responsible for considering the models validation reports, deciding on the recommendations submitted and approving changes to the Validation Model or other methodological documents in the sphere of the activities of the Models Validation Office.

INTERNAL AUDIT DIVISION (DAI)

Internal Audit is a permanent, independent activity designed to assist the board of directors, audit committee and executive committee in monitoring internal control systems, in the form of a systematic, disciplined assessment, both within CGD and the Group from a perspective of supervision on a consolidated basis, to promptly identify higher risk areas and assess the effectiveness of management, in addition to the adequacy of the most relevant control procedures, helping the Group to manage its risks and promote effective governance processes in the implementation of its internal control system.

It is also, herein, responsible for producing and submitting an annual report on audit issues, containing a summary of the main defects identified in its control actions which may indicate deteriorating trends within the internal control system as well as indicating and identifying the recommendations followed to the board of directors, executive committee and audit committee.

The Division is also responsible for assisting the board of directors in preparing the regulatory report on the internal control system, both separate and for the parent company, periodically reviewing the status of any defects and reporting them to the board of directors, audit committee, executive committee and delegate corporate management board. These activities are performed in close cooperation with the Compliance Office, Risk Management Division, branches and subsidiaries and the statutory and external auditors.

RISK MANAGEMENT DIVISION (DGR)

The objective of the Risk Management Division is to protect CGD Group's capital, namely by means of managing the risks of credit, market, liquidity and operational incurred by the Group, the inter-relationships existing between them and the coherent integration of their part contributions, that they maintain the risk appetite level defined by the Board of Directors and that they will not significantly affect the financial situation of the institution.

In the sphere of the internal control management process, this Division provides advisory services and submits risk management reports, indicating the measures adopted to correct any defects, to the board of directors, audit committee and executive committee.

COMPLIANCE OFFICE (GFC)

The Compliance Office ensures the coordination of compliance risk management in CGD and CGD Group. This includes the oversight and assessment of the control procedures on the prevention of money laundering and countering the financing of terrorism, as well as the prevention of market abuse.

It ensures the adequacy and efficacy of the procedures adopted to identify any risk of non-compliance with the legal obligations and duties to which CGD is subject, in addition to the measures taken to correct any control defects/weaknesses.

It provides advisory services and submits reports on compliance risk defects and any non-compliances occurring in the Group, indicating the evolution of the implementation of the defined action plans up to the time of their resolution, to the board of directors, audit committee and executive committee.

ACCOUNTING, CONSOLIDATION AND FINANCIAL INFORMATION DIVISION (DCI)

Division responsible for producing, processing and developing financial information on CGD's activity, both global and consolidated from an accounting, prudential, statistical and financial reporting viewpoint.

The circuits and controls inherent to the process for the preparation and disclosure of information on separate and consolidated financial information are subject to the permanent oversight and validation of the statutory auditors who are responsible for issuing an opinion on the adequacy and efficacy of the part of the internal control system underpinning the process for the preparation and disclosure of separate and financial information (financial report), submitted annually to the supervisors.

PLANNING, BUDGET AND CONTROL DIVISION (DCP)

Coordinates the Group's strategic planning activities, defining objectives, producing the activity plans and budgets of the entities and analysing the proposed funding and capital plans.

ORGANISATION AND QUALITY DIVISION (DOQ)

This Division is responsible for managing the prompt supply of documentation on CGD processes, including the identification of potential operational risks and control procedures, articulating this activity with process owners and other structural bodies. It is also responsible for keeping documents in branches and subsidiaries up-to-date, in articulation with the local structures responsible for their management.

INFORMATION SYSTEMS DIVISION (DSI)

This body has specific responsibilities for the development of processes within the information systems sphere, including the assessment of processes under the CobiT framework, identification and reporting of non-conformities and opportunities for improvement.

MODELS VALIDATION OFFICE (GVM)

This Office is responsible for the monitoring and control of the internal validation processes of the risk validation models used in CGD Group, defining and developing methodological techniques for the systematic assessment of the performance of the financial risks assessment models and the rating systems, in addition to other risk models being produced by the Group. It is responsible for producing a periodic report on the conclusions of its oversight and validation of risk assessment models.

CONTROL SYSTEM FOR THE PROTECTION OF THE COMPANY'S INVESTMENTS AND ASSETS

Background

To comply with the dispositions of the Bank of Portugal (BdP) in its official notice 5/2008 and instructions 33/2002 and 12/2015 and, on a complementary level, based on the European Banking Authority – EBA's document: "EBA Guidelines on Internal Governance (GL 44)", internal guidelines and standards have been defined as the main auxiliary instruments for a control system for the protection of the Institution's investments and assets within CGD. The guidelines and internal standards are also CGD's financial and operational risk management and control support tools, as they indicate, with adequate precision the maximum risk levels to be incurred by the Institution, in due compliance with its risk appetite.

Company's risk profile

The risk appetite statement formally codifies the Bank's risk appetite, detailing the maximum risk level the Bank is willing to assume on each risk category considered as being material. This risk strategy is directly related with the Bank's objectives and strategic plan and is regularly reviewed and monitored by the Board of Directors and management team.

The Risk Appetite Statement is complemented by a series of statements for Group units (international entities and domestic activity) and the Risk Appetite Governance Model that establishes the governance model and involvement of the Bank's different areas, risk management and monitoring mechanisms and the integration of Risk Appetite in risk management and decision-making processes.

General risk appetite principles are set out in qualitative declarations which define the Group's risk strategy. These principles derive from and are aligned with CGD's business strategy and the understanding of the resulting risk/benefit trade-offs. The principles are part of the Bank's culture and strategy, upon which all of its activities are based.

The Bank has defined three general principles:

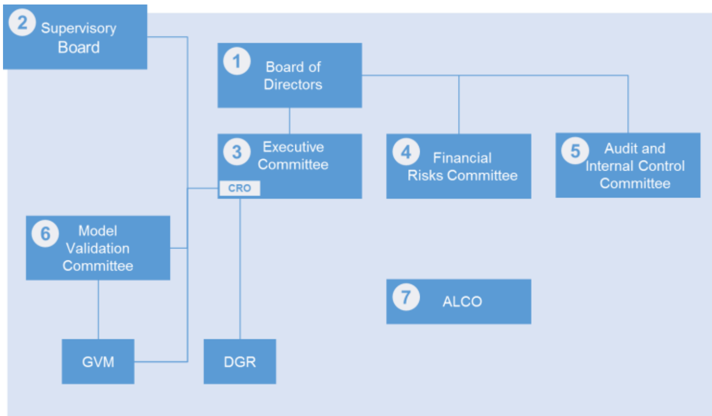
- To ensure solvency and liquidity levels - CGD Group should ensure adequate solvency and liquidity levels, applying this principle as follows:
    - Maintaining capital strength based on a regular review of the balance sheet;
    - Maintaining capital levels at a higher level than required by regulation, ensuring the existence of a buffer in line with market expectations, both in normal as in adverse scenarios;
    - Continuing to ensure a stable, solid and safe liquidity position able to withstand adverse scenarios;

  - Maintaining a stable financing capacity and adequate liquidity buffer levels based on a market-driven approach enabling the balance sheet structure to be adapted to existing circumstances;
  - Controlling the risk exposure of international entities while, at the same time, maintaining their independence in terms of financing and capital adequacy.
- Ensuring long term sustainability and maintaining a leading market position − CGD Group should ensure its sustainability and leading position as follows:
  - Ensuring long term stability based on adequate returns on balance sheet risks, improved operational efficiency and risk management (particularly when associated with credit risk) which may put the execution of the Bank's strategy at risk;
  - Maintaining its identity as a commercial Bank and leading position in the Portuguese market, both in deposits and lending to the economy and households, focusing on retail customers and small and medium-sized enterprises;
  - Endeavouring to achieve a simple, transparent Group structure, based on modern infrastructure to ensure adequate customer satisfaction levels and minimise operational risk.
- Adopting risk management practices of excellence − CGD Group should ensure the adoption of best risk management practice, applying this principle as follows:
  - Strengthening governance and Risk Management and Control functions, ensuring that they are on a level of best market practice and therefore helping to merit greater stakeholder trust;
  - Operating in accordance with solid risk management principles with an effective Governance model and policies which ensure compliance with the law and regulations and guaranteeing full alignment with SREP (Supervisory Review and Evaluation Process) Directives;
  - Developing a strong risk management culture focused on safeguarding the Bank's solvency and financing capacity, avoiding risk that may affect stakeholders, particularly depositors and ensuring a strong reputation and market image.

RISK MANAGEMENT

O Risk management in CGD Group is based on a governance model that aims to comply with respective best practice, as set out in Community Directive 2013/36/EU. The person ultimately in charge of the Risk Management Function in CGD Group is the "Chief Risk Officer" ("CRO"), as a member of the Executive Committee of CGD's Board of Directors. CGD's CRO has global responsibility for monitoring the Group's risk management framework and particularly for ensuring the adequate and effective operation of the Risk Management Function and also having the duty to inform members of the administration and inspection bodies on the risks incurred, CGD's and CGD Group's global risk profile and level of compliance with the defined risk tolerance levels.

The Board of Directors, (❶) assisted by the Financial Risks Committee (❹) and by the Audit and Internal Control Committee (❺) establishes CGD's risk appetite which is implemented by the Executive Committee (❸) assisted by the Risk Management Division and control and business areas.



The Supervisory Board (❷) is the independent Body responsible for inspecting whether the Risk Management Function complies effectively and independently with its responsibilities.

The Financial Risks Committee (❹) oversees management policy on all of the financial risks of CGD Group's activity, namely liquidity, interest rates, foreign exchange rate, market and credit risks.

The Audit and Internal Control Committee (❺) assesses and promotes the effectiveness of internal control, non-financial risk management and internal audit systems.

The Chief Risk Officer (CRO), as a member of the Executive Committee, is the person ultimately responsible for the Risk Management Function and is globally responsible for monitoring the Group's risk management framework and, particularly, the Function's adequate and effective operation.

The Risk Management Function is backed by DGR (Risk Management Division) as a dedicated corporate structure which encompasses the assessment and control of CGD Group's credit, market, liquidity and operational risks, firmly establishing the principle of separation between functions in the commercial and risk management areas.

The CRO and person directly responsible for the Risk Function (Managing Director of DGR), working with the CRO, enjoy direct access to administration and inspection bodies, based on a proactive, unrestricted approach, informing them of and explaining the risks incurred, CGD's and CGD Group's global risk profile and the level of compliance with the defined risk tolerance levels, in addition to contesting decisions which affect CGD's and CGD Group's risk exposure.

To fulfil its mission, the Risk Management Function is responsible for:

- Ensuring the implementation and monitoring of the risk appetite framework (RAF) under the terms of the internal RAF standard;
- Ensuring the development and implementation of a risk management system based on robust identification, assessment, oversight and risk control processes, risk oversight and, and coordinating the development of policies and procedures upon which these processes are based;
- Identifying the risks involved in the activity being performed on a separate, aggregate, present and prospective basis, assessing such risks and measuring exposure thereto using appropriate methodologies;
- Permanently overseeing risk generating activities and risk exposure, assessing them in the context of the approved risk appetite limits and defined risk limits and ensuring the planning of the corresponding capital and liquidity requirements in normal and adverse circumstances;
- Developing, implementing and monitoring of ICAAP and ILEA, as well as coordinating the production of the respective reports.

- Participating in the process for the approval of new products and services, by making an assessment of their respective associated risks and analysing CGD's management capacity of such risks;
- Ensuring that operations with related parties are revised and that CGD's real or potential risks, caused by them are identified and adequately assessed;
- Advising administration and inspection bodies prior to making any decisions involving the taking of material risks, namely when involving acquisitions, disposals, mergers or the launch of new activities or products, for the purpose of ensuring the prompt and appropriate assessment of their impact on CGD and CGD Group's global risk;
- Overseeing market evolution, legal and regulatory amendments in respect of the Risk Management function, strategic planning process and CGD and CGD Group's respective decisions to ensure that the actions of the function are permanently up-to-date;
- Developing and implementing early warning mechanisms for situations of default and breaches of the risk appetite or established limits;
- Issuing recommendations based on the results of the assessments made and continuous oversight of the situations identified, with a frequency in line with the associated risk.
- Producing and maintaining an up-to-date Risk Management Plan to ensure that all of CGD and CGD Group's material risks are adequately identified, assessed, overseen and reported;
- Supplying information, analyses and pertinent, independent expert appraisals on risk positions, in addition to issuing an opinion on the compatibility of the risk-related proposals and decisions with CGD's risk tolerance/appetite;
- Producing and submitting reports with an adequate frequency on risk management to the administration and inspection bodies, including an assessment of the global risk profile and CGD's and CGD Group's various material risks, a summary of the main defects identified in control actions, including immaterial defects when considered separately but which could indicate a deteriorating trend in the internal control system in addition to the identification of recommendations that were (or not) implemented;
- Informing the administration and inspection bodies of any breach or violation (including their causes and a legal and economic analysis of the real cost of eliminating, reducing or offsetting the risk position in light of the possible cost of the continuation thereof), informing, if appropriate, the areas in question and recommending any solutions;
- Ensuring the preparation and submission of prudential reports on CGD's and CGD Group's risk management system.

DGR is present:

❸ At Executive Committee meetings when specifically called and monthly with its own item on the agenda for a presentation of the evolution of the main financial risks measurement indicators and respective essential concerns on this issue for the following periods.

❻ On the General Models Validation Committee (CGVM) in which the Credit Risks Division (DRC) and the Models Validation Office (GVM) are also present. CGVM is the body responsible for the functional management of the Models Validation Office (GVM) and is responsible for considering the validation reports, deciding on the recommendations made and approving amendments to the Validation Manual or other methodological documents in the sphere of GVM.

❼ The promotion of the Assets and Liabilities Management Committee (ALCO), in conjunction with business generating areas, support areas and with members of the Executive Committee. Under the terms of an Executive Committee resolution, the following responsibilities were, inter alia, delegated to the Committee:

- The promotion of the Assets and Liabilities Management (ALM) process and actions and procedures necessary for the implementation thereof including the establishing of an oversight and systematic reporting system on financial risks, liquidity situation, capital situation and regulatory ratios on a consolidated and separate basis for diverse CGD Group entities;
- Consideration and resolution on strategic guideline proposals on CGD Group's financing and liquidity policy;
- Consideration and resolution on strategic guideline proposals (and latter oversight) for the risk management policy, namely the Group's balance sheet interest rate and market risks, defining indicators, limits and management rules;
- Analysis of and resolution on strategic guideline proposals (and latter oversight) on the Group's capital ratios and its capital funding and management policy based on a regulatory and economic outlook.

Main risks to which the Company is exposed

Caixa Geral de Depósitos operates as a universal bank, with a full range of specialised financial services, providing its customers with a full service international group

CGD has an integrated presence in almost all banking business areas, namely: commercial banking, investment banking, brokerage and venture capital, real estate, asset management, specialised credit, *inter alia*, incurring credit, market, liquidity and operational risks.

Credit risk

Credit risk is associated with the losses and level of uncertainty regarding a customer's/counterparty's capacity to meet its obligations.

Given the nature of banking activity, credit risk is particularly important, owing to its materiality, notwithstanding its interconnection with the remaining risks.

There are also internal regulations on credit risk management and control which, based on risk ratings, define the levels of competence required for the decision-making process regarding the credit.

In the credit risk delivery process, which is always accompanied by a commercial proposal, a risk opinion on companies, financial institutions and economic groups whose exposure to CGD is higher than a specific limit, as defined both by their rating and activity sector, must be obtained from the Risk Management Decision.

Credit portfolios are regularly monitored with the production of reports making reference to performance, notably in terms of default and concentration.

Also related to default and the measurement of credit assets, a process for assessing impairment losses has been implemented in CGD Group, to be validated by external auditors who produce an independent report to be sent to the Bank of Portugal every six months.

Progressive improvements have also been made to credit risk control, both as regards the definition of new approaches to credit portfolio segmentation and in terms of greater standardisation of the methodologies applied.

Market risk

This translates into potentially negative impacts on the Institution's income or capital, deriving from unfavourable price movements of portfolio assets.

This is followed by uncertainty on the fluctuations of market prices and rates, such as share prices or interest and foreign exchange rates and indices and on the behaviour of the correlations between them.

Guidelines approved by the executive committee to be complied with by the Financial Markets Division and CGD Group entities responsible for the management of portfolios which include financial assets subject to market risk have been defined for market risk management and control purposes. The key measure used for the management of market risk is Value at Risk (VaR) which is complemented by other sensitivity measures, more adjusted to the specific type of market risk to be measured; e.g. (i) V01 for interest rate risk and (ii) Greeks for optionality risks.

Liquidity and balance sheet interest rate risk

Liquidity risk in the banking business area can occur in the event of *i)* difficulties in resource-taking to finance assets, normally leading to higher costs in securing such finance but which may also imply a restriction on asset growth, or *ii)* difficulties in promptly meeting obligations to third parties caused by significant mismatches between residual periods on assets and liabilities.

Balance sheet interest rate risk is the risk incurred in the activity of a financial institution whenever, during the course of its activity, it contracts for operations whose financial flows are sensitive to interest rate changes. Put in different words it is the risk of the occurrence of a change in the interest rate associated with the mismatching of interest rate refixing periods between assets and liabilities held, with a decrease in yield or increase in financial cost.

The particular dichotomy between fixed and variable-rate portfolios as regards the assets and liabilities held by credit institutions may also involve interest rate risk considerations and the risk of mismatches between refixing periods, base risk and yield curve risk, for which matters involving the assessment of interest rate risk should be closely monitored.

For the management and control of liquidity and balance sheet interest rate risk, guidelines have been defined on the roles and responsibilities of the diverse parties, the metrics to be measured, the limits on such metrics and control on such limits. Periodic reports are produced on the monitoring process of the size of the exposure to such risks to support control compliance with the existing guidelines.

Operational risk

Operational risk is the risk of losses resulting from inadequacies or failures of processes, persons and information systems or caused by external events, including legal risks.

The management of operational risk in CGD Group is based on an end-to-end vision comprising a series of guidelines, methodologies and regulations recognised as good domestic and international practicel.

3.6.3. REGULATIONS AND CODES

INTERNAL AND EXTERNAL REGULATIONS APPLICABLE

CGD's activity is governed by the legal standards applicable to public limited liability companies in the form of the Commercial Companies Code and the Standards regulating the state's corporate sector as a result of its public company status (cf. Decree Law 133/2013 of 3 October[1]).

In general, CGD is governed by European and domestic legislation on its activity. This particularly includes, in terms of domestic law, the General Credit and Financial Institutions Regime approved by Decree Law 298/92 of 31 December[2] and the Securities Code approved by Decree Law 486/99 of 13 November[3] and all regulatory Standards issued by the Bank of Portugal and Securities Market Commission.

As regards European legislation and particularly deriving from Directive 2013/36/EU and Regulation (EU) 575/2013[4], both in respect of access to the activity of credit institutions and respective prudential requirements, reference should be made to the continuation of the publication process of complementary Regulation, in 2016, indicating, merely by way of example Delegated Regulations (EU) i) 2016/101[5]; ii) 2016/709[6] and iii) 2016/861[7]

In respect of this subject, the guidelines issued by the European Banking Authority (EBA) must be taken into considerations as must the fact that in the sphere of the Single Supervisory Mechanism (in force since 4 November 2014), the European Central Bank has specific attributes regarding the prudential supervision of credit institutions.

Also in the sphere of the European legislative framework, reference should be made to the publication, in 2016 of Directive (EU) 2016/680 and Regulation (EU) 2016/679, on the processing and protection of personal data[8].

In addition, 2016, continued to witness several processes in respect of the publication of complementary regulation on previously published statutes, as in the case of Commission Delegated Regulation (EU) 2016/1675[9] of 14 July de 2016, which completes European Parliament and Council Directive (EU) 2015/849 (4th AML Directive) based on the

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[1] Amended by Law 75-A/2014 of 30 September.

[2] Amended and republished by Decree Law 157/2014 of 24 October, Law 16/2015 of 24 February, Law 23-A/2015 of 26 March, Decree Law 89/2015 of 29 May, Law 66/2015 of 6 July, Decree Law 140/2015 of 31 July, Law 118/2015 of 31 August, Decree Law 190/2015 of 10 September and Decree Law 20/2016, of 20 April.

[3] Republished by Decree Law 357 - A/2007 of 31 October and amended by Decree Law 211 - A/2008 of 3 November, Law 28/2009 of 19 June, Decree Law 185/2009 of 12 August, Decree Law 49/2010 of 19 May, Decree Law 52/2010 of 26 May, Decree Law 71/2010 of 18 June, Law 46/2011 of 24 June, Decree Law 85/2011 of 29 June, Decree Law 18/2013 of 6 February, Decree Law 63-A/2013 of 10 May, Decree Law 29/2014 of 25 February, Decree Law 40/2014 of 18 March, Decree Law 88/2014 of 06 June, Decree Law 157/2014 of 24 October, Law 16/2015 of 24 February, Law 23-A/2015 of 26 March, Decree Law 124/2015 of 7 July, Law 148/2015 of 9 September, Decree Law 22/2016 of 3 June and Decree Law 63-A/2016 of 23 September.

[4] European Parliament and Council Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment companies and European Parliament and Council regulation (EU) 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment companies. Directive 2013/36/EU was transposed into domestic legislation by Decree Law 157/2014 of 24 October, which significantly amended the General Credit Institutions and Financial Companies Regime.

[5] Commission Delegated Regulation (EU) 2016/101 of 26 October 2015, which complements European Parliament and Council Directive (EU) 575/2013 on the technical regulatory standards on prudent assessment under article 105 no. 14 OJEU L21 of 28.01.2016.

[6] Commission Delegated Regulation (EU) 2016/709 of 26 January 2016 which complements European Parliament and Council Regulation (EU) 575/2013 on the technical regulatory standards that specify the conditions of the application of the derogations relative to currencies with restrictions, in terms of the availability of net assets – OJEU L125 of 13.5.2016.

[7] Commission Delegated Regulation (EU) 2016/861 of 18 February 2016, which rectifies Commission Delegated Regulation (EU) 528/2014 that complements European Parliament and Council Directive (EU) 575/2013 in respect of the technical regulatory standards on the non-delta risk of options in the standardised market risk processing procedure, in addition to Commission Delegated Regulation (EU) 604/2014 that complements European Parliament and Council Directive 2013/36/EU on the technical regulatory standards for the purposes of the adequate qualitative and quantitative criteria to identify the categories of personnel whose professional activities have a significant impact on the institution's risk profile – OJEU L144 of 1.6.201.

[8] European Council and Parliament Directive (EU) 2016/680 of 27 April 2016 on the protection of singular persons regarding the processing of personal data by competent authorities for the purposes of prevention, investigation, detection or repression of penal infractions or the execution thereof and on the free circulation of such data; and European Council and Parliament Regulation (EU) 2016/679 of 27 April 2016 on the protection of singular persons as regards the processing of personal data and the free circulation of such data (General Regulation on Data Protection) – OJEU L119 of 4.5.2016.

[9] OJEU L254 of 20.9.2016.

identification of high risk third countries with strategic deficiencies. Reference should also, herein, be made to the statutes on market abuse[1] which complement the Directive and Regulation: i) Commission Implementing Regulation (EU) 2016/347[2], ii) Commission Implementing Regulation (EU) 2016/378[3], iii) Commission Implementing Regulation (EU) 2016/523[4], iv) Delegated Regulation (EU) 2016/522[5], v) Delegated Regulation (EU) 2016/909[6], vi) Delegated Regulation (EU) 2016/957[7], vii) Commission Implementing Regulation (EU) 2016/1055[8].

A similar process is also taking place in the sphere of the so-called EMIR[9] Regulation under which (and by way of example) the following complementary statutes were published: i) Delegated Regulation (EU) 2016/592[10], ii) Delegated Regulation (EU) 2016/1178[11] and iii) Delegated Regulation (EU) 2016/2251[12].

Reference should also be made to the publication of Commission Regulation (EU) 2016/438 of 17 December 2015 that complements European Parliament and Council Directive 2009/65/EC as regards depositors' obligations[13].

As regards domestic legislation, reference should be made to the publication of Decree Law 58/2016 of 29 August which mandates the requirement to afford priority treatment to handicapped or disabled persons, old people, pregnant women and persons with babes in arms, for all public and private entities providing personal services to the public and Decree Law 64/2016 of 11 October that regulates the automatic mandatory exchange of information in the fiscal domain and provides for several rules on communication and diligence for financial institutions in respect of financial accounts.

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[1] European Council and Parliament Directive 2014/57/EU of 16 April 2014 on the penal sanctions applicable to the abuse of privileged information and market abuse and European Council and Parliament Regulation (EU) 596/2014 of 16 April 2014 on market abuse – OJEU L173 of 12.6.2014.

[2] Commission Implementing Regulation (EU) 2016/347 of 10 March 2016 that establishes the technical standards regarding the exact format of the lists of people with access to privileged information and the format for updating the list of people with access to privileged information in conformity with European Council and Parliament Regulation (EU) 596/2014 of – OJEU L65 of 11.3.2016.

[3] Commission Implementing Regulation (EU) 2016/378 of 11 March 2016 that establishes the technical implementation standards in respect of the date, format and model of the submission of notifications to the competent authorities in conformity with European Council and Parliament Regulation (EU) 596/2014 – OJEU L72 of 17.3.2016.

[4] Commission Implementing Regulation 2016/523 of 10 March 2016 that establishes the technical implementation standards in respect of the format and model of the communication and public disclosure of managers' operations in conformity with European Council and Parliament Regulation (EU) 596/2014 – OJEU L 88 of 5.4.2016.

[5] Commission Delegated Regulation (EU) 2016/522 of 17 December 2015 that complements European Council and Parliament Regulation (EU) 596/2014 as regards an exemption for certain public bodies and the central banks of third countries, from the market abuse indicators, thresholds in respect of disclosure to the competent authority for the purposes of notification of deferments, authorisation to negotiate during limited negotiating periods and types of managers' operations subject to mandatory notification – OJEU L88 of 5.4.2016.

[6] Commission Delegated Regulation (EU) 2016/909 of 1 March 2016 which completes European Council and Parliament Regulation (EU) 596/2014 as regards the technical regulatory standards applicable to the contents of the notifications to be submitted to the competent authorities and the compilation, publicising and maintenance of the list of notifications – OJEU L153 of 10.6.2016.

[7] Commission Delegated Regulation (EU) 2016/957 of 9 March 2016 which completes European Council and Parliament Regulation (EU) 596/2014 regarding the technical regulatory standards on devices, systems and procedures, in addition to notification models to be used to prevent, detect and communicate abusive practices or suspicious orders or operations – OJEU L160 of 17.6.2016.

[8] Commission Implementing Regulation (EU) 2016/1055 of 29 June 2016 which establishes technical regulatory standards on technical modalities for the adequate public disclosure of privileged information for the deferment of the public disclosure of privileged information in conformity with European Council and Parliament Regulation (EU) 596/2014 – OJEU L173 of 30.6.2016

[9] European Council and Parliament Regulation (EU) 648/2012 of 4 July 2012 on over-the-counter market derivatives, central counterparties and trade repositories – OJEU L201 of 27.7.2012.

[10] Commission Delegated Regulation (EU) 2016/592 of 1 March 2016 that complements European Council and Parliament Regulation (EU) 648/2012 as regards the technical regulatory standards on clearing obligations – OJEU L103 of 19.4.2016.

[11] Commission Delegated Regulation (EU) 2016/1178 of 10 June 2016 that complements European Council and Parliament Regulation (EU) 648/2012 as regards the technical regulatory standards on clearing obligations – OJEU L195 of 20.7.2016.

[12] Commission Delegated Regulation 2016/2251 of 4 October 2016 that completes European Council and Parliament Regulation (EU) 648/2012 on over-the-counter market derivatives, central counterparties and trade repositories, as regards the technical regulatory standards on risk mitigation techniques for over-the-counter derivatives contracts not cleared by a central counterparty – OJEU L340 of 15.12.2016.

[13] OJEU L78 of 24.3.2016.

In the regulatory sphere, reference should be made to the publication of CMVM Regulation 2/2016 of 18 July on complaints and the settling of conflicts related to financial instruments.

CGD must also comply with the good practice recommendations defined by the supervisory authorities, in which reference should, herein, be made to the publication of the CNSF's (National Council of Financial Supervisors') report on behavioural risks associated with the mis-selling of savings and investment products that includes a list of mitigation measures that, under the terms of the report , "(…) *constitute guidelines designed to clarify/comply with the framework already in existence or under preparation* (…)". Reference should also be made, herein, to EBA Guidelines on remuneration policies and practice related to the sale and supply of retail banking products and services (EBA/GL/2016/06).

As regards the diverse recommendations issued by international institutions, reference should be made to the guidelines of the Basel Banking Supervision of 4 February on the "Sound management of risks related to money laundering and financing terrorism".

CGD's activity must also comply with its articles of association, the most recent amendments to which were approved by its shareholders' meeting of 31 August 2016.

CGD also has an Internal Standards System (ISS) which is accessible to and binding upon all employees and covers the most relevant aspects of the company's operation and performance of its activity.

CODES OF CONDUCT AND ETHICS

The Code of Conduct is a fundamental management instrument in respect of CGD's ethics. It provides information to its employees and other stakeholders on the values, ethical principles and standards of professional conduct governing CGD's performance.

CGD's current Code of Conduct was published in 2010. It is a mandatory self-regulating document to be complied with in and by CGD and helps to:

- Guarantee the clarification and harmonisation of benchmark standards for the performance of activity;
- Formalise and disclose information on the values, operating principles and standards of conduct governing relationships with various interested parties;
- Promote an organisational culture of compliance with the law and conformity with the values and principles adopted, in addition to the development of best corporate governance and ethical conduct practices.

With a view to continuous evolution, CGD continued to assess the eventual need to revise its Code of Conduct, in 2016, based on the identification of improvement opportunities for some issues.

As for the targets set for the recipients of the code (i.e. members of CGD statutory bodies, employees, interns, contractors, and agents), these take on three dimensions:

- Know the code – knowledge of the code of conduct and values, operating principles and standards of professional conduct that this enshrines;
- Know-how – learn how to act in practical situations in accordance with the duties set out; and
- Commitment – commitment to the values and principles of CGD.

These dimensions include ethical performance indicators which aim to contribute to the evaluation of the knowledge and application of the code of conduct and for the periodic review of its management model.

One of the evaluated indicators of ethical performance is the number of violations of labour duties by workers, whereas its infringement constitute disciplinary infraction and, ultimately, violation of code of conduct.

In 2016, 14 disciplinary sanctions were applied, and 5 of these sanctions have resulted in dismissal of the worker.

CGD gave training courses on Ethics and the Code of Conduct to its current and new employees with different functions, in 2016. Following the "Ethics in Organisations" seminar which took place in 2015. It also gave training on "Ethics and Conduct", for CGD and CGD Group management staff in Portugal, in the form of workshops geared to the discussion of ethical dilemma.

CGD's Code of Conduct may be viewed on its intranet and website at *https://www.cgd.pt/Institucional/Governo-Sociedade-CGD/Regulamentos/Documents/Codigo-de-Conduta-CGD.pdf*

APPLICATION OF STANDARDS DESIGNED TO PREVENT CORRUPTION AND ACTION PLANS TO PREVENT AND MITIGATE FRAUD

Caixa, through DAI (Internal Audit Division), allocates various resources in a preventative approach to internal/external fraud, mainly comprising the following procedures/tools:

- Maintenance of a permanently updated system of recommendations/fraud alerts, in respect of the opening of accounts, certification of signatures, subscriptions to the Caixadireta service, direct debits, payments of cheques, domestic postal orders, bank passbooks, distance transfers, acceptance of deposits, negotiation of cheques drawn on foreign banks, banking secrecy and irregular cheques, in the sphere of the letter-cheques service;
- Classroom training and awareness sessions for taskforces from the commercial branch office network, based on a predefined, standardised schedule, aiming to provide more explanatory, personal information on the more common recurrent fraud-related concerns/issues;
- Classroom training actions on fraud prevention and detection for trainees who will be working in the branch office network;
- Within the sphere of the ongoing audit system, the existence of a series of indicators and alerts on operations whose characteristics could potentially indicate the existence of internal or external fraud, that permanently and automatically activate audit alarms, which may generate the need to question the parties involved in the respective operations.

In addition to a preventative aspect, Caixa, through DAI, approaches fraud on the basis of an investigative and remedial strategy. DAI also has a computerised interaction and communication channel (mailbox) for all users and provides a permanent telephone hotline during office hours.

The investigation defines precautionary measures (contacts for clarification purposes, constraints on accounts, blocking of amounts, risk annotations, reports to the authorities, etc.) needed to protect the Bank's own material interests and those of its customers whose interests may be potentially prejudiced.

The investigations aim to establish (internal) disciplinary liabilities, taking the applicable recovery and mitigation steps (e.g. negotiating of payment plans, legal action against fraudsters, etc.)

Whenever, during the course of such investigations, any control weaknesses that may give rise to internal or external fraud or when needs for any additional procedural improvements are identified, they are sent to the entities/structural bodies which are best qualified to examine them in greater detail and implement them.

DAI is equipped with software to register all occurrences related to internal and external fraud, as well as the respective mitigation measures.

The permanent measures to prevent and repress the crime of corruption and associated offences are translated into the following internal procedures and standards:

- The opening and use of deposit accounts;
- Verification of the signatures of parties to agreements with CGD;
- Approval of expenses, external services, sponsorships and donations;
- CGD employees' involvement in loan operations;
- Contracting for services;
- The employee management area, including recruitment and training;
- Verification of access to insider information on issuing customers.

CGD has an efficient and advanced system for prevention of money laundering (AML) and combating the financing of terrorism (CFT), guided by rigorous compliance with legal, regulatory, ethical, deontological standards and internationally accepted good practice.

CGD is a contributor to the Council for the Prevention of Corruption's (CPC's) list of entities and sends information to this Council on the respective Prevention Plans on the Risks of Corruption and Associated Offences under CPC Recommendation 1/2009 of 1 July.

In order to mitigate the various types of risks and in view of the high standards of rigor and transparency that guide its activity, control mechanisms and procedures have been defined and established in internal regulations, which include the guidelines that ensure compliance with legal norms and Regulations in force within the scope of the PBC / CFT, namely, the provisions of Law 25/2008, dated June 5 and Notice no. 5/2013 of the Bank of Portugal (BdP).

Since CGD is obliged to comply with international economic sanctions, of a binding nature, decreed by several international organizations, the respective Sanctions Policy is published on the institutional website.

CGD has adequate IT tools for PBC / CFT, with emphasis on applications dedicated to the monitoring of accounts and clients, classification of the risk profile of clients and the filtering of sanctioned clients and politically exposed persons. In this context, a "Technical and functional evaluation of the systems for preventing money laundering and combating the financing of terrorism" used by CGD in compliance with the legislation in force (effectiveness tests) should be carried out in 2016.

At the same time, during the year 2016, reference should be made to the development of various projects for compliance with the obligations set out in BdP's Official Notice 5/2013, the monitoring of Real Estate Investment Funds under the " Custodian Bank "developed by CGD and the implementation of due diligence measures for clients with refugee status from high risk countries or territories, as recommended by the European Banking Authority.

All employees are required to be familiar and comply with the legal and regulatory standards directly attributable to them, in the performance of their functions in addition to all internal rules and procedures in place for the normal development of their activity, with specific training being given in various formats as one of the basic aspects of the prevention system as a whole (AML/CFT).

In this context, a new training course was developed and made available a new E-learning on AML/ CFT, in an innovative format, a formative film in this subject.

CGD has formalised in its internal regulations this Internal Communication System of Irregular Practices (ICSIP) whose objectives also relate to the prevention and fight against corruption.

COMPLIANCE WITH LEGISLATION AND REGULATIONS

APLICATION OF FISCAL REGULATIONS

CGD has two inter-complementary technical units for compliance with the fiscal legislation and regulations in force. One is geared to CGD's compliance with its own fiscal obligations and the other focuses on logistical support for the interpretation of legislative standards and those pertaining to CGD itself and products geared to customers, in addition to other functions attributed to it in matters of tax disputes.

APPLICATION OF STANDARDS RELATING TO COMPETITION AND CONSUMER PROTECTION

CGD permanently oversees the publication of new legal and regulatory obligations, in addition to the issue of recommendations and definition of good practice by the supervisors, with the objective of adjusting its activity in conformity.

In the sphere of the relationships with customers, reference should be made, in 2016, to the Report on Behavioural Risks associated with the mis-selling of savings and investment products, issued by the National Council of Financial Supervisors, comprising a series of measures on the governance of supervised entities, remuneration policies, commercialisation and advisory services on products and governance and monitoring of products with a view to mitigating such risks. Such measures comprise guidelines designed to clarify/comply with the current or future (presently under preparation) regulatory framework.

To adjust its performance in line with the referred to guidelines, Caixa has analysed its practices and internal standards on such matters, identifying opportunities for improvement, in its preparation of future legal and regulatory changes.

The disclosure of information on financial products and services in the retail sphere by credit institutions and financial corporations is subject to rigorous information and transparency requirements with the aim of allowing bank customers to make an informed, grounded decision on the products or services on offer.

CGD must comply with these duties in its public disclosure of information on its commercialisation of financial products and services, based on the legislation and regulations issued by the supervisors, which obligations have been transposed into CGD's internal standards.

Caixa considers true, transparent, balanced and clear information to be an instrument for creating value, leading to improved customer satisfaction levels, a reduction in the number of complaints and lessening of the associated compliance risk. Quality communication helps to establish a lasting relationship of trust between Caixa and its customers.

With the aim of ensuring compliance with applicable standards, all Caixa or third party advertising of financial products and services commercialised by CGD, on national territory and abroad, must be validated by the bodies responsible for the product, by CGD's communication service and its Compliance Office (GFC). GFC also validates the precontractual information on deposits and other resource-taking products.

GFC validated 69 products as regards their conformity with regulations, legislation and standards and CGD's internal principles, in 2016.

INFORMATION ON COMPLIANCE WITH LEGISLATION, REGULATION AND ETHICALLY IRREPROACHABLE CONDUCT IN RESPECT OF THE APPLICATION OF ENVIRONMENTAL-TYPE STANDARDS

CGD's activity is performed in accordance with the applicable environmental legislation, as evidenced by the non-existence of any fines or non-monetary sanctions for any breaches of environmental laws and regulations.

CGD identifies the environmental impacts resulting from management, remodelling and maintenance activities on its installations and property. It has systematically implemented a series of eco-efficiency measures, based on best environmental practice, which include the management of energy and water consumption, waste management and the management of air quality in its buildings.

Information on these measures is disclosed in the Annual Report, in an integrated format, in addition to the annual Sustainability Report. Both documents can be consulted via the following link: https://www.cgd.pt/English/Institutional/Sustainability/Reporting-and-performance.aspx

Deriving from the implementation of the environmental management system to ISO 14001, CGD has contracted for the services of an external provider to assess its conformity with the environmental legislation applicable to its activity.

As regards the indirect impact of its own banking activity, CGD has been including environmentally responsible products in its portfolio, in addition to an appraisal of environmental compliance risks in the project finance area, operationalised through Caixa BI – Banco de Investimento, SA. Financing agreements include contractual obligations related to the applicable environmental legislation. Verification of compliance with this requirement as a sine qua non for the Bank’s disbursement of any funding is ensured by the lawyers and technical consultants contracted for the said purposes.

The appraisal of corporate credit risk also includes matters relative to a firm’s social and environmental credibility.

CGD, through CaixaGest, also has an investment fund with an environmental benefit in the form of Fundo de Investimento Alternativo Mobiliário Aberto Caixagest Energias Renováveis which gives investors access to a diversified portfolio of assets directly and indirectly associated with renewable energies, environmental quality and carbon.

CGD includes sustainability-related contractual clauses in its upstream value chain in the form of suppliers and service providers, namely compliance with Ethical Principles and Good Business Practice, aligned with Global Compact Principles and the obligations set out in the Good Environmental, Safety and Health Practice handbook which is appended to contracts with suppliers as regards the type of service provided.

3.6.4. SPECIAL INFORMATION REQUIREMENTS

Under the terms of ministerial ruling 1361, issued on 18 July 2014 by the secretary of state for finance, CGD was dispensed from the requirement to disclose the information provided for in sub-paragraphs d), f) and g) of article 44 of decree law 133/2013, with CGD considering the extension thereof to sub-paragraph i) of the same article given the analogous nature of the information in question.

Caixa Geral de Depósitos, in compliance with its reporting requirements provides information on its performance and economic-financial situation through via “SIRIEF” (“system for the collection of economic and financial information”). The annual accounting documents are published on various platforms namely CGD’s website, the CMVM’s extranet, BPNet (Bank of Portugal), SIRIEF (DGTF) and the Portuguese audit court’s electronic application for the submission of accounts.

INVESTOR SUPPORT

Under the terms defined in its legal framework, CGD, as an issuer of financial instruments, has appointed a Market Relations Representative, which promotes the timely communication of information that is likely to materially affect the economic, financial and equity situation of the company. In addition, the website www.cgd.pt provides a set of institutional and business information.

Contacts of Market Relations Representative

Luís Saraiva Martins
Av João XXI, 63
1000-300 Lisboa

Telephone: (351) 21 795 3524
Fax: (351) 21 795 3479
E-mail: luis.saraiva.martins@cgd.pt

As regards the ongoing and consistent disclosure of information on policies, strategic pillars and financial evolution of CGD Group, reference should be made to the activities of CGD’s investor relations office (GIR), operating in the proactive two-way management of a series of relationships with the financial community in global terms, i.e. investors, rating agencies, counterparties, analysts and supervisors.

DISCLOSURE OF PRIVILEGED INFORMATION

CGD disclosed the following privileged information in 2016, in full compliance with its duty to immediately publish relevant information:

Date	Subject
27/12/2016	Caixa Geral de Depósitos, SA announces Board Members resignations
12/12/2016	Caixa Geral de Depósitos, S.A. Announces Audit Commitee Members resignations
09/12/2016	Caixa Geral de Depósitos, S.A. Informs about recapitalisation process
02/12/2016	Caixa Geral de Depósitos, S.A. Informs on the Purchase and Sale Agreement of Rico Corretora
28/11/2016	Caixa Geral de Depósitos, SA announces Board Members resignation
18/11/2016	Caixa Geral de Depósitos, S.A. informs about first nine months of 2016 Consolidated Results
05/09/2016	Caixa Geral de Depositos informs about the amendment to the announcement released on the 31 August 2016
31/08/2016	Caixa Geral de Depositos, S.A. infoms about deliberation of the Sole Shareholder
31/08/2016	Caixa Geral de Depositos, S.A. infoms about Standard and Poors rating decisions
10/08/2016	Caixa Geral de Depósitos, S.A. informs about 1st half 2016 Consolidated Results
29/07/2016	Caixa Geral de Depositos, S.A. infoms about Standard and Poors rating decisions
29/07/2016	Caixa Geral de Depósitos, SA announces Board Members resignation
06/06/2016	Caixa Geral de Depositos, S.A. infoms about Moodys rating decisions
19/05/2016	Caixa Geral de Depósitos, S.A. informs about 1st quarter 2016 Consolidated Results
13/05/2016	Caixa Geral de Depositos, S.A. infoms about Fitch rating decisions
22/03/2016	Caixa Geral de Depositos, S.A. infoms about Standard and Poors rating decisions
04/02/2016	Caixa Geral de Depósitos, S.A. informs about 2015 Consolidated Results

DISCLOSURE OF OTHER MARKET INFORMATION

CGD maintained its market information feed over the course of 2016 in line with the recommendations of the Securities Market Commission and best international practice, in a context of transparency and rigour for its investors, analysts, customers and other stakeholders.

In compliance with its public disclosure requirements, Caixa Geral de Depósitos has published all relevant, mandatory information on the CMVM's information disclosure system as well as hosting it on its internet for all interested parties.

DISCLOSURE OF INFORMATION ON CGD´S WEBSITE

The informational architecture of CGD's website contains a public area exclusively for the disclosure of corporate governance information, in full compliance with good governance principles for companies in the state's corporate sector. This website area ensures the disclosure of all mandatory and legal information on the company's diverse corporate governance issues, including information on the issues set out in the following table:

	Disclosure			
	Yes	No	NA.	Remarks
Mission and Strategy	X			
Shareholder Structure	X			
Governance Model	X			
Remunerations and other Benefits	X			
Organisational chart	X			
Code of Conduct	X			
Regulations	X			
Historical and Current Financial Information	X			
Corporate Governance Principles	X			
Identity and résumés of all members of statutory bodies	X			

This information is available at:

https://www.cgd.pt/Institucional/Pages/Institucional_v2.aspx

3.7. Remuneration

COMPETENCE FOR ASSESSING REMUNERATION

The Board of Directors, at its meeting of 31.08.2016, decided to set up a Remuneration Committee. In accordance with the regulation of the Nomination, Assessment and Remuneration Committee, dated 15 December and within the scope of its functions, reference should be made to the "nomination and definition of the remuneration of the statutory bodies of the other companies comprising CGD Group and CGD employees with a management status reporting directly to the Board of Directors or any of its Committees (including Executive Committee). More detailed information on its composition and competence is available in Chapter 3.5. Statutory Bodies and Committees.

REMUNERATION POLICY FOR MEMBERS OF BOARDS OF DIRECTORS AND SUPERVISORY BOARDS

CGD published an internal Regulation, on 23 February 2016, on: “CGD’s and CGD Group’s Remuneration Policy” – Internal Regulation 8/2016. In addition to members of CGD’s Statutory Bodies, it includes “Relevant Office Holders”.

A new Remuneration Policy, applicable to Executive and Non-Executive Members of CGD’s Board of Directors and members of its Supervisory Board was approved on 31 August 2016 in the form of a unanimous written corporate declaration.

The approval of the Remuneration Policy on 31 August 2016 gave rise to two remuneration policies, one of which applicable to Executive and Non-Executive Board Members and members of the Supervisory Board with the other, as set out in Internal Regulation 8/2016 of 23 February 2016, applying to the referred to members up until the coming into force of the first Remuneration Policy and, currently solely applicable to “Relevant Office Holders”.

Different limitations on remuneration policies, following the change in the Public Manager Statute, approved by Decree Law 71/2007 of 27 March and amended by Decree Law 39/2016 of 28 July, on the other hand, co-existed in 2016.

Therefore, prior to the change brought in by Decree Law 39/2016, the remuneration of the Executive Board Members was limited to the monthly salary of the Prime Minister and a monthly allowance for expense account items of 40% of the respective salary, or, alternatively, an option to receive the wages paid by members’ former employment, subject to the limit of the average remuneration of the last three years as paid by such former employment, adjusted by the RPI as expressly authorised by the member of government responsible for the finance area.

The remuneration of Non-Executive Board Members was limited to 1/4 of the same type of remuneration established for Executive Board Members, with effective participation on committees specifically created to oversee the company’s activity also entitling such members to complementary remuneration, in which case the limit on the global remuneration was 1/3 of the fixed remuneration of Executive Board Members.

In the form of Ruling 6555-B/2014, issued by the Secretary of State for Finance, dated 19 May 2014 and published in the Diário da República, 2nd series no. 95 of the same date, the state shareholder set the remunerations of the Chairman of the Board of Directors and all Executive Board Members for the current term of office, effective from 8 July 2013, having, for the purpose, authorised in respect of each, the option to receive their average remuneration of the last 3 years as paid by their former employment.

Decree Law 39/2016 of 28 July amended the Public Manager Statute (PMS) as regards the exclusion of Caixa Geral de Depósitos, S.A. from its application, for which reason the limitations deriving from the referred to statute ceased to apply to the remuneration of CGD, S.A.'s Board Members.

Therefore, those members of CGD, S.A.'s Statutory Bodies who were elected on 31 August 2016, in the form of a unanimous written corporate declaration issued by the Portuguese state shareholder owning 100% of the capital were not subject to the limitations imposed under the PMS.

However, in 2016, the remuneration policy of CGD's Statutory Bodies continued to be governed by the State Budget Law for 2016 in the form of Law 7-A/2016 of 30 March (SBL 2016), the General Credit Institutions and Financial Companies Regime (RGICSF), Community Standards and Bank of Portugal Regulation which establish rules and mandatory restrictions on the referred to policy.

The remuneratory reduction of 5%, pursuant to Law 12-A/2010 of 30 June, was applicable to public managers and ceased to be effective with the coming into force of the change imposed under Decree Law 39/2016 on the PMS.

No management bonuses were attributed under the impositions of the successive State Budget laws which remained in force in 2016.

Notwithstanding the coexistence of two remuneration policies, in 2016, the primary objectives are common:

- To ensure compliance with the applicable, legal and regulatory dispositions;
- To promote and be coherent with healthy, prudent risk management;
- To discourage risk-taking at levels higher than those defined and tolerated by CGD;
- To ensure compatibility between the remuneration mechanisms defined and CGD's long term strategy, objective, values and interests, as established by its competent Statutory Bodies;
- To avoid situations of conflicts of interest;
- To structure remuneration mechanisms which take into account and which are adequate and proportional to the type, characteristics, dimensions, organisation and complexity of CGD's activities;
- To promote the competitiveness of CGD's Remuneration Policy, taking into consideration the remuneration policies and practices of other banks and institutions comparable to CGD.

The remuneration and its respective composition are coherent with CGD's governance structure and are aligned with the risk profile tolerated by CGD.

The remuneration of Executive Board Members comprises a fixed and variable component, the latter attribution of which is not guaranteed.

The fixed remuneration component comprises a sufficiently high proportion of the Executive Board Members' total remuneration, to permit the application of a fully flexible policy relative to the variable component, including the possibility of the non-payment thereof.

The variable component is indexed to the achievement of concrete, qualified objectives in line with CGD's long term interests.

Under the terms of the remuneration policy provided for in Internal Regulation 8/2016, the variable component of the remuneration, when attributed, may not exceed half of the amount of the fixed remuneration component for each member of the Executive Committee.

In assessing the amount of the variable component of the remuneration the following conditioning factors may, in accordance with the referred to policy, inter alia, be considered:

- CGD's and CGD Group's results;
- The cost-to-income ratio;
- Level of achievement of the defined annual objectives;
- Contribution to the image and reputation of CGD and CGD Group.

The variable component of the remuneration, the attribution of which is not guaranteed, derives from the assessment of individual performance, which takes into consideration criteria of a financial and non-financial nature as well as CGD Group's global results.

The assessment of individual performance complies with a 3 year pluriannual table which ensures that the assessment is based on long term performance and that the variable component is spread over a period that takes CGD's economic cycle into consideration.

The Remuneration Policy approved on 31 August 2016 ensures, in turn, that the amount of the variable component of the remuneration may not exceed the amount of the fixed remuneration.

The total amount of the variable remuneration of the Executive Board Members as a whole may not exceed the maximum percentage of consolidated net profit for the year as defined for each year by the general meeting of shareholders following the proposal submitted by the Remuneration Committee, with the fixing of the said amount taking CGD's performance and global results, the policy followed on this matter in comparable institutions and the evolution of the global amount defined for the variable remuneration of CGD employees as a whole into account.

<u>Executive Board Members - Variable Component</u>

The variable component of the remuneration of the Executive Board Members comprises:

- A cash payment comprising 50% of the total amount of the variable component; and
- A payment in kind comprising 50% of the total amount of the variable component.

The payment in kind shall comprise bonds issued by CGD, with a minimum period to maturity of five years, in the form of additional Tier 1 or Tier 2 own funds instruments as defined by articles 52 and 63, respectively, both of Regulation (EU) 575/2013.

Performance will be assessed:

- On a pluriannual basis, for the assessment process to be based on long term performance and for the payment of the remuneration components thereon dependent to be spread over a period which takes CGD's underlying economic cycle and its business risks into account and which should, for the said purpose, consider not only the year referred to by the variable component but also the preceding years of the term of office in progress;
- Based on the following quantitative criteria:
    - Solvency, comprising: solvency ratio, credit default ratios and property foreclosures;
    - Profitability, comprising: return on equity, net interest income, impairment and risk-adjusted return on capital;
    - Efficiency: cost-to-income;
    - Market position: CGD's market shares;

  - Liquidity: reference should be made to: the ratio of the conversion of resources from balance to credit, the maturity of medium / long-term debt and the rate of use of the European Central Bank funding.

- The following qualitative criteria will also be considered:
  - Level of customers' complaints;
  - CGD's reputation indicators.

<u>Non-Executive Board Members - Variable Component</u>

The remuneration of the Non-Executive Board Members, in turn, exclusively comprises a fixed component and does not include any variable component nor is the attribution thereof contingent upon CGD's results.

As regards the Remuneration Policy provided for in Internal Regulation 8/2016, applicable to Board Members up to 30 August 2016, the payment of a substantial part of the variable remuneration, comprising at least 40% of such remuneration's variable component, is proportionally deferred for a period of three years, taking into account the economic cycle, financial sustainability and the type of risks and activities performed by Executive Board Members.

The variable cash component of the Remuneration Policy, approved on 31 August 2016 is assessed and paid in the first half year following the year to which such remuneration refers and corresponds to the "assessment date".

The variable component of the remuneration in kind is subject to a period of 3 years starting from the assessment date, to ensure compatibility between the Executive Board Members' incentives and CGD's long term interests.

A common denominator in both policies is the fact that the remuneration's variable component is subject to reduction and reversal mechanisms.

Reference should also be made the other remuneration or benefits of board members:

- The compensation and indemnities paid or owed to board members are set out at law;
- No entitlement to any complementary retirement plans or early retirements.

The Public Manager Statute forbids discretionary pension benefits from being attributed to public managers as set out in in-House Regulation 8/2016.

Following the amendment of the EGP and its non-applicability to CGD, the remuneration policy approved at 31 August 2016, provides Executive Board Members with social benefits under the terms to be defined by the General Meeting of Shareholders or Remuneration Committee, with the practices being followed in CGD, in addition to the remuneratory policies and practices of other banks and institutions comparable to CGD being taken into consideration.

Non-executive Board Members and members of the Supervisory Board are not entitled to any social benefits.

As regards remuneration for performing functions in companies in a controlling or group relationship with CGD, during the course of 2016, the Remuneration Policy provided for in in-House Regulation 8/2016, explicitly stated that "Members of the Executive Committee who perform functions on the Board of Directors of companies in a controlling or group relationship with CGD, or who perform specific functions at the behest of the Board of Directors, do not receive any remuneration for the performance of such functions, notwithstanding the significance and importance thereof." At 31 August 2016, following the approval of the new remuneration policy, applicable to Board Members elected at the said date, “The value of the CVRN (Variable component of cash remuneration) to be defined for each Executive Board Member shall be net of the amount corresponding to the total sum of the remuneration earned by them, in the year to which the said component refers, to offset the performance of functions in other entities for which he/she has been indicated by CGD".

BOARD OF DIRECTORS

Up to 31 of August 2016

(EUR)

	Remuneration (Monthly values - 14 months)
Board of Directors	
Chairman	
Álvaro Nascimento	7,704.20
Non-executive members	
Pedro Bela Pimentel	1,948.48
José Luís Crespo de Carvalho	1,948.48
José Ernst Henzler Vieira Branco	1,948.48
Executive Committee	
Chairman	
José de Matos	16,578.28
Vice- Chairman	
Nuno Fernandes Thomaz	8,647.80
Members	
João Nuno Palma	13,481.60
José Cabral dos Santos	11,424.33
Ana Cristina Leal	12,703.17
Maria João Carioca Rodrigues	12,039.21
Audit Committee	
Chairman	
Eduardo Paz Ferreira	1,948.48
Vice- Chairman	
Daniel Traça	1,948.48
Member	
Pedro Fontes Falcão	1,948.48

From 31 of August 2016

(EUR)

	Remuneration (Monthly values - 14 months)
Board of Directors	
Chairman	
António Domingues	30,214.29
Non-executive Vice-Chairman	
Emilio Rui da Veiga Peixoto Vilar (a)	3,500.00
Executive members	
João Paulo Tudela Martins	23,285.71
Tiago Ravara Belo de Oliveira Marques	23,285.71
Pedro Humberto Monteiro Durão Leitão	23,285.71
Paulo Jorge Gonçalves Pereira Rodrigues Silva	23,285.71
Emídio José Bebiano e Moura da Costa Pinheiro	23,285.71
Henrique Cabral de Noronha e Menezes	23,285.71
Non-executive members	
Angel Corcostegui Guraya	3,500.00
Pedro Lopo de Carvalho Norton de Matos	3,500.00
Walter Herbert	3,500.00
Audit Committee	
Chairman	
Guilherme Valdemar Pereira de Oliveira Martins	5,200.00
Members	
António Luis Traça Borges de Assunção	4,500.00
Luís Manuel Baptista Branco	4,500.00
Alternate member	
Manuel Sotto-Mayor Coelho de Sousa	

(a) This member opted not to receive.

SPECIAL COMMITTEES

	Statutory Bodies / Position	Attendance fee	Payment Frequency	Meeting Frequency
Audit and Internal Control Committee				
Emílio Rui da Veiga Peixoto Vilar (a)	Chairman	4.900.00	Per meeting	Quarterly
Angel Corcostegui Guraya	Member	3.700.00	Per meeting	Quarterly
António Luís Traça Borges de Assunção	Member	3.700.00	Per meeting	Quarterly
Financial Risks Committee				
Herbert Walter	Chairman	3.700.00	Per meeting	Quarterly
Pedro Lopo de Carvalho Norton de Matos	Member	3.700.00	Per meeting	Quarterly
Manuel Sotto-Mayor Coelho de Sousa	Member	3.700.00	Per meeting	Quarterly
Nomination, Assessment and Remuneration Committee				
Pedro Lopo de Carvalho Norton de Matos	Chairman	3.700.00	Per meeting	Half-yearly
Emílio Rui da Veiga Peixoto Vilar (a)	Member	3.700.00	Per meeting	Half-yearly
Luís Manuel Baptista Branco	Member	3.700.00	Per meeting	Half-yearly
Corporate Governance Committee				
Guilherme Valdemar Pereira de Oliveira Martins	Chairman	3.700.00	Per meeting	Annual
Herbert Walter	Member	3.700.00	Per meeting	Annual
Luís Manuel Baptista Branco	Member	3.700.00	Per meeting	Annual

(a) This member opted not to receive.

REMUNERATION STATUS IN 2016

BOARD OF THE GENERAL MEETING REMUNERATION

Up to 31 of August 2016

		Remuneration
Chaiman	Manuel Carlos Lopes Porto	Attendance voucher of € 650,00
Vice-Chairman	Vacant	Attendance voucher of € 525,00
Secretary	José Lourenço Soares	Attendance voucher of € 400,00

From 31 of August 2016

		Remuneration (2016)
Chaiman	Paulo Cardoso Correia Mota Pinto	€ 14 000
Vice-Chairman (*)	Elsa Roncon Santos	€ 12 000
Secretary (**)	José Lourenço Soares	€ 8 000

(*) Suspended remuneration while acting as Director General for Treasury and Finance.
(**) As this member is a CGD employee, he does not receive because he cannot accumulate.

In regards to the remuneration of the Board of the General Meeting in 2016, reference should be made to the attendance fees of €4,702.73 that were paid to Paulo Mota Pinto. The amount of Social Security charges amounted to €1,116.91.

STAFF REMUNERATION POLICY

The remuneration policy for CGD's employees takes the form of collective bargaining agreements which are published in the Labour and Employment Bulletin and internal regulations accessible to all workers.

In the remuneration policy sphere, company agreements and internal regulations govern the following:

- Wage scales and pecuniary clauses;
- Professional careers;
- Remuneration system;
- Performance management system;
- Labour conditions;
- Welfare regime;
- Incentives system;
- Profit sharing.

A new Company Agreement, resulting in several changes, was entered into in 2016. It includes merit as a criterion in seniority-based promotions, continuity payments since the first year of the agreement and the creation of birth grants.

The remuneration of CGD workers comprises a fixed and variable component.

The fixed remuneration defined under the terms of the Company Agreement in force and internal regulations, comprises a basic wage complemented by various remuneratory items such as continuity payments, subsidies for the absence of fixed working hours, subsidies for certain functions and holiday and Christmas bonuses.

Variable remuneration is paid on a one-off basis by the Board of Directors and is closely linked to performance and the level of fulfilment of objectives.

The Performance Management System consists of an annual process by means of which CGD plans its activity, monitors performance and evaluates results. The assessment of performance and fulfilment of objectives are relevant factors to be taken into consideration in any change to the remuneratory status of workers, including managerial staff, either in the form of merit-based promotion or the revision of other fixed or variable wage components.

However, in 2016, as, in any event, since 2011, the remuneratory policy for CGD workers continued to be constrained by the State Budget Law for 2016 in the form of Law 7-A/2016 of 30 March (SBL 2016) which continued to impose mandatory rules and restrictions taking precedence over the applicable labour regulation instruments.

Reference should, herein, be made to the prohibiting of wage increases, freezing of length of service and suspension of merit and seniority promotions.

No additional annual variable remuneration, except for productivity incentives to commercial area employees, was therefore paid to any CGD employee.

For the same reason, there were no changes in wage scales in 2016.

The reduction of remuneration, provided for in Law 75/2014 of 12 September, was, on the other hand, progressively eliminated, in the form of quarterly reversals and completely eliminated from 01 October 2016.

To comply with the disclosure criteria established in article 17 of the Bank of Portugal's official notice 10/2011, a table containing quantitative information on CGD's payment of remuneration, broken down into the Managerial Staff of CGD Structures (except for control functions) and Managerial Staff of CGD Control Structures (DAI, DCO, DGR and GFC) is provided.

In light of the specificities deriving from the legal framework applicable to CGD, sub-paragraph b) of no. 1 and sub-paragraphs c), e), g) and i) of no. 2 of article 16 and sub-paragraphs b) to d) of no. 1 of article 17 of the Bank of Portugal's official notice no. 10/2011 are prejudiced for disclosure purposes.

STAFF REMUNERATION

(EUR)

	Workers covered by article 17 no. 1 of the Bank of Portugal's Official Notice 10/2011	
	Management staff CGD Structures (without Control Functions)	Management staff CGD Structures (with Control Functions)
1. Remuneration		
1.1. Base remuneration	18,590,360.85	1,358,133.12
1.2. Variable remuneration	43,898 (1)	-
1.3. Number of Beneficiaries	220	16
2. Additional Information		
2.1. New Hirings in 2016	0	0
2.2. Amounts paid on early rescissions of work contracts	-	-
2.2.1. Number of payment beneficiaries	-	-
2.2.2. Largest amount paid to an employee	-	-

(1) Productivity incentives attributed to workers with managerial functions in commercial areas.

3.8. Transactions with Related and Other Parties

CGD performs transactions with group and associated companies and other entities controlled by the Portuguese state.

CGD's financial statements, at 31 December 2016, included the following balances and transactions with related entities, excluding management bodies:

(EUR thousand)

	31-12-2016			
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates	Other Companies of CGD Group
Assets:				
Liquid assets held in credit institutions	-	-	-	12,793
Loans and advances to credit institutions	-	-	-	2,771,266
Bonds and trading derivatives	4,735,316	1,930,228	10,132	632,464
Loans and advances to customers	2,426	2,363,396	260,503	293,482
Impairment of Loans and advances to customers	-	823	7,443	-
Other Assets	583,737	482,457	87,868	642,683
Liabilities:				
Resources from credit institutions	-	68,752	47	2,151,019
Customer resources	37,177	630,794	276,705	1,917,816
Debt securities	-	-	62,600	32,912
Subordinated Liabilities	944,514	600	9,000	266,292
Financial liabilities held for sale	-	6,057	-	44,909
Other Liabilities	-	-	-	174,164
Guarantees Given	-	11,489	8,377	2,229,511
Income:				
Interest and similar income	54,501	129,463	3,137	187,824
Gains from financial operations	4,012	-	1,549	2,503,443
Income from services rendered and comissions	312	7,736	52,152	22,524
Other operating income	4	209	179	17,836
Costs:				
Interest and similar costs	86,051	1,018	12,625	99,571
Losses from financial operations	-	-	-	2,467,123
Commissions costs	16	1,405	424	2,518
Other operating costs	-	-	-	325
General administrative costs	12	598	9	32,281

As regards the concept of "related parties" established in the general credit institutions and financial corporations regime, CGD adopted a collection of internal standards in the respective regulation sphere.

Caixa records and regularly oversees operations with related parties as regards the companies included in the Group's consolidation perimeter.

OTHER TRANSACTIONS

PROCEDURES FOR THE ACQUISITION OF GOODS AND SERVICES

Caixa Geral de Depósitos (CGD) has transparent procedures in place for the acquisition of goods and services, subject to principles of economy and effectiveness.

CGD has adopted the following procedures:

Preparation and market consultation

- Initiation of process with the identification of the need for new services or renewal of contracts;
- Identification of suppliers to be consulted;
- Production of tender documents, using the adequate draft model for the goods/service;
- Preparation of the suppliers' assessment grid;
- Tender documents sent to previously identified suppliers, inviting them to submit their proposals, which consultation, whenever possible, is sent to a minimum number of 3 suppliers per item/service;
- Reception of calls for tender and scheduling of meetings for clarifying doubts within the periods indicated in the tender documents.

Reception, assessment and negotiations of bids

- Reception of the bids from consulted suppliers, within the periods specified in the tender documents and in a sealed letter;
- Opening of bids by a bid opening committee;
- Preparation and signing of the minutes of the opening of the bids;
- Analysis and comparative assessment of bids (production of shortlist if necessary);
- Production of a bid assessment grid, taking the previously defined assessment table into account.

Selection, approval of expense and award

- Selection of suppliers for inclusion in the following stage of the negotiating process;
- Notification of suppliers excluded during the course of the negotiating process;
- Negotiating rounds up to the selection of the final supplier (in each round the collection of activities set out in this item is checked);
- Allocation of expenditure;
- Production of information for the decision of the competent corporate body;
- Production of award document in accordance with the current draft model;
- Award of the acquisition of goods/services to supplier.

Contracts

- Production of draft contract, based on the contents of the negotiating process, with no work being allowed to commence on its execution prior to the start date defined in the award;
- Copy of draft model sent to supplier.

In 2016, in addition to the maintenance of the above referred to principles and procedures, the internal regulation designed to leverage greater separation between functions was also revised, with a more centralised approach to acquisitions of goods and services.

TRANSACTIONS WHICH HAVE NOT BEEN MADE UNDER MARKET CONDITIONS

Information on the contracts usually entered into with CGD Group companies, without consulting the market is set out below:

- Valuables transport – ESEGUR – Empresa de Segurança, SA;
- Leasing operations – Caixa Leasing e Factoring, IFIC, SA;;
- Vehicle hire – LOCARENT - Companhia Portuguesa de Aluguer de Viaturas, SA;
- New media developments with CaixaTec – Tecnologias de Informação, SA;

LIST OF SUPPLIERS REPRESENTING MORE THAN 5% OF EXTERNAL SUPPLIES AND SERVICES ON A SEPARATE BASIS

The following suppliers represented more than 5% of external supplies and services on an individual basis, in 2016:

(EUR)

Tax no.	Supplier	Total in 2016
PT500068801	Companhia IBM Portuguesa, S.A.	29,919,474.64
PT720003490	Fundo de Pensões do Pessoal	27,406,291.42

3.9. Analysis of the Company's Sustainability in the Economic, Social and Environmental Domains

STRATEGIES ADOPTED AND DEGREE OF COMPLIANCE WITH TARGETS

CGD endeavours to create sustained, long term value for its stakeholders. This implies the sustainable management of its resources based on principles of responsibility, not only economic, but also social and environmental.

In alignment with the Group's business strategy, CGD has defined and has been implementing a Corporate Sustainability Programme, currently operationalised by its sustainability strategy for the three year period 2015-2017, encompassing the three strategic areas of Responsible Business, Community and the Environment and comprising a series of operating areas far in excess of legal obligations, namely: Ethics and Compliance, Customer Relationship Management, Risk Management, Development of Human Capital, Responsible Supplier Management, Social and Financial Inclusion, Education and Financial Literacy, Support for the Local Economy, Eco-efficiency and Adapting to Climate Change.

These 10 operating areas comprise CGD's sustainability vision in response to emerging societal challenges and are aligned with the Sustainable Development Objectives of the United Nations.

Strategic sustainability planning is based on several sources of which reference should be made to the identification of material issues, based on a periodic biannual process of consulting stakeholders on sustainability-related issues, keeping an eye on trends in the sector and CGD's results in terms of sustainability indices.

A sustainability management model, transversal to the organisation has been implemented to ensure the implementation of the Corporate Sustainability Programme. It involves most of the structural bodies and Complementary Corporate Groupings in furthering the Corporate Sustainability Programme, as well as several Group companies and affiliate banks – Caixa Banco de Investimento; Caixa Gestão de Activos; Caixa Geral de Depósitos Foundation – Culturgest; Banco Interatlântico, Banco Comercial do Atlântico, Banco Caixa Geral Brasil and Mercantile Bank.

The model comprises the following:

- The Delegate Sustainability Committee (CDSU), formed in 2015. This is an Executive Committee decision-making body responsible for the assessment, decision, discussion and monitoring of the implementation of the sustainability of CGD and CGD Group branches and subsidiaries, including the maintenance of its Environmental Management System, on the basis of a corporate approach. This Board met once in 2016.
- Sustainability Programme coordination team responsible for the coordination and oversight of the Corporate Sustainability Programme and promoting taskforce activity;
- Ambassadors and Appointees, responsible for analysing and validating the proposals produced by the taskforces for submission to CGSU;
- Taskforces made up of the directors of various Structural Bodies, working on specific issues such as, Voluntary Policies and Codes, Risk, Products, Environment, Involvement with the Community, Reports and Stakeholders, Human Resources and CGD Group/Africa/Brazil.

CGD currently reports and communicates its sustainability performance, including the current status of the implementation of its sustainability information, to all stakeholders, in accordance with the Global Reporting Initiative Directives certified by an external entity. CGD adopted the most recent version – GRI Standards, for the “Comprehensive” option, at the end of 2016.

The documents in respect of the Annual Sustainability Report can be viewed at www.cgd.pt, via the following link:

https://www.cgd.pt/Institucional/Sustentabilidade-CGD/Reporting-Desempenho/Pages/Reporting-desempenho.aspx

PURSUIT OF POLICIES DESIGNED TO GUARANTEE ECONOMIC, FINANCIAL, SOCIAL AND ENVIRONMENTAL EFFICIENCY AND SAFEGUARD STANDARDS OF QUALITY

CGD continues to base its activity on a series of policies comprising the foundations of its Corporate Sustainability Programme, as set out below:

- Sustainability policy based on five key strategic areas geared to the creation of stakeholder value – Responsible Banking, Promotion of the Future, Protection of the Environment, Involvement with the Community and Human Assets Management;
- Environmental policy;
- Community involvement policy;
- Product and service policy, from a sustainability viewpoint, aligned with CGD Group’s marketing and commercial policy;
- Quality policy, approved and published in 2016 which reflects CGD’s position regarding quality management and which expresses the organisation’s commitment to its customers’ satisfaction and improvements to its products/services and processes.

These policies may be viewed online, in Portuguese and English in the sustainability area of the corporate website at:

https://www.cgd.pt/English/Institutional/Sustainability/Commitments-and-Policies/Pages/Commitments-Policies.aspx

Together with these policies, CGD operates responsibly in alignment with a series of codes and voluntary principles of relevance to its economic, social and environmental performance, namely:

- Good Government Practice for Companies in the State’s Corporate Sector (Council of Ministers’ Resolution 49/2007 replaced by Decree Law 133/2013 of 3 October);
- European Voluntary Code of Conduct on Home Loans, first subscribed to in 2000;
- Code of Conduct of the Civil Institute for Advertising Self-Discipline, since 2000;
- Enterprise for Health — European Healthy Enterprises Network of which CGD was a founding member, since 2000;
- United Nations Environment Programme — Finance Initiative, since 2009;
- World Savings Banks Institute/European Savings Banks Group (WSBI/ESBG) Charter for Responsible Business, since 2011;
- APAN (Portuguese Advertisers' Association) Commitments Charter in the sphere of responsible communication, since 2012.
- Global Compact - 10 universally accepted principles in the human rights, labour

practice, environmental protection and anti-corruption areas, since 2013;

- 17 Sustainable Development Objectives launched by the UNO, since 20 January 2016. Caixa is a Member of the Coordination Committee of the Alliance for Sustainable Development Objectives of the United Nations. In 2016, CGD continued as a member of the main Sustainability organisations and initiatives, including: UNEP-FI, Carbon Disclosure Project - CDP, the Social and Corporate Responsibility Committee of the European Savings Bank Group (ESBG), the Global Compact Network Portugal, and BCSD Portugal – Corporate Council for Sustainable Development.

CGD has also voluntarily responded to various external assessments by entities which notify investors of their results, including CDP, the Robeco SAM assessment for the Dow Jones Sustainability Index, and the Oekom and VIGEO assessments.

Aware that improvement presupposes a continuous act with a gradual evolution, focusing on the Customer and based on the participation and commitment of all employees, CGD has been implementing managerial practices designed to safeguard quality standards, understanding the requirements to be met, establishing and ensuring levels of service between parties and optimising internal processes, always pursuant to the objective of providing its Customers with more efficient solutions and quality of service.

The publication of the new version of the ISO 9001 Benchmark Standard on best practice at the end of 2015, gave rise to a new transition stage and a series of changes.

The Organisation and Quality Division oversaw the adaptation process and prepared a series of actions designed to assist the transition of certified processes and their teams, to the new version of the Standard and which witnessed the approval and publication of CGD's Quality Policy and Quality Manual, to meet the new requirements with the successful renewal of the certification to the new version of the Standard in four of the certified processes. These results reflect CGD's position as regards Quality Management and the continuous improvement of its products and processes. CGD currently has five processes certified to ISO 9001 (Financial Markets, Prevention and Safety, Customers' Suggestions and Complaints, Information and Management Systems Infrastructures Services, Execution and Control of Operating Processes and Contact Centre).

In 2016, reference should also be made to the maintenance of the Environmental Management System of CGD's HQ building to ISO 14001 and the implementation, in alignment with international and Bank of Portugal requirements of the Business Continuity Management System to ISO 22301 and the Information Integrity Management System to ISO 27001.

FORM OF COMPLIANCE WITH THE PRINCIPLES INVOLVED IN ADEQUATE BUSINESS MANAGEMENT

SOCIAL RESPONSIBILITY

In its Sustainability, Involvement with the Community and Product and Service Policies, CGD has established a series of operational guidelines in the sustainable development sphere, including directives on customer relationships and community support needs, focusing on entrepreneurship, education, the social economy, financial literacy and continuous backing for social and cultural activities.

Assessment of quality of service and customer satisfaction is one of the strategic pillars to strengthen CGD's value proposals. The methodologies used, aligned with best international practice, enable CGD to identify critical performance areas, adjust supply and service models and provide each segment with adequate levels of service.

The Bank operates as a catalyst for sustainable development in Portugal, present through its branch office network in all of the country's municipal districts, including the autonomous regions of Madeira and the Azores. The Integration of the community as a decisive factor in value creation and business sustainability is one of CGD's fundamental operating pillars.

To achieve articulation between business objectives, sustainability and social responsibility, financial solutions involving financial inclusion, incentivising entrepreneurship, support for education, development of the Portuguese business fabric, products designed to facilitate savings and solutions for the prevention and processing of credit default situations continued to be provided, together with transitional financial solutions to a low carbon economy. Reference should be made, in 2016, to Caixa 2020 – a global complementary support solution for companies submitting applications to Portugal 2020, in addition to the launch of a corporate line of credit for electric and hybrid vehicles.

In 2016 and in the sphere of the social and financial inclusion of people with special needs, CGD provided its Helpdesk for Deaf Citizens (up to October) and continued to incorporate the ColorADD universal colour identification system in its informational and advertising media in its attempts to improve accessibility and communication on products and services, promoting the social responsibility of all and for all.

One of the Directives of the Community Involvement Policy consists of incentivising employees' active participation in corporate volunteering activities.

In the sphere of Caixa's Volunteering Project, continuity was given to the Young VolunTeam Programme, in partnership with ENTRAJUDA and Sair da Casca and with the support of the Directorate General of Education (DGE) and the European Commission's Youth in Action Programme and SEA – Agência de Empreendedores Sociais, which since its 2014/2015 edition, has benefited from the High Patronage of His Excellency the President of the Republic. The main aim of this programme is to encourage voluntary work in schools, contributing towards the development of fundamental skills related with entrepreneurship, education, employment, citizenship and the social inclusion of young people in primary and secondary education.

CGD also continued to participate with its volunteers in the "Junior Achievement Portugal" programme in various municipal districts in Portugal and in programmes geared to different educational cycles.

In the sphere of the protocol with ENTRAJUDA and acting as a catalyst for the social economy, CGD undertook voluntary initiatives to strengthen participating employees' feeling of belonging to the community as individuals and CGD employees.

CGD also continued to associate with major issues in the solidarity areas, not only through its Blood Donors' Group but also its fund-raising actions and in collecting goods for social causes.

In the financial literacy sphere, the performance of Saldo Positivo as CGD's financial literacy programme for individual and corporate customers underwent fresh expansion, in 2016, having achieved its highest level of visitors since its launch at the end of 2008.

CGD's relationship with academia comprises not only cooperation agreements with higher educational institutions but also its presence at the most important events for the academic population, namely academic festivities.

CGD's ongoing support for culture continues to be one of its operating pillars. CGD – Culturgest Foundation has been a crucial cultural agent in hosting a series of events in various artistic domains, including music, theatre, dance, cinema, conferences and readings, exhibitions and the educational service.

In addition to its usual sponsorship of various cultural events, continuity was also given to CGD's "Orchestras Project" for traditional classical and fusion music, with the aim of creating new audiences, enjoyment of culture and fondness for music. 2016 witnessed a considerable increase in audience numbers.

In addition to promoting the economic growth of countries in which it performs a banking activity, CGD, through its mediatheque (multimedia library) network provides its customers and the general public with ease of access to a vast range of information necessary for and pertinent to their formative and intellectual development. The objective behind this project has always been related to opening up the market to business units through social responsibility.

Facilitating access to cultural development, supplying scarce resources to the regions and exploiting the synergies of the existing commercial structure were aspects valued by Portuguese Cooperation and the Camões Institute and naturally accompanied by access to information and knowledge, human capital improvements, integral development of populations and promotion and use of the Portuguese language.

CGD's Historical Heritage Office comprises 3 specific areas: Historical Archive, Museum and Collectors' Items and Libraries. The objective of this Office, in addition to managing the mediatheques, is to collect, conserve, organise and divulge information on CGD's historical heritage, in addition to participating and supporting actions involving the promotion and interchange of sources of information with other similar institutions, educational institutions and national and international research centres in the Historical Heritage sphere.

This year's Annual Report, in an integrated format, in addition to the Sustainability Report 2016, provides detailed information on CGD's performance in the various referred to domains:

https://www.cgd.pt/English/Institucional/Sustainability/Reporting-and-performance/Pages/Reporting-and-performance.aspx

Adoption of equality of treatment and opportunities plans, designed to eliminate inequality and permit conciliation between personal, family and professional lives

CGD's human resources management mission consists of forming a strong, motivated team always geared to providing direct business support, ensuring non-discrimination and equality of treatment and opportunities and the balance between employees' professional and personal lives, professional development and well-being in terms of health and job security.

The management of CGD's Social and Family Responsibility Policy is geared to the human factor and socially responsible leadership, involving all of the Company's line management in the creation of an inclusive environment, support for integration and permanent development and preventing the most diverse problems.

CGD fully respects human rights across its activity, as a socially responsible institution which complies with legal requirements, as reflected in the management of its human assets, guaranteeing freedom of association and prohibiting child and forced labour.

In its furtherance of an inclusive policy, CGD integrates physically disabled employees without any discrimination, providing them with technical assistance and guaranteeing the accessibility needed for such employees' full integration and development.

These principles are set out in its code of conduct, sustainability, recruitment, remuneration, development and career management policies.

By way of example, both in terms of internal and external recruitment, the disclosure of information on opportunities and submission of candidatures are accessible to all interested parties whatever their gender and the selection is based solely and exclusively on the basis of each candidate's résumé and skills profile. Equality is also ensured in terms of the management of remuneration, in which the basic remuneration paid to employees comprises the wages which have been defined by levels/scales for each professional category with no distinction between genders. In addition to the internal value attributed to these principles, CGD promotes sustainability in its chain of suppliers and service providers in prohibiting discrimination based on criteria such as race, gender, disability, political or ideological convictions, religion, education, marital status et al.

In the sphere of reconciling personal, family and professional lives, CGD endeavours to promote and back its workers' development in all aspects of their non-working lives, placing value on the family, strengthening multiple social roles and citizenship and the socio-cultural and sporting dimension while also promoting a healthier working environment.

Given the existence of social and economic crisis over the last few years, with its transversal impact on many families, the search for solutions regarding sustainable risk prevention and solvency support was furthered and linked with the implementation of temporary financial support and encouragement of savings measures with psychosocial assistance and budget advisory support.

Several such support measures with an impact on the balance between personal/family and professional lives in CGD particularly include:

- Psychosocial assistance – in the form of a psycho-social/advisory programme for employees and their families, articulated with the company's social, psychology and healthcare area services including the mobilisation of forms of internal solidarity with a guarantee of confidentiality.
- Socioeconomic assistance – continuation of the possibility of mortgages and personal loans with special maturities and subsidised interest rates for employees.

  Situations benefiting from the exceptional financial measures implemented in past years and situations justifying the application of a loan restructuring measure to prevent larger ruptures and/or needs continued to be accompanied in 2016.

  CGD's Social Services continued to provide special lines of credit for employees and their families, for the purchase of consumer durables, tourism and the acquisition of books and school material.
- Healthcare support – particularly:
  - Provision of medical and nursing facilities in the main urban centres and special protocols with providers in diverse areas, providing ample nationwide medical cover.
  - Vaccination campaigns and free screening, focusing on seasonal flu prevention, how to stop smoking and the prevention of cardiovascular disease, diabetes, cancer of the colon of the uterus and women's health, aneurisms of the aorta and others, based on articulation between Medicine in the Workplace services and doctors' surgeries.
  - Diabetes nursing consultations and family-related initiatives based on a preventative approach;
  - Support for ageing based on an interdisciplinary approach;
  - Protocols to ensure ongoing integrated care for employees and their families;

  - Maintenance of specific treatment protocols for employees and their families in the area of addiction;
  - Subsidies and assistance for specific treatment for children with special needs;
  - Special payments in the case of major illness (severely ill patients).
- Flexibility and socio-professional support policies
  - Adequacy of function, location/workplace to employees' physical and psychological conditions;
  - Geographical and functional mobility adjusted to employees' personal/family needs as part of an interest combination policy;
  - Possibility of extending absences for family assistance in extreme situations such as serious illness;
  - Student worker grants;
  - Continuity payments and annuities;
  - Payment of seniority bonuses;
  - Continuous training model designed to achieve a culture of excellence focusing on quality and results and based on values such as change, a customer-centric approach, contribution to employees' personal and professional fulfilment designed to promote social well-being;
  - Welcoming actions (informational and awareness-raising) for employees with new managerial functions;
  - Provision of advice and oversight in pre-retirement or retirement situations;
  - Welcoming actions for new retirees, endeavouring to promote the continuity of an active lifestyle and preventing social exclusion.
- Socio-family support – particularly:
  - Special agreements for the acquisition of products and services in the insurance, transport, kindergartens and nurseries, homes and homecare support areas;
  - Holiday camps, language and other courses for leisure-time and educational purposes particularly during the school holiday period;
  - Used school books and materials sharing system;
  - Parenthood planning and support for consultations including preparations for births, consultations for newborns and a breastfeeding space;
  - Awareness and training sessions in the responsible parenthood area;
  - Payment of birth grants;
  - Attribution of a "Disabled persons subsidy" and/or "Subsidy for assistance to a 3rd person", for employees with duly certified seriously ill children;
  - Subsidies for the children of employees (infancy, study, higher educational grants based on social criteria and merit);
  - "Funeral grant" to an employee when the deceased family member is not covered by any other mandatory social protection regime under which they are entitled to receive a death grant;

- Prevention and security actions promoted by CGD's Office of Prevention and Security and extended to include employees' children/family members.

- Cultural-sporting dynamics – particularly:
  - Special access to shows/events for CGD employees, through its Social Services;
  - Special access facilities for employees and their families for the Culturgest Foundation's cultural amenities and the organisation of cultural actions for groups of employees at compatible times during the lunch hour;
  - Readers' Club, possibility of ordering books with no postage costs for residents in the autonomous regions (of Madeira and the Azores), combating insularity, in addition to partnerships with publishers and booksellers;
  - CGD provides various sports-related infrastructures, particularly, at its HQ building's Culture and Sports Centre and the Ajuda Sports Hall. There are also special agreements covering employees and their families nationwide for the most diverse events.
- Social solidarity – particularly
  - SSCGD Blood Donors' Group that, with more than five thousand registered donors and a large nationwide network through its regional sections is the largest group associated with financial institutions and one of the largest nationwide.
  - Corporate volunteering continues to mobilise employees and their families for social and environmental causes, strengthening CGD's corporate culture.
  - Internal volunteering activities in which reference should be made the "SéniAmor" Group of Volunteers which has sections in Lisbon, Porto and Guarda, who interact with colleagues in greater psycho-social difficulty, based on an approach geared to preventing breakdowns.
  - Support also continued to be provided to associations of retirees/pensioners, particularly ANAC which chairs the European Savings Banks Group comprising representatives from banks in 8 countries, translating the recognition of its prestige in the senior associative sector.

The excellence of CGD's reconciliation of work and family lives policy is only possible on the basis of a social leadership culture and the active, responsible, solidary participation of people, not as mere beneficiaries of social measures but as agents in managing challenge.

Data on the application of these principles has been published in the Annual Sustainability Report and certified by an independent external entity.

Measures adopted by the company regarding the Principle of Equality between Men and Women, as established in no, 1 of Council of Ministers' Resolution 19/2012 of 23 February

CGD develops good, non-discriminatory practice and an inclusive policy based on a set of fundamental pillars, namely, effective non-discrimination, social responsibility and the defence of high ethical standards and values of trust.

Not having a formal equality plan, the plans which form part of employee policy are, however, all based on a policy of equality.

Diagnostics show the existence of effective equality of treatment and opportunities between men and women in CGD, with no discrimination. CGD accordingly scrupulously complies with principles of equality, both in its employee hiring operations and their career advancement as well as in terms of its employees' remuneration.

Recruitment in terms of access to work, does not discriminate between men and women and selection is solely and exclusively based on a candidate's résumé and skills profile, with gender being a non-issue.

The analysis of professional career advancement is solely based on criteria of merit and competence.

As regards remuneration, CGD implements an effective equal wages policy between men and women, with no gender-based distinction.

CGD also promotes equal access to professional training which is available to all workers on the e-Learning platform.

The distribution between the sexes in CGD in 2016 was balanced (58.4% women and 41.6% men).

It should be noted, in this respect, that the term of office of the Board of Directors, between 2013 and August 2016 included two women Board Members, comprising 18% of women on the said body.

RATIO OF WOMEN TO MEN EMPLOYEES

Functional Distribution	(Change 2003 - 2016)
Administrative	13.84%
Technical	20.34%
Line Management	79.58%
Management	51.25%

CGD's policies are based on the effective reconciliation of personal, family and professional lives, in a culture of solidarity, based on the adoption of sustainable practice as a family-friendly Company.

Particularly as regards parenthood, CGD promotes balance between the social roles of men and women in its disclosure of information on the rights of both parents and its acceptance of their respective entitlements.

CGD also provides support for the breastfeeding project and arranges for birth planning and preparation consultations as well as medical appointments for the newborn.

Reference should also be made to the fact that in the sphere of the revision of CGD's Company Agreements, a "birth grant" was available for all working employees, men or women, on the birth or adoption of children.

In short, it is fair to claim that CGD promotes effective equality between men and women in all areas of their lives in the Company, providing them both with equal opportunities and rights.

Indication of measures implemented in the sphere of investment in terms of professional advancement

CGD remains geared to the advancement of its human resources and talent management guidelines as part of an inclusive, ongoing training policy for its employees. The development of its employees' careers translates into the creation of opportunities for their professional evolution, particularly based on internal mobility processes to enable them to develop their skills and fulfil their expectations.

Caixa's training operations are geared to promoting equal access to professional training which is available to all employees on the e-Learning platform that covers a broad range of transversal subjects or intended for significantly large groupings. The knowledge management strategy upon which the training model and employee development and advancement is based, permits employees' needs to be matched to business requirements, promoting a culture of excellence.

CGD's annual plan is designed to develop transversal or specific skills, based on strategic guidelines and survey of the specific needs of each structural body and employees during the course of their work.

The knowledge management strategy upon which the training model and employee development and advancement is based, permits employees' needs to be matched to business requirements, promoting a culture of excellence.

In 2016, CGD developed several continuous training initiatives on basic skills, strengthened critical skills for business, namely customer oversight and credit recovery operations, maintained its certification process for employees nominated for various commercial functions and enhanced its training capacity on specific issues, namely in the risk and compliance sphere. Reference should also be made to a leadership training programme for mid-level managerial functions.

This was the maturity year of CaixAcademia enabling its sphere of intervention to be expanded beyond the regular activity of providing for individual and functional training requirements and therefore enhancing the training and continuous development of employees and introducing programmes designed to strengthen the Caixa culture which now encompasses the HR internal communication area. Reference should be made, herein, to the fact that Caixa has started work on a programme based on the transfer of knowledge and proximity with the community, which it intends to continue and further expand.

Particular note should also be taken of on-the-job training and contacts among employees from different areas, with a highly positive impact on skills development, the sharing of practices and values and efficiency gains.

The various internal communication channels and media continued to play a fundamental role in ensuring permanent dialogue with workers and promoting CGD Group values. Caixapessoal, as the exclusive portal for CGD employees, dedicated to human resources management issues, permits access to transversal and individual information and HR applications. This portal concentrates on initiatives with a direct impact on employees and also provides guidance on professional and personal development by divulging information on access to e-Learning courses and training tutorials. This portal also provides employees with an online helpdesk for more general or specific questions. Workers unable to find the information they require on this portal also have the online Caixapessoal helpdesk.

DPE created its Assessment Programme, in 2016, with the object of mapping out CGD employees' skills, identifying strong points and areas for improvement, taking their development and professional evolution into account.

This programme is an essential instrument for managing human resources and internal talent and enables projections to be made of the professional careers of CGD employees and sustain their future on the basis of a careful and objective management of people, enabling better decisions to be made on the nomination of employees for new functions.

This programme which included employees from the branch office network and central divisions was implemented in stages:

1st stage – indication of employees with the potential to evolve and perform new functions in the future

2nd stage – characterisation of skills profile, capacities and conduct

3rd stage - feedback on the results of the assessment, with line managers and employees

4th stage – eventual nomination, when the results of the characterisation are positive.

205 employees were profiled under the sphere of this programme, in 2016, for functions to be performed in specialised areas, middle level management and management.

It should be noted that the Assessment Programme led to greater in-depth knowledge on employees' potential adequacy for new functions, with the aim of strengthening skills, within their specific operating area, stressing strong points and identifying aspects requiring development with the aim of achieving advancement and professional growth.

ENVIRONMENTAL RESPONSIBILITY

Adoption of policies for the protection of the environment and respect for principles of legality and business ethics in addition to the rules implemented, taking sustainable development into account

CGD's Environment Policy, is based on three fundamental commitments:

- Compliance with environmental legislation and other applicable requirements
- Adoption of a proactive approach to pollution prevention.
- Continuous improvement of environmental performance.

CGD continued to assume its responsibility for the preservation of the environment and management of the direct and indirect impacts of its activities, as one of its sustainability strategy's three operational areas.

In 2016, CGD succeeded in maintaining the certification of its HQ building's environmental management system (EMS) to ISO 14001. Work was carried out on the diagnosis and analysis of the potential viability of the future expansion potential of the EMS to the branch office network.

Objectives and goals for various significant environmental aspects were established with the aim of continually improving CGD's environmental performance. Investments continued to be made on promoting best practice for reducing the Bank's environmental impact, particularly focusing on energy efficiency, employee mobility, waste management, re-use of resources and minimising of waste. Viability studies on the installation of a system for making use of rainwater and the inclusion of hybrid/electric vehicles in CGD's fleet were also produced

Around 5.4 tonnes of cards were sent for recycling in 2016, accompanied by the delivery of the first items of urban furniture deriving from this waste processing project. This innovative initiative of recycling bank cards was awarded a prize from the jury in the Environment category of APEE - Associação Portuguesa de Ética Empresarial, in 2016. Based on the interest evidenced by the community, it was selected as an example on the ECO.NOMIA portal, as an initiative of the Ministry of the Environment on the issue of the "Circular Economy". An episode of Quercus's "Minuto Verde" exclusively dedicated to this project was also broadcast by RTP.

CGD also involves its suppliers and service providers in its environmental management processes, ensuring that they also operate in alignment with CGD's requirements. During the course of the year, CGD continued to progressively incorporate sustainability-related clauses in its contracts, namely compliance with Ethical Principles and Good Business Practice, aligned with Global Compact Principles and the obligations set out in the Manual of Good Environmental, Safety and Health Practices, appended to the contracts with suppliers regarding the type of service provided.

As part of its Low Carbon Project, CGD produces an inventory of greenhouse gas emissions on its banking activities in Portugal, enabling it to disclose information on its carbon footprint and monitor its carbon-related environmental performance. CGD continued to reduce its carbon footprint, having defined emissions reductions objectives up to 2020.

CGD simultaneously promotes environmental responsibility with its main groups of internal and external stakeholders, in the form of environmental awareness actions in the surrounding community. CGD once again organised environmental-type events and maintained partnerships related to awareness-raising and environmental education in 2016.

CGD has been a voluntary participant in the climate change questionnaire mentored by CDP since 2009 and, for the sixth consecutive year, achieved a leading position, as the only Portuguese company in the financial sector in Iberia on The Climate A List.

CGD subscribed to the CDP Supply Chain, as a programme based on a collaborative approach which contributes to the sustainable development of the value chain, helping companies to compile information to understand how suppliers are dealing with climate change and working to reduce their greenhouse gas emissions.

The Bank has also been a subscriber to the CDP's Water Programme since 2014. This programme motivates companies to publicise and reduce their hydro environmental impacts.

The Annual Report, in an integrated format and the Sustainability Report 2016, publish more detailed information on the measures implemented and CGD's environmental performance:

https://www.cgd.pt/English/Institutional/Sustainability/Reporting-and-performance/Pages/Reporting-and-performance.aspx

ECONOMIC RESPONSIBILITY

Ways in which the company's competitiveness has been safeguarded, namely through research, innovation, development and the integration of new technologies in the productive process

CGD has enhanced its responsibility as an agent promoting the country's economic development through:

- The strengthening of the competitiveness, innovation capacity and internationalisation of Portuguese companies, particularly SMEs, providing for their respective funding requirements;
- Promoting manufacturing activity, particularly tradable goods and services for export or import substitution;
- Backing the recapitalization processes of Portuguese companies;
- Backing entrepreneurship;
- Encouraging domestic savings;
- Contributing to the stability and strength of the domestic financial system.

CGD therefore pursued its transformation process across the year by strengthening its relational management, providing more means and functionalities on a level of digital and mobile banking channels, endeavouring to improve the Customer experience, including the further strengthening of the integrity of information on electronic channels for Caixadirecta users.

A strategic approach to backing companies, namely SMEs, was developed during the year, strengthening guidelines as a “Corporate Bank”, based on a broad, competitive offer and enhanced dynamics and commercial relationships. In the sustainability field, in addition to its offers of past years, reference should be made to the launch of the line of credit for purchases of electric or hybrid vehicles and expansion of partnerships in consultancy services to the PDR, POSEUR and POCI programmes, with the aim of providing a support and advisory service to corporate customers, together with the preparation, presentation and oversight of Portugal 2020 candidatures.

CGD continued to back initiatives to promote entrepreneurship, helping to favour the growth of the Portuguese business environment.

Innovation and the integration of new technologies have been CGD’s hallmark in the development of its activity and commercial offer, in which it continues to strengthen its market competitiveness.

The mobile payments areas remained at the centre of the payments innovation strategy. The process for opening accounts and subscribing for products was also maintained, in 2016. This is a fast, innovative, fully digital process using mobile devices (iPad), as well as subscriptions for the various specific solutions provided to these customers by CGD.

In the social innovation field, reference should be made to the consolidation of the pilot-project with ASSIS (Social Solidarity and Social Welfare Association) to test the acceptance of prepaid cards operating in a private payments system (exclusively for pharmacies) which are credited by a platform of donations of funds for old people.

Action plans for the future

CGD considers relational management and ongoing dialogue with various stakeholder groups as a strategic tool designed to ensure transparency, trust and the alignment of performance with stakeholders' expectations, including the prompt management of risks and opportunities.

The Corporate Sustainability Programme, operationalised by CGD’s three year sustainability strategy, is based on a series of relevant areas and initiatives geared to satisfying the needs and expectations of the various strategic stakeholders on sustainability matters, taking the trends and challenges faced by the sector into account.

Over the next few years, CGD will continue to work on contributing towards sustainable development, based on the strategy aligned with the UNO's Sustainable Development Objectives.

The Bank will remain committed to broadening its Corporate Sustainability Programme to its international structures, having already involved its affiliate banks in Cape Verde, Brazil and South Africa, – Banco Interatlântico, SA, Banco Comercial do Atlântico, SA, Banco Caixa Geral Brasil, SA and Mercantile Bank Holdings Limited. CGD believes that continued expansion to other structures will enable the sharing of knowledge, skills and good practice and help achieve synergies and economies of scale. On the other hand, the optimisation of consolidated results will also enable it to contribute towards the maintenance of the external recognition of CGD’s performance and its contribution to sustainable development and strengthen its brand’s image and reputation.

With its capacity to provide for and adapt to society’s emerging challenges based on the ethical and responsible performance of its activity, CGD will continue to develop sustainability awareness-raising initiatives while also remaining committed to the development of its commercial offer with social and environmental benefits.

Creation of value for shareholder (higher productivity, customer-centric approach, reduction of exposure to risks deriving from the environmental, economic and social impacts of activities, etc.)

CGD's state shareholder expects CGD to operate in such a way as to allow it to consolidate as a structuring group for the Portuguese financial system, differentiated by the strong relevance and responsibility of its contribution to economic development; strengthening its competitiveness, innovation capacity and the internationalisation of Portuguese companies and the stability and strength of the domestic financial system.

The Corporate Sustainability Programme is based on a Sustainability Policy comprising the 4 economically profitable, financially viable, socially fair and environmentally correct areas that govern CGD's activity. On the basis of this programme and, more specifically, the Sustainability Strategy for the three year period 2015-2017, CGD has been permanently and effectively engaged on reducing its activity's exposure to risks deriving from economic, environmental and social impacts. This programme's contribution to sustainable development has been recognised over the last few years by national and international external entities.

The Corporate Sustainability Programme, internally leveraged by CGD through its development of a series of sustainability issues over the last few years, has helped to achieve several benefits, including: the reduction of costs and improvement of operational efficiency; achieving additional revenue; talent retention; satisfaction of the expectations of various stakeholder groups; oversight of regulatory trends; risk mitigation; promotion of innovation of its offer and the improvement of 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 stakeholder relationships, in addition to its banking activity's contribution to sustainable development in order to achieve a better future.

CGD recognises that the success of its approach also depends upon various communication channels to ensure continuous dialogue with its diverse stakeholders and building balanced and trusting relationships which are mutually beneficial to all parties.

The Annual Report, in an integrated format and the Sustainability Report 2016, publish more details on the results of the Corporate Sustainability Programme. More detailed sustainability-related information can be consulted at:

https://www.cgd.pt/Institucional/Sustentabilidade-CGD/Reporting-Desempenho/Pages/Reporting-desempenho.asp

3.10. Assessment of Corporate Governance

ASSESSMENT OF THE LEVEL OF COMPLIANCE WITH GOOD CORPORATE GOVERNANCE PRACTICE BINDING UPON CGD IN ACCORDANCE WITH CIRCULAR LETTER Nº 1238 FROM DGTF

		Identification		Disclosure			
Corporate Governance Report		Yes	No	Yes	No	Page	Remarks
I	**Mission, Objectives and Policies**						
1.	Indication of mission and furtherance thereof, in addition to the company's vision and values	✓		✓		399	
2.	Policies and guidelines triggered by the defined strategy	✓		✓		399	
3.	Indication of objectives and level of compliance therewith, as well as the justification for any deviations and the remedial measures applied or to be applied.	✓		✓		399	
4.	Evidence of performance in acordance to the guidelines proposed by sectoral competent authorities	✓		✓		399	
II	**Capital Structure**						
1.	Capital structure	✓		✓		405	
2.	Eventual limitations on ownership and/or transferability of shares	✓		✓		405	
3.	Shareholders' agreements	✓		✓		405	
III	**Corporate Investments and Bonds**						
1.	Identification of singular (statutory bodies) and/or collective persons (Corporate) with direct or indirect investments in other entities with detailed information on capital and voting percentages	✓		✓		406, 409	
2.	The acquisition and disposal of corporate investments and involvement in any associative or foundational entities	✓		✓		407	
3.	Provision of financial guarantees or assumption of the debts or liabilities of other entities	n.a		n.a		n.a	
4.	Indication of the number of shares and bonds held by members of boards of directors and inspection bodies	✓		✓		409	
5.	Information on the existence of significant commercial relationships between equity stakeholders and the company	✓		✓		454	
6.	Identification of the mechanisms adopted to prevent the existence of conflicts of interest	✓		✓		425	

	Corporate Governance Report	Identification Yes	Identification No	Disclosure Yes	Disclosure No	Page	Remarks
IV	**Statutory Bodies and Committees**						
A.	**Board of the General Meeting**						
1.	Composition of the Board of the GM, term of office and remuneration	✓		✓		412, 451	
2.	Identification of shareholders' resolutions	✓		✓		412	
B.	**Administration and Supervision**						
1.	Governance model adopted	✓		✓		410	
2.	Statutory rules on procedures applicable to the nomination and replacement of members	✓		✓		410	
3.	Composition, duration of term of office, number of permanent members	✓		✓		414	
4.	Identification of the executive and non-executive members of the Board of Directors and identification of the independent members of the CGS.	✓		✓		413	
5.	CVs of each of the members	✓		✓		492	
6.	Production of the declaration by each of the members of the board of directors to the board of directors and the audit body, in addition to IGF of any equity investments they may have in the company in addition to any relations they may maintain with suppliers, customers, financial institutions or any business partners which could generate conflicts of interest	✓		✓		511	
7.	Habitual and significant family, professional or commercial relationships of members, with shareholders having a qualified investment of more than 2% of the voting rights	n.a		n.a			
8.	Organisational charts on the division of competencies among the various statutory bodies	✓		✓		411, 416	
9.	Functioning of Board of Directors	✓		✓		413	
10.	Existence of Board of Directors or supervisory committees	✓		✓		416	
C.	**Inspection**						
1.	Identification of the inspection body, corresponding to the model adopted and its composition, indication of the statutory minimum and maximum number of members, duration of term of office, number of permanent and deputy members	✓		✓		420	
2.	Identification of members of the Inspection Body	✓		✓		421	
3.	CVs of each member	✓		✓		506	
4.	Functioning of inspection	✓		✓		420	
D.	**Statutory Auditor**						
1.	Identification of Statutory Auditor/ Statutory Audit Company	✓		✓		422	
2.	Indication of legal limitations	✓		✓		422	
3.	Indication of the number of years the Statutory Auditor and/or Statutory Audit Company has exercised functions in the company/group	✓		✓		422	
4.	Description of other services provided to the company by the Statutory Audit Company	✓		✓		422	
E.	**External Auditor**						
1.	Identification	✓		✓		424	
2.	Rotation policy and periodicity	✓		✓		424	
3.	Identification of performance of works other than audits	✓		✓		424	
4.	Indication of annual remuneration paid	✓		✓		424	

	Corporate Governance Report	Identification Yes	Identification No	Disclosure Yes	Disclosure No	Page	Remarks
V.	**Internal Organisation**						
A.	**Articles of Association and Communications**						
1.	Changes to the company's articles of association - Applicable rules	✓		✓		426	
2.	Communication of irregularities	✓		✓		426	
3.	Indication of anti-fraud policies	✓		✓		439	
B.	**Internal control and risk management**						
1.	Information on the existence of an internal control system (ICS).	✓		✓		427	
2.	Persons, bodies or committees responsible for internal audit and/or ICS.	✓		✓		427	
3.	Principal risk policy measures adopted	✓		✓		429	
4.	Line management and/or functional dependencies	✓		✓		429	
5.	Other competent functional areas for risk control	✓		✓		427	
6.	Identification of main types of risk	✓		✓		434	
7.	Description of the process for the identification, appraisal, oversight, control, management and mitigation of risk	✓		✓		427	
8.	Implementation of ICS and risk management elements in the company	✓		✓		427	
C.	**Regulations and Codes**						
1.	Internal and external regulations applicable	✓		✓		435	
2.	Codes of conduct and ethics	✓		✓		438	
3.	Prevention of corruption	✓		✓		439	
4.	Action plans to prevent internal (committed by an employee or service provider) and external (committed by customers or third parties) fraud	✓		✓		439	
D.	**Special information disclosure requirements**						
	Platform for compliance with information disclosure duties	✓		✓		442	
	Platform for compliance with duties of transparency	✓		✓		442	
E.	**Website**						
	Indication of addresses and disclosure of information supplied	✓		✓		442	
	Information to be hosted on "SEE" (government corporate sector) website	✓		✓		442, 481	
F.	**Provision of public or service of general interest**						
VI	**Remunerations**						
A.	**Competency for Assessment**						
	Indication of body responsible for defining remuneration	✓		✓		445	
B.	**Remuneration Committee**						
	Composition	✓		✓		445	
C.	**Remunerations structure**						
1.	Remuneration policy for boards of directors and audit bodies	✓		✓		445	
2.	Information on the way in which remuneration is structured	✓		✓		445	
3.	Variable component of remuneration and attribution criteria	✓		✓		445	
4.	Deferral of payment of variable component	n.a		n.a			
5.	Parameters and bases for attributing bonuses	✓		✓		445	
6.	Complementary pension regimes	✓		✓		445	

Corporate Governance Report		Identification Yes	Identification No	Disclosure Yes	Disclosure No	Page	Remarks
D.	**Disclosure of information on remunerations**						
1.	Indication of annual amount of remuneration earned	✓		✓		485	
2.	Amounts paid by other companies in a controlling or group relationship	✓		✓		485	
3.	Remuneration paid in the form of profit sharing and/or bonuses	✓		✓		485	
4.	Indemnities paid to former executive board members	✓		✓		485	
5.	Indication of the annual amount of remuneration earned by the company's audit body	✓		✓		485	
6.	Indication of annual remuneration of the board of the shareholders' meeting	✓		✓		485	
VII	**Transactions with related and other parties**						
1.	Implementation of mechanisms for the control of transactions with related parties	✓		✓		454	
2.	Information on other transactions	✓		✓		455	
VIII	**Analysis of the company's sustainability in the economic, social and environmental domains**						
1.	Adoption of strategies and degree of compliance with targets	✓		✓		457	
2.	Policies pursued	✓		✓		458	
3.	Form of compliance with the principles inherent to adequate business management a) Social responsibility b) Environmental responsibility c) Economic responsibility	✓		✓		459	
IX	**Appraisal of corporate governance**						
1.	Compliance with recommendations	✓		✓		471	
2.	Other information						

3.11. ANNEXES

ANNEX I

COMPLIANCE WITH LEGAL GUIDELINES

COMPLIANCE WITH LEGAL GUIDELINES ON AVERAGE PAYMENT PERIODS CALCULATED UNDER THE TERMS OF RULING 9870/2009, AND DISCLOSURE OF INFORMATION ON ARREARS, AS DEFINED BY DECREE LAW 65-A/2011

The evolution of the average payment period to suppliers (average payment periods calculated in accordance with the Ministry of Finance and Public Administration's Ruling 9870/2009, which changed the formula of Council of Ministers' Resolution 34/2008 of 22 February) was as follows:

	2016				2015				Change(%) 4th Q 2016 / 4th Q 2015
Quarter	1st	2nd	3rd	4th	1st	2nd	3rd	4th	
Payment period (days)	32	32	33	43	28	29	29	49	-11.7%

CGD has a mandate agreement with Sogrupo Compras e Serviços Partilhados, Agrupamento Complementar de Empresas (SCSP), which includes, inter alia, the provision of services related with billing and the processing of payments for the supply of goods and services.

SCSP has implemented an invoice validation process enabling the identification of divergent situations regarding the conclusion and quality of the provision of services, amounts incorrectly invoiced, invoices with missing mandatory information requested when awarding the contract, invoices with omissive descriptions and incorrect VAT rates and amounts.

As a means of improving the efficiency of the validation process with the objective of reducing the number of divergences found and promoting a strategy of reducing payment delays deriving from the above referred to situations, diverse initiatives, particularly the request for items to be set out in the invoice when awarding the contract, to improve efficiency in terms of its processing are in progress.

PAYMENTS IN ARREARS

(EUR)

	December 2016				
Payments in arrears under Decree Law 65-A/2011, article nº 2	0-90 days	90-120 days	120-240 days	240-360 days	More than 360 days
Acquisitions of goods and services	1,947,326	947,628	456,788	636,699	156,332
Acquisitions of capital	20,885	11,975	37,914	(7,225)	26,343
Outstanding balance	1,968,211	959,603	494,702	629,474	182,675
Balance payable to suppliers (Total)	**4,234,665**				

COMPLIANCE WITH LEGAL GUIDELINES ON REMUNERATION LEVELS (SEE CHAPTER ON 3.7. – REMUNERATION FOR MORE DETAILS)

Chairman, executive and non-executive members of CGD's Board of Directors

CGD published an internal Regulation, on 23 February 2016, on: "CGD's and CGD Group's Remuneration Policy" – Internal Regulation 8/2016. In addition to members of CGD's Statutory Bodies, it includes "Relevant Office Holders".

A new Remuneration Policy, applicable to Executive and Non-Executive Members of CGD's Board of Directors and members of its Supervisory Board was approved on 31 August 2016 in the form of a unanimous written corporate declaration.

The approval of the Remuneration Policy on 31 August 2016 gave rise to two remuneration policies, one of which applicable to Executive and Non-Executive Board Members and members of the Supervisory Board with the other, as set out in Internal Regulation 8/2016 of 23 February 2016, applying to the referred to members up until the coming into force of the first Remuneration Policy and, currently solely applicable to "Relevant Office Holders".

Different limitations on remuneration policies, following the change in the Public Manager Statute, approved by Decree Law 71/2007 of 27 March and amended by Decree Law 39/2016 of 28 July, on the other hand, co-existed in 2016. This latter amended the PMS (Public Manager Statute) as regards the exclusion of Caixa Geral de Depósitos, S.A. from its application, for which reason the limitations deriving from the referred to statute ceased to apply to the remuneration of CGD, S.A.'s Board Members.

Members of CGD, S.A.'s Statutory Bodies who were elected on 31 August 2016, in the form of a unanimous written corporate declaration issued by the Portuguese state shareholder owning 100% of the capital were not subject to the limitations imposed under the PMS.

However, in 2016, the remuneration policy of CGD's Statutory Bodies continued to be governed by the State Budget Law for 2016 in the form of Law 7-A/2016 of 30 March (SBL 2016), the General Credit Institutions and Financial Companies Regime (RGICSF), Community Standards and Bank of Portugal Regulation which establish rules and mandatory restrictions on the referred to policy.

The remuneratory reduction of 5%, pursuant to Law 12-A/2010 of 30 June, was applicable to public managers and ceased to be effective with the coming into force of the change imposed under Decree Law 39/2016 on the PMS.

Prohibition of management bonuses

No management bonuses were attributed under the impositions of the successive State Budget laws which remained in force in 2016.

Application of reductions to CGD workers' remuneration

A new Company Agreement, resulting in several changes, was entered into in 2016. It includes merit as a criterion in seniority-based promotions, continuity payments since the first year of the agreement and the creation of birth grants.

The remuneratory policy for CGD workers continued to be constrained by the State Budget Law for 2016 in the form of Law 7-A/2016 of 30 March (SBL 2016) which continued to impose mandatory rules and restrictions taking precedence over the applicable labour regulation instruments. Reference should be made to the Reference should, be made to the prohibiting of wage increases, freezing of length of service and suspension of merit and seniority promotions.

No additional annual variable remuneration, except for productivity incentives to commercial area employees, was paid to any CGD.

The reduction of remuneration, provided for in Law 75/2014 of 12 September, was, on the other hand, progressively eliminated, in the form of quarterly reversals and completely eliminated from 01 October 2016.

In light of the specificities deriving from the legal framework applicable to CGD, sub-paragraph b) of no. 1 and sub-paragraphs c), e), g) and i) of no. 2 of article 16 and sub-paragraphs b) to d) of no. 1 of article 17 of the Bank of Portugal's official notice no. 10/2011 are prejudiced for disclosure purposes.

COMPLIANCE WITH LEGAL GUIDELINES ABOUT THE CREDIT CARDS USE

Different limitations on the remuneration policy coexisted in 2016. Article 32 of the Public Manager Statute approved by Decree Law 71/2007, prohibits the use of credit cards and other payment instruments by public managers, for the payment of expenses incurred on behalf of the company and was, consequently, the regulation applicable to members of CGD's statutory bodies.

As Decree Law 39/2016 of 28 July excluded the application of the Public Manager Statute to Caixa Geral de Depósitos, S.A., the limitations deriving from the referred to Statute ceased to apply to the remuneration of CGD's Board Members.

Accordingly, a new remuneration policy applicable to Executive and Non-Executive Members of the Board of Directors and Members of the Supervisory Board of CGD was approved in a Unanimous Written Declaration of 31 August 2016, with the election of the Members of the Statutory Bodies for the 2016-2019 term of office, who ceased to be subject to the limitations of the Public Manager Statute and who were provided with a corporate credit card to pay for expenses incurred on behalf of CGD.

COMPLIANCE WITH LEGAL GUIDELINES ON A PUBLIC CONTRACTING LEVEL

Public Contracting Rules

Without prejudice to the fact that CGD is a commercial company in the form of an exclusively state-owned limited liability company, it is governed by private law and is not subject to the public contracts code approved by decree law 18/2008 of 29 January, which sets out the rules on public contracts and the substantive regime of public contracts of an administrative type (cf. article 1).

A combination of the dispositions of no. 2 of article 1 and article 2 of the public contracts code, shows that CGD is not subject to the public contracts code regime. Even if it is considered that CGD was formed to meet the needs of the general interest, it is a commercial company and is subject to market rules and free competition and may not therefore be considered an awarding entity under the terms of the said article 2.

In the same way CGD is not bound to subscribe for the national public procurement system (SNCP), including its BASE system, because it is a commercial company, with the object of performing a banking activity in the broadest terms permitted by law.

Although Caixa Geral de Depósitos has not joined the National Public Procurement System, it has internal and external regulations, which are close to the procedures adopted in the SNCP.

CGD operates in the market in due compliance with the objectives and principles of legality and business ethics defined for the state's corporate sector as defined by decree law 133/2013 of 3 October, amended by law 75-A/2014 of 30 September which covers, inter alia:

- Transparency;
- Social responsibility;
- Sustainable development;
- Equal treatment for all customers and suppliers;
- Promotion of equality and non-discrimination.

Acts and agreements entered into involving more than €5 million

In 2016 no acts and agreements entered into involving more than €5 million were identified.

Acts and agreements submitted for the previous approval of the court of auditors in accordance to article 47

In 2016, contracts subject to prior approval by the Court of Auditors were as follows:

- Service agreement between CGD and Siemens, S.A, corporate object of providing operating, operating and maintenance services for the electrical and mechanical infrastructures of CGD's Headquarters Building;
- First amendment to the service agreement between CGD and HP Enterprise Services Portugal, Lda., with the corporate object of providing system implementation, administration and management services;
- Third amendment to the service agreement between CGD and Accenture, Management Consultants, S.A., with the corporate object of providing application maintenance services;
- Amendment to the service agreement between CGD and NewSpring Services, S.A., with the corporate object of providing document scanning services;
- First amendment to the service between CGD and HAVAS MEDIA - Publicidade, SA, with the corporate object of planning, negotiating and acquiring advertising space in various media, as well as the management, monitoring and follow-up of this advertising space.

COMPLIANCE WITH LEGAL GUIDELINES ON A LEVEL OF THE STATE'S VEHICLE FLEET

Over the last few years, CGD has been promoting a wide range of cost cutting initiatives, especially as regards the management of vehicles and on-the-job travel. A new regulation aiming at rationalising this expenditure and leading to an ever more responsible use of CGD's vehicle fleet, was approved in 2014.

A reduction of expenditure, deriving from the centralised management and optimisation of processes related with the acquisition, allocation and use of company cars, both in the case of CGD as in CGD Group companies headquartered on national territory

Among the approved measures, reference should be made to the following:

- A revision of the vehicles allocation policy, including a 20% reduction of the amount of the standard instalments;
- Mandatory periodic revision of the adequacy of the standard instalments, models and marques.

In 2016 the expense is similar to that of 2015. However, it should be noted that in 2016 the principle of specialization of repayment costs was adopted for the useful life of the vehicle renting contracts, which had a significant impact increase in the expenditure of 2016 (around 9%). Without this impact, there would have been an effective reduction in terms of the expenditure this year.

COMPLIANCE WITH GUIDELINES ON THE REDUCTION OF OPERATING EXPENSES

Caixa has been implementing a consistent cost reduction plan, employing all types of measures to help achieve this objective, since 2007, notably:

- Centralised demand management, revising operating and business procedures to reduce consumption;
- Integration of negotiation activities and strengthening respective competencies and operating scopes;
- Separation between functions in purchasing processes;
- Optimisation of suppliers portfolio management;
- Revision of budgeting process;
- Implementation of budget performance control processes

In addition to the business and structural measures that will result in the further reduction of costs, including the closure of branches and reducing staff, particularly via an early retirement plan, developed over 2016, various initiatives have contributed directly to cost reduction, particularly:

- Renegotiation of the telecommunications contract, initiative that started in 2015 and had full impact in 2016
- Renegotiation of software and outsourcing maintenance contract;
- Reduction in insurance costs associated with cards;
- Reduction in costs related to mail service;

The results of the various initiatives implemented were however partially offset by the cost of implementing the early retirement plan, as well as exogenous factors, not controlled by CGD, which forced the institution to incur significant costs. A part of these costs should translate into future savings of financial costs, namely:

- Regulatory, tax and other nature requirements
- Reporting requirements and implementation of recommendations by supervisory authorities.

Structural measures on a business level resulting in cost reductions were either implemented or continued in 2016. They included branch closures and staff cuts, based on the Horizonte early retirement plan that does not entail the replacement of retired employees.

EVOLUTION OF OPERATIONAL COSTS - CGD PORTUGAL

(EUR Thousand)

	Target	2016	2015	2014	2013	2012	20116/2015		2016/2012	
							Δ Total.	Change %	Δ Total.	Change %
Cost of goods sold and materials consumed		n.a	n.a	n.a	n.a	n.a				
External services and supplies		286,412	314,584	331,911	334,347	341,612	-28,172	-9.0%	-55,200	-16.2%
Travel/accommodation	Redution in line with previous year	28	26	56	76	66	2	7.5%	-38	-57.7%
Allowances	Redution in line with previous year	358	398	440	474	703	-40	-10.1%	-345	-49.1%
Communications	Redution in line with previous year	17,495	20,004	21,425	22,487	22,514	-2,510	-12.5%	-5,020	-22.3%
Employee costs		453,552	541,894	497,342	492,380	469,916	-88,342	-16.3%	-16,364	-3.5%
Total		**739,964**	**856,478**	**829,253**	**826,727**	**811,528**	**-116,514**	**-13.6%**	**-71,564**	**-8.8%**
Turnover (*)		907,934	1,728,202	964,495	933,642	1,563,966	-820,268	-47.5%	-656,032	-41.9%
Expenses/turnover		**81%**	**50%**	**86%**	**89%**	**52%**				
Number HR (*)		8,463	9,146	9,661	9,904	10,400	-683	-7.5%	-1,937	-18.6%
No. Employees (exc. SBs and managers)		8,213	8,883	9,387	9,624	10,115	-670	-7.5%	-1,902	-18.8%
No. management positions		236	250	260	266	274	-14	-5.6%	-38	-13.9%
No. corporate bodies		14	13	14	14	11	1	7.7%	3	27.3%
No. employees/ management posts		**35**	**36**	**36**	**36**	**37**	**-1**	**-1.5%**	**-2**	**-5.2%**
Vehicles (***)										
No. vehicles		1,098	1,117	1,150	1,179	n.a	-19	-1.7%	n.a	n.a
Vehicle expenses		7,438	7,442	8,852	9,288	n.a	-4	-0.1%	n.a	n.a

(*) Total Operating Income.
(**) SBs + managers + employees.
(***) Note: When completing the table, the number of vehicles at 31.12.2015 and 31.12.2014 was taken into consideration given the difficulty of ascertaining the number used during the course of the year. The expenditure was calculated on the basis of the real values of the vehicle fleet costs account heading for each year (instalments, insurance, journeys, fuel, repairs, insurance and road tax). The amounts calculated include non-deductible VAT.

COMPLIANCE WITH THE DUTY TO PROVIDE INFORMATION ON THE "SEE" (STATE CORPORATE SECTOR) WEBSITE AT 31 DECEMBER 2016

INFORMATION TO BE PUBLISHED ON "SEE"

	Disclosure	
Information to be published on "SEE" (state corporate sector) website	Y / N / na	Last update
Articles of association	Y	Apr 17
Characterisation of company	Y	Jun 16
Supervisory and shareholder function	Y	Jun 16
Governance model / members of statutory bodies		
- Identification of statutory bodies	Y	Feb 17
- Fixed remuneration status	Y	Dec 15
- Disclosure of information on remuneration earned by statutory bodies	Y	Dec 15
- Identification of functions and responsibilities of members of the board of directors	Y	Feb 17
- Presentation of résumés of members of statutory bodies	Y	Jun 15
State funding	Y	Mar 16
Summary	Y	Feb 17
Historical and current financial information	Y	Jun 16
Good governance principles	Y	Jun 16
Internal and external regulations binding on company	Y	Jun 16
Relevant transactions with related entities	Y	Jun 16
Other transactions	Y	Jun 16
Analysis of company's sustainability in the following domains		
Economic	Y	Jun 16
Social	Y	Jun 16
Environmental	Y	Jun 16
Appraisal of compliance with good governance principles	Y	Jun 16
Code of ethics	Y	Jun 16

APPENDIX 1

BOARD OF DIRECTORS

Up to 31 of August 2016

Term of office (Start-End)	Board of directors					
	Position	Name	Appointment		ORPLE	
			Form (1)	Date	[Identification Entity]	Paid by (S/D)
2013-2015	Board chairman	Álvaro Nascimento	Unanimous written declaration	8/7/2013	Univ. Católica + Esc. Gestão Empresarial + Unicer + CGD	CGD - Destination
2013-2015	Executive committee chairman	José Matos	Unanimous written declaration	8/7/2013	BdP + CGD	CGD - Destination
2013-2015	Vice chairman executive committee	Nuno Fernandes Thomaz (3)	Unanimous written declaration	8/7/2013	Self-employed + CGD	CGD - Destination
2013-2015	Board member	João Nuno Palma	Unanimous written declaration	8/7/2013	REN + CGD	CGD - Source
2013-2015	Board member	José Cabral dos Santos	Unanimous written declaration	8/7/2013	CGD	CGD - Source
2013-2015	Board member	Ana Cristina Leal	Unanimous written declaration	8/7/2013	BdP	CGD - Destination
2013-2015	Board member	Maria João Carioca (3)	Unanimous written declaration	8/7/2013	SIBS	CGD - Destination
2013-2015	Board member	Jorge Cardoso (2)	Unanimous written declaration	8/7/2013	Caixa Banco Investimento	CGD - Destination
2013-2015	Chairman audit. Committee	Eduardo Paz Ferreira	Unanimous written declaration	8/7/2013	Option not exercised	CGD - Destination
2013-2015	Vice-chairman audit committee	Daniel Traça	Unanimous written declaration	8/7/2013	Option not exercised	CGD - Destination
2013-2015	Board member audit committee	Pedro Fontes Falcão	Unanimous written declaration	8/7/2013	Option not exercised	CGD - Destination
2013-2015	Board member audit committee	Pedro Bela Pimentel	Unanimous written declaration	8/7/2013	Option not exercised	CGD - Destination
2013-2015	Board member audit committee	José Luís Crespo de Carvalho	Unanimous written declaration	8/7/2013	Option not exercised	CGD - Destination
2013-2015	Board member audit committee	José Hernst Vieira Branco	Unanimous written declaration	8/7/2013	Option not exercised	CGD - Destination

Legend: (1) indicate resolution (R)/AG/DUE/ruling (D). (2) Mandate suspended since 16/09/2014. (3) At the end of May 2016 ceased their functions as Board members following their resignation.

Note: ORPLE - Option for remuneration received in place of last employment; S/D: Source/Destination.

Note: The mandate was extended until 30 August 2016.

From 31 of August 2016

Term of office (Start-End)	Board of directors					
	Position	Name	Appointment		ORPLE	
			Form (1)	Date	[Identification Entity]	Paid by (S/D)
2016-2019	Board chairman	António Domingues	Unanimous written declaration	31/08/2016	N/A	
2016-2019	Vice chairman non-executive	Emílio Rui Vilar	Unanimous written declaration	31/08/2016	N/A	
2016-2019	Executive member	João Paulo Tudela Martins	Unanimous written declaration	31/08/2016	N/A	
2016-2019	Executive member	Tiago Ravara Marques	Unanimous written declaration	31/08/2016	N/A	
2016-2019	Executive member	Pedro Humberto Leitão	Unanimous written declaration	31/08/2016	N/A	
2016-2019	Executive member	Paulo Jorge Rodrigues Silva	Unanimous written declaration	31/08/2016	N/A	
2016-2019	Executive member	Emídio José Costa Pinheiro	Unanimous written declaration	31/08/2016	N/A	
2016-2019	Executive member	Henrique Cabral Menezes	Unanimous written declaration	31/08/2016	N/A	
2016-2019	Non-executive member	Angel Corcostegui Guraya	Unanimous written declaration	31/08/2016	N/A	
2016-2019	Non-executive member	Pedro Norton de Matos	Unanimous written declaration	31/08/2016	N/A	
2016-2019	Non-executive member	Herbert Walter	Unanimous written declaration	31/08/2016	N/A	

Note: As Decree Law 39/2016 of 28 July excluded the application of the Public Manager Statute to Caixa Geral de Depósitos, S.A., the limitations deriving from the referred to Statute ceased, as these limitation are only applied to Public Managers.

Term of office (Start-End)	Supervisory board					
	Position	Name	Appointment		ORPLE	
			Form (1)	Date	[Identification Entity]	Paid by (S/D)
2016-2019	Chairman	Guilherme Oliveira Martins	Unanimous written declaration	31/08/2016	N/A	
2016-2019	Member	António Luís Borges Assunção	Unanimous written declaration	31/08/2016	N/A	
2016-2019	Member	Luís Manuel Baptista Branco	Unanimous written declaration	31/08/2016	N/A	
2016-2019	Alternate member	Manuel Sotto-Mayor Coelho de Sousa	Unanimous written declaration	31/08/2016	N/A	

Note: As Decree Law 39/2016 of 28 July excluded the application of the Public Manager Statute to Caixa Geral de Depósitos, S.A., the limitations deriving from the referred to Statute ceased, as these limitation are only applied to Public Managers.

SPECIAL COMMITTEES

Term of office (Start-End)	Audit and internal control committee			
	Position	Name	Appointment	
			Form	Date
2016-2019	Chairman	Emílio Rui Vilar	Board of directors meeting	07/09/2016
2016-2019	Member	Angel Corcostegui Guraya	Board of directors meeting	07/09/2016
2016-2019	Member	António Luís Borges Assunção	Board of directors meeting	07/09/2016

Term of office (Start-End)	Financial risks committee			
	Position	Name	Appointment	
			Form	Date
2016-2019	Chairman	Herbert Walter	Board of directors meeting	07/09/2016
2016-2019	Member	Pedro Norton de Matos	Board of directors meeting	07/09/2016
2016-2019	Member	Manuel Sotto-Mayor Coelho de Sousa	Board of directors meeting	07/09/2016

Term of office (Start-End)	Nomination, assessment and remuneration committee			
	Position	Name	Appointment	
			Form	Date
2016-2019	Chairman	Pedro Norton de Matos	Board of directors meeting	07/09/2016
2016-2019	Member	Emílio Rui Vilar	Board of directors meeting	07/09/2016
2016-2019	Member	Luís Manuel Baptista Branco	Board of directors meeting	07/09/2016

Term of office (Start-End)	Corporate governance committee			
	Position	Name	Appointment	
			Form	Date
2016-2019	Chairman	Guilherme Oliveira Martins	Board of directors meeting	07/09/2016
2016-2019	Member	Herbert Walter	Board of directors meeting	07/09/2016
2016-2019	Member	Luís Manuel Baptista Branco	Board of directors meeting	07/09/2016

PMS REMUNERATION

Up to 31 of August 2016

Board member (name)	PMS			
	Fixed	Classification	Gross monthly amounts €	
	[Y/N]	[A/B/C]	Basic remuneration	Expense account
Álvaro Nascimento	Yes	A	7,704.20	-
José Matos	Yes	A	16,578.28	-
Nuno Fernandes Thomaz	Yes	A	8,647.80	-
João Nuno Palma	Yes	A	13,481.60	-
José Cabral dos Santos	Yes	A	11,424.33	-
Ana Cristina Leal	Yes	A	12,703.17	-
Maria João Carioca	Yes	A	12,039.21	-
Eduardo Paz Ferreira	No	A	1,948.48	-
Daniel Traça	No	A	1,948.48	-
Pedro Fontes Falcão	No	A	1,948.48	-
Pedro Bela Pimentel	No	A	1,948.48	-
José Luís Crespo de Carvalho	No	A	1,948.48	-
José Hernst Vieira Branco	No	A	1,948.48	-

Note: PMS - Public manager statute.

From 31 of August 2016

Board member (name)				
	Fixed	Classification	Gross monthly amounts €	
	[Y/N]	[A/B/C]	Basic remuneration	Expense account
António Domingues	N/A		30,214.29	-
Emílio Rui Vilar (a)	N/A		3,500.00	-
João Paulo Tudela Martins	N/A		23,285.71	-
Tiago Ravara Marques	N/A		23,285.71	-
Pedro Humberto Leitão	N/A		23,285.71	-
Paulo Jorge Rodrigues Silva	N/A		23,285.71	-
Emídio José Costa Pinheiro	N/A		23,285.71	-
Henrique Cabral Menezes	N/A		23,285.71	-
Angel Corcostegui Guraya	N/A		3,500.00	-
Pedro Norton de Matos	N/A		3,500.00	-
Herbert Walter	N/A		3,500.00	-

(a) This member opted not to receive - retired by CGA and CNP.

Note: As Decree Law 39/2016 of 28 July excluded the application of the Public Manager Statute to Caixa Geral de Depósitos, S.A., the limitations deriving from the referred to Statute ceased, as these limitation are only applied to Public Managers.

Supervisory board member (name)				
	Fixed	Classification	Gross monthly amounts €	
	[Y/N]	[A/B/C]	Basic remuneration	Expense account
Guilherme Oliveira Martins	N/A		5,200.00	-
António Luís Borges Assunção	N/A		4,500.00	-
Luís Manuel Baptista Branco	N/A		4,500.00	-
Manuel Sotto-Mayor Coelho de Sousa	N/A		-	-

Note: As Decree Law 39/2016 of 28 July excluded the application of the Public Manager Statute to Caixa Geral de Depósitos, S.A., the limitations deriving from the referred to Statute ceased, as these limitation are only applied to Public Managers.

ANNUAL REMUNERATION

Up to 31 of August 2016

Board member (name)	Annual remuneration (€)				
	Variable	Fixed	Gross (1)	Reductions in remuneration (2)	Amount after reductions (3) = (1)-(2)
Álvaro Nascimento	-	74,473.93	74,473.93	See note	
José Matos	-	160,256.71	160,256.71	See note	
Nuno Fernandes Thomaz	-	55,478.24	55,478.24	See note	
João Nuno Palma	-	130,322.13	130,322.13	See note	
José Cabral dos Santos	-	110,435.13	110,435.13	See note	
Ana Cristina Leal	-	122,797.31	122,797.31	See note	
Maria João Carioca	-	77,235.15	77,235.15	See note	
Eduardo Paz Ferreira	-	18,862.37	18,862.37	See note	
Daniel Traça	-	18,862.37	18,862.37	See note	
Pedro Fontes Falcão	-	18,862.37	18,862.37	See note	
Pedro Bela Pimentel	-	18,862.37	18,862.37	See note	
José Luís Crespo de Carvalho	-	18,862.37	18,862.37	See note	
José Hernst Vieira Branco	-	0.00	0.00	See note	

Note: The state shareholder defined the remunerations of members of the board of directors for the current term of office (2013-2015) in the form of a resolution of the shareholders' general meeting of 22 May 2014. The shareholder approved the remunerations resulting from the options for the remuneration paid in the place of the former employment under the terms and in compliance with the ruling of the secretary of state for finance no. 6555-B/2014, of 19 May 2014, published in *Diário da República* 2nd series, no. 95, of the same date. The remunerations in question already reflect the cumulative reduction of remuneration of 15%, resulting from the application of article 12 of law 12-A/2010 of 30 June (5%) and successive state budgets.

From 31 of August 2016

Board member (name)	Annual remuneration (€)				
	Variable	Fixed	Gross (1)	Reductions in remuneration (2)	Amount after reductions (3) = (1)-(2)
António Domingues	-	142,089.71	142,089.71	N/A	N/A
Emílio Rui Vilar [a]	-	0.00	0.00	N/A	N/A
João Paulo Tudela Martins	-	109,506.46	109,506.46	N/A	N/A
Tiago Ravara Marques	-	109,506.46	109,506.46	N/A	N/A
Pedro Humberto Leitão	-	109,506.46	109,506.46	N/A	N/A
Paulo Jorge Rodrigues Silva	-	109,506.46	109,506.46	N/A	N/A
Emídio José Costa Pinheiro	-	109,506.46	109,506.46	N/A	N/A
Henrique Cabral Menezes	-	109,506.46	109,506.46	N/A	N/A
Angel Corcostegui Guraya	-	16,459.57	16,459.57	N/A	N/A
Pedro Norton de Matos	-	16,459.57	16,459.57	N/A	N/A
Herbert Walter	-	16,459.57	16,459.57	N/A	N/A

(a) This member opted not to receive - retired by CGA and CNP.

Note: As Decree Law 39/2016 of 28 July excluded the application of the Public Manager Statute to Caixa Geral de Depósitos, S.A., the limitations deriving from the referred to Statute ceased, as these limitation are only applied to Public Managers.

Supervisory board member (name)	Annual remuneration (€)				
	Variable	Fixed	Gross (1)	Reductions in remuneration (2)	Amount after reductions (3) = (1)-(2)
Guilherme Oliveira Martins	-	24,454.20	24,454.20	N/A	N/A
António Luís Borges Assunção	-	21,162.30	21,162.30	N/A	N/A
Luís Manuel Baptista Branco	-	21,162.30	21,162.30	N/A	N/A
Manuel Sotto-Mayor Coelho de Sousa	-	0.00	0.00	N/A	N/A

Note: As Decree Law 39/2016 of 28 July excluded the application of the Public Manager Statute to Caixa Geral de Depósitos, S.A., the limitations deriving from the referred to Statute ceased, as these limitation are only applied to Public Managers.

SOCIAL BENEFITS

Up to 31 of August 2016

Board member (Name)	Social benefits (€)							
	Meal allowance		Social security regime		Healthcare insurance	Life insurance	Other	
	Amount / day	Annual amount paid	Identify	Amount			Identify	Amount
Álvaro Nascimento	11.10	1,831.50	Social security	29,344.62	N/A	N/A	Study grant	229.20
José Matos	11.10	1,742.70	BdP pension fund + social security (banking regime former Cafeb)	83,908.69	N/A	N/A		
Nuno Fernandes Thomaz	11.10	1,021.20	Social security	21,381.48	N/A	N/A	Study grant	514.40
João Nuno Palma	11.10	1,509.60	CGA / Pension fund	39,048.64	N/A	N/A	Study grant	550.20
José Cabral dos Santos	11.10	1,776.00	CGA / Pension fund	40,140.33	N/A	N/A		
Ana Cristina Leal	11.10	1,709.40	BdP pension fund + social security (banking regime former Cafeb)	69,016.28	N/A	N/A		
Maria João Carioca	11.10	1,043.40	Social security	30,626.33	N/A	N/A	Study grant	214.00
Eduardo Paz Ferreira	0.00	0.00	Social security	1,371.05	N/A	N/A	Study grant	229.20
Daniel Traça	0.00	0.00	Social security	6,165.77	N/A	N/A	Study grant	242.70
Pedro Fontes Falcão	0.00	0.00	Social security	6,165.77	N/A	N/A	Study grant + Child Support Grant	695.20
Pedro Bela Pimentel	0.00	0.00	Social security	6,165.77	N/A	N/A		
José Luís Crespo de Carvalho	0.00	0.00	Social security	6,165.77	N/A	N/A	Study grant	651.00
José Hernst Vieira Branco	0.00	0.00	Social security	900.09	N/A	N/A	Study grant	687.60

From 31 of August 2016

Board member (Name)	Social benefits (€)							
	Meal allowance		Social security regime		Healthcare insurance	Life insurance	Other	
	Amount / day	Annual amount paid	Identify	Amount			Identify	Amount
António Domingues	0.00	0.00	Social security	43,383.61	N/A	N/A	-	-
Emílio Rui Vilar [(a)]	0.00	0.00	Retired (CGA e CNP)	0.00	N/A	N/A	-	-
João Paulo Tudela Martins	0.00	0.00	Social security	33,435.16	N/A	N/A	-	-
Tiago Ravara Marques	0.00	0.00	Social security	33,435.16	N/A	N/A	-	-
Pedro Humberto Leitão	0.00	0.00	Social security	33,435.16	N/A	N/A	-	-
Paulo Jorge Rodrigues Silva	0.00	0.00	Social security	33,435.16	N/A	N/A	Study grant	76.40
Emídio José Costa Pinheiro	0.00	0.00	Social security	33,435.16	N/A	N/A	-	-
Henrique Cabral Menezes	0.00	0.00	Social security	33,435.16	N/A	N/A	-	-
Angel Corcostegui Guraya	0.00	0.00	Social security	3,909.14	N/A	N/A	-	-
Pedro Norton de Matos	0.00	0.00	Social security	3,909.14	N/A	N/A	-	-
Herbert Walter	0.00	0.00	Social security	3,909.14	N/A	N/A	-	-

(a) This member opted not to receive – retired by CGA and CNP..

Supervisory board member (Name)	Social benefits (€)							
	Meal allowance		Social security regime		Healthcare insurance	Life insurance	Other	
	Amount / day	Annual amount paid	Identify	Amount			Identify	Amount
Guilherme Oliveira Martins	0.00	0.00	Social security	5,807.88	N/A	N/A	-	-
António Luís Borges Assunção	0.00	0.00	Social security	5,026.05	N/A	N/A	-	-
Luís Manuel Baptista Branco	0.00	0.00	Social security	5,026.05	N/A	N/A	-	-
Manuel Sotto-Mayor Coelho de Sousa	0.00	0.00	Retired	0.00	N/A	N/A	-	-

MOBILE COMMUNICATIONS EXPENSES

Up to 31 of August 2016

Board member (name)	Mobile communications expenses (€)		
	Defined monthly limit	Annual amount	Remarks
Álvaro Nascimento	N/A	3,199.99	23% VAT on voice and data communications
José Matos	N/A	6,786.25	23% VAT on voice and data communications
Nuno Fernandes Thomaz	N/A	3,157.47	23% VAT on voice and data communications
João Nuno Palma	N/A	1,939.27	23% VAT on voice and data communications
José Cabral dos Santos	N/A	1,192.14	23% VAT on voice and data communications
Ana Cristina Leal	N/A	405.36	23% VAT on voice and data communications
Maria João Carioca	N/A	391.60	23% VAT on voice and data communications
Eduardo Paz Ferreira	N/A	400.15	23% VAT on voice and data communications
Daniel Traça	N/A	113.69	23% VAT on voice and data communications
Pedro Fontes Falcão	N/A	173.23	23% VAT on voice and data communications
Pedro Bela Pimentel	N/A	172.72	23% VAT on voice and data communications
José Luís Crespo de Carvalho	N/A	113.67	23% VAT on voice and data communications
José Hernst Vieira Branco	N/A	122.38	23% VAT on voice and data communications

From 31 of August 2016

Board member (name)	Mobile communications expenses (€)		
	Defined monthly limit	Annual amount	Remarks
António Domingues	N/A	190.41	23% VAT on voice and data communications
Emílio Rui Vilar (a)	N/A	89.78	23% VAT on voice and data communications
João Paulo Tudela Martins	N/A	127.25	23% VAT on voice and data communications
Tiago Ravara Marques	N/A	80.09	23% VAT on voice and data communications
Pedro Humberto Leitão	N/A	-	23% VAT on voice and data communications
Paulo Jorge Rodrigues Silva	N/A	164.65	23% VAT on voice and data communications
Emídio José Costa Pinheiro	N/A	367.39	23% VAT on voice and data communications
Henrique Cabral Menezes	N/A	1,192.14	23% VAT on voice and data communications
Angel Corcostegui Guraya	N/A	-	23% VAT on voice and data communications
Pedro Norton de Matos	N/A	-	23% VAT on voice and data communications
Herbert Walter	N/A	-	23% VAT on voice and data communications

Supervisory board member (Name)	Mobile communications expenses (€)		
	Defined monthly limit	Annual amount	Remarks
Guilherme Oliveira Martins	N/A	-	23% VAT on voice and data communications
António Luís Borges Assunção	N/A	-	23% VAT on voice and data communications
Luís Manuel Baptista Branco	N/A	-	23% VAT on voice and data communications
Manuel Sotto-Mayor Coelho de Sousa	N/A	-	23% VAT on voice and data communications

VEHICLE COSTS /CHARGES

Up to 31 of August 2016

Board member (Name)	Vehicles costs/charges								
	Vehicle	Agreement entered into	Reference price of vehicle	Type of payment (1)	Start year	End year	Monthly instalments	Annual instalments (*)	Remaining payments (**)
	[Y/N]	[Y/N]	[€]	[identify]			[€]	[€]	
Álvaro Nascimento	Y	N	69,796.31	Renting	2013	2017	1,451.69	11,277.45	5
José Matos	Y	N	88,900.00	Renting	2014	2017	1,182.82	9,462.58	12
Nuno Fernandes Thomaz	Y	N	92,000.00	Renting	2014	2017	1,180.63	9,445.06	12
João Nuno Palma	Y	N	87,200.00	Renting	2014	2017	1,142.66	9,141.30	12
José Cabral dos Santos	Y	N	82,213.18	Renting	2014	2017	1,211.05	9,688.40	7
Ana Cristina Leal	Y	N	73,392.00	Renting	2013	2017	1,087.53	8,700.27	5
Maria João Carioca	Y	N	80,681.03	Renting	2013	2017	1,076.16	5,380.78	3

Legend: (1) Purchase; LTR; Leasing; Other. (*) Considering the end date as being the start of use by the new administration. The annual expense corresponds to the monthly expenditure x the number of months up to the end date, with the exclusion of Maria João Carioca whose end date was considered 31.05.2016. (**) Remaining installments on 01.01.2017.

From 31 of August 2016

Membro do CA (Nome)	Vehicles costs/charges								
	Vehicle	Agreement entered into	Reference price of vehicle	Type of payment (1)	Start year	End year	Monthly instalments	Annual instalments (*)	Remaining payments (**)
	[Y/N]	[Y/N]	[€]	[identify]			[€]	[€]	
António Domingues	Y	N	69,796.31	Renting	2013	2017	1,364.49	5,632.36	5
Emílio Rui Vilar (a)	N								
João Paulo Tudela Martins	Y	N	73,392.00	Renting	2013	2017	1,038.35	4,251.77	5
Tiago Ravara Marques	Y	N	87,200.00	Renting	2014	2017	1,288.20	5,007.26	12
Pedro Humberto Leitão	Y	N	92,000.00	Renting	2014	2017	1,365.02	5,275.69	12
Paulo Jorge Rodrigues Silva	Y	N	80,681.03	Renting	2013	2017	1,060.65	4,242.60	3
Emídio José Costa Pinheiro	Y	N	82,213.18	Renting	2014	2017	1,211.33	4,845.32	7
Henrique Cabral Menezes	Y	N	88,900.00	Renting	2014	2017	1,183.10	4,732.40	12
Angel Corcostegui Guraya	N	-	-	-	-	-	-	-	-
Pedro Norton de Matos	N	-	-	-	-	-	-	-	-
Herbert Walter	N	-	-	-	-	-	-	-	-

Legend: (1) Purchase; LTR; Leasing; Other. (*) The annual expense corresponds to the monthly expenditure x the number of months up to the end date. (**) Remaining installments on 01.01.2017.

ANNUAL VEHICLE COSTS

Up to 31 of August 2016

Board member (name)	Monthly fuel limit	Annual vehicle costs (€)				
		Fuel	Tolls	Other repairs	Insurance	Remarks
Álvaro Nascimento	N/A	1,668.52	845.80	2,705.91	-	
José Matos	N/A	1,776.23	358.70	2,976.62	-	
Nuno Fernandes Thomaz	N/A	1,863.05	481.30	1,571.34	-	
João Nuno Palma	N/A	2,608.12	905.12	1,279.33	-	
José Cabral dos Santos	N/A	3,105.72	2,058.50	1,510.52	-	
Ana Cristina Leal	N/A	1,267.42	401.45	-	-	
Maria João Carioca	N/A	1,261.21	297.00	1,590.74	-	799.50€ of reconditioning included (before the term extension)

Note: The insurance for vehicles insured by Locarent, are included in the amount of the instalments. Other repairs - reconditioning provisioned costs were not included; considering the period of time from 01.01.2016 to 31.08.2016, excluding the vehicle of Maria João Carioca which was from 01.01.2016 to 31.05.2016.

From 31 of August 2016

Board member (name)	Monthly fuel limit	Annual vehicle costs (€)				
		Fuel	Tolls	Other repairs	Insurance	Remarks
António Domingues	N/A	1,043.16	346.40	-	-	
Emílio Rui Vilar [(a)]	N/A	-	-	-	-	
João Paulo Tudela Martins	N/A	950.77	446.30	-	-	
Tiago Ravara Marques	N/A	1,122.59	294.35	-	-	
Pedro Humberto Leitão	N/A	636.10	92.20	-	-	
Paulo Jorge Rodrigues Silva	N/A	902.21	297.20	-	-	
Emídio José Costa Pinheiro	N/A	937.42	443.85	700.21	-	
Henrique Cabral Menezes	N/A	721.28	242.50	-	-	
Angel Corcostegui Guraya	N/A	-	-	-	-	
Pedro Norton de Matos	N/A	-	-	-	-	
Herbert Walter	N/A	-	-	-	-	

Note: The insurance for vehicles insured by Locarent, are included in the amount of the instalments.
(a) This member opted not to receive.

TRAVEL EXPENSES

Up to 31 of August 2016

Board member (name)	Gross annual travel expenses (€)					
	Official travel	Accommodation costs	Allowances	Other		Total travel expenses
				Identify (a)	Amount	
Álvaro Nascimento	5,971.01	5,221.08				11,192.09
José Matos	12,321.60	1,897.11		Visa	29	14,247.71
Nuno Fernandes Thomaz	20,040.51	514.94				20,555.45
João Nuno Palma	717.18	877.03				1,594.21
José Cabral dos Santos	4,960.43	10,721.90				15,682.33
Ana Cristina Leal	2,955.93	1,841.13				4,797.06
Maria João Carioca	2,034.31	1,186.25				3,220.56
Jorge Cardoso						0.00
Eduardo Paz Ferreira						0.00
Daniel Traça						0.00
Pedro Fontes Falcão						0.00
Pedro Bela Pimentel	1,321.00					1,321.00
José Luís Crespo de Carvalho						0.00
José Hernst Vieira Branco						0.00

a) Includes: visas, vaccinations, taxis, expense account items.

From 31 of August 2016

Board member (name)	Gross annual travel expenses (€)					
	Official travel	Accommodation costs	Allowances	Other		Total travel expenses
				Identify (a)	Amount	
António Domingues	9,666.04	829.39				10,495.43
Emílio Rui Vilar (a)						0.00
João Paulo Tudela Martins	2,375.19	1,431.39				3,806.58
Tiago Ravara Marques						0.00
Pedro Humberto Leitão						0.00
Paulo Jorge Rodrigues Silva						0.00
Emídio José Costa Pinheiro	13,121.02	1,389.45				14,510.47
Henrique Cabral Menezes	9,135.70	1,410.72				10,546.42
Angel Corcostegui Guraya	1,327.97					1,327.97
Pedro Norton de Matos						0.00
Herbert Walter	2,830.09	1,621.11				4,451.20

a) Includes: visas, vaccinations, taxis, expense account items.

Board member (name)	Gross annual travel expenses (€)					
	Official travel	Accommodation costs	Allowances	Other		Total travel expenses
				Identify (a)	Amount	
Guilherme Oliveira Martins						
António Luís Borges Assunção						
Luís Manuel Baptista Branco						
Manuel Sotto-Mayor Coelho de Sousa						

APPENDIX 2

	Compliance			Quantification / Identification	Justification / reference in report
	Y	N	N/A		
Management objectives			x		
Evolution of APP to suppliers	x			-11.7%	
Disclosure of information on arrears	x			-69.3%	Considering the change between 4,234,665 € (as of 2016) and 13,787,995 € (as of 2015)
Shareholder's recommendations at the time of the last approval of the accounts:					
Recommendation			x	Not applicable	
Remunerations					
Non attribution of management bonuses, under article 37 of law 66-B/2012	x			See information in chapter: "Compliance with legal guidelines on the level of remunerations" and appendix I of Corporate Governance Report	
Statutory bodies - pay cuts under article 27 of law 66-B / 2012	x				
Statutory bodies - pay cut of 5% based on the application of article 12 of law 12-A/2010					
External auditor - pay cut under article 75 of law 66-B / 2012			x		
Other workers - pay cut under article 27 of law 66-B / 2012	x				
Other workers - prohibition of increases in remuneration under article 35 of law 66					
Article 32 of public manager statute					
Use of credit cards	x				A new remuneration policy applicable to Executive and Non-Executive Members of the Board of Directors and Members of the Supervisory Board of CGD was approved in a Unanimous Written Declaration of 31 August 2016, with the election of the Members of the Statutory Bodies for the 2016-2019 term of office, who ceased to be subject to the limitations of the Public Manager Statute and who were provided with a corporate credit card to pay for expenses incurred on behalf of CGD.
Reimbursement of personal expense account items	x				
Public contracts					
Company's application of rules on public contracts			x		'CGD is a commercial company in the form of an exclusively state-owned limited liability company, it is governed by private law and is not subject to the public contracts code approved by decree law 18/2008 of 29 January, which sets out the rules on public contracts and the substantive regime of public contracts of an administrative type.
Contracts submitted for the approval of the court of auditors	x			5	Service agreement between CGD and Siemens, S.A.; 1st amendment to the service agreement between CGD and HP Enterprise Services Portugal, Lda; 3rd amendment to the service agreement between CGD and Accenture, Consultores de Gestão, SA; Amendment to the Service agreement between CGD and NewSpring Services; 1st amendment to he Service agreement between CGD and Havas Media - Publicidade, SA..
Audits - court of auditors	x				
Vehicle fleet	x			-19	CGD had a fleet of 1,117 vehicles in 2015 which was reduced to 1,098 vehicles in 2016. The 1.7% year-on-year reduction in the number of vehicles in 2016 essentially derived from the closure of several structural bodies on the branch office network as well as the reduction number of car users .
Operating expenses of state-owned companies (article 64 of law 66-B/2012)		x		-13.6% (2016/2015)	Between 2012 and 2016 was registered a reduction on employee costs (-3.5%) and on external supplies and services (-16.2%)
Reduction of number of workers (article 63 of law 66-B/ 2012)					
No. workers	x			-7.5%	
No. management positions	x			-5.6%	

ANNEX II

CURRICULA VITAE OF MEMBERS OF THE STATUTORY BODIES

MEMBERS OF THE GENERAL MEETING

CHAIRMAN - PAULO CARDOSO CORREIA DA MOTA PINTO

Date of Birth: 18 of November 1966

Current Positions

- Chairman of the Board of the General Meeting of Caixa Geral de Depósitos, SA,
- Chairman of the Portuguese Republic's Intelligence System Supervisory Board
- Chairman of the Supervisory Board of NOS, SGPS

Former positions

Business Positions

- Member of the audit committee and Non-executive member of the board of Directors of Zon SGPS

Government and para-Governmental Posts

- Judge at the Constitutional Court 1998-2007
- Member of the Portuguese Parliament to the XI legislature, 2009-2011, Chairman of the Parliament's Finance and Budget Committee
- Member of Portuguese Parliament to the XII Legislature, Chairman of the Parliament´s European Affairs Committee

Academic Positions

- Lecturer at the Coimbra University Law School.
- Guest lecturer at the University of Sarre (Universität des Saarlandes), Germany

Academic qualifications

- Master's degree and Ph.D in the field of Legal Civilist Sciences (Law Faculty of the Universidade de Coimbra)
- Certificate of German law foundations, Ludwig-Maximilians Universität, Munchen, 1990

Prizes and Distinctions

- Member of the International Academy of Portuguese Culture

VICE-CHAIRMAN - ELSA MARIA RONCON SANTOS

Date of Birth: 10 of March 1951

Current positions

- Vice-Chairman of the Board of Shareholers Meeting of Caixa Geral de Depósitos, S.A.
- Director General of the Treasury and Finance – Ministry of Finance (2011-)
- Member of the Board of Directors of the EIB – European Investment Bank. As a Member of the Board of the EIB ex officio member of the Remuneration Committee of the respective Bank (2015-)

- Member of the Board of Directors of the Resolution Fund (on behalf of the Minister of Finance 2012-)
- Chairman of the Joint Committee of the Portuguese Fund for Investment in Mozambique (2011-)
- Chairman of the board of the shareholders' meeting of Parpublica – Participações Públicas (SGPS),S.A. (2013-)
- Advisory Board of Fundações on behalf of the Ministry of Finance (2014-)
- Chairman of the board of the shareholders' meeting of Lusa – Agência de Notícias de Portugal, S.A. (2015-)
- Representative of the State's Corporate Sector on the Economic and Social Council (2012-)
- Ex officio: Chairman of the Board of Management of the Equity Rehabilitation and Conservation Fund (2011-)

Former positions

- Chaiman of the Supervisory Board of E.P. - Estradas de Portugal, S.A. (2014 – 2015 until the establishment of IP – Infraestruturas de Portugal, S.A.)
- Chairman of the Supervisory Board of CTT, Correios de Portugal, S.A. (2012-2013). Member of the Supervisory Board of CTT (2013 - March 2014).
- Member of the Board of Fundação Ricardo Espírito Santo Silva (ex officio: 2011-2013)
- Chairman of the Ethical Committee of CP- Comboios de Portugal, E.P.E. (2009-2011)
- Chairman of the Supervisory Board of CP Carga – Logística e Transportes Ferroviários de Mercadorias, S.A. (2010-2011)
- Chairman of the Supervisory Board of EMEF- Empresa de Manutenção de Equipamento Ferroviário, S.A. (2010-2011)
- Chairman of the Executive Committee (2003-2005) and of the Board of Directors of Fernave - Formação Técnica, Psicologia Aplicada e Consultoria em Transportes e Portos, S.A. (2003- 2008)
- Member of the Advisory council of Elo-Associação Portuguesa for the Development and Coperation (2004-2006)
- Member of the Board of Directors of the Forum for Company Directors
- Member of the Supervisory Board of Vogal do Conselho Fiscal do Forum for Company Directors (2004-2013)
- Member of the Board and CFO of REFER - Rede Ferroviária Nacional, E.P. (2001-2002)
- Non-executive chairman of the board of GIL - Gare Intermodal de Lisboa, S.A. (2001-2002)
- Member and e CFO of the Board of Directors,of Caminhos-de-Ferro Portugueses, E.P. (1996-2000)
- Non-executive member of the Board of Directors da EMEF- Empresa de Manutenção de Equipamento Ferroviário, S.A. (1996-2000)
- Non-executive member of the Board of Directors of CPCOM - Exploração de

Espaços Comerciais, S.A. (1996-2000)

- Representative to Eurofima - European Company for Financing of Railroad Stock
- Member of the Board of Directors and CFO of Metropolitano de Lisboa, E.P. (1994-1996)

Government and para-Governmental Posts

- Chief of Staff for the Secretary of State for the Budget (2000-2001)
- Chief of the Staff of the Deputy Minister of Finance, Prof. António de Sousa (1993-1994)
- Chief of the Staff of the Deputy Minister of Foreign Trade, Prof. António de Sousa (1991-1993)
- Chief of the Staff of the Deputy Minister of Industry, Prof. António de Sousa (1998-1999)

Academic qualifications

- Economics degree by the Universidade Técnica de Lisboa
- Master at Gulbenkian Science Institute – Centre of Agrarian Economic Studies
- Introduction to the Calculation of Probabilities and Statistical inference
- Microeconomic Theory
- Econometric Models

SECRETARY - JOSÉ LOURENÇO SOARES

Date of Birth: 22 of November 1950

Current positions

- Secretary of the Board of the General Meeting of Caixa Geral de Depósitos, S.A.
- Managing Director of the Legal Affairs Department of Caixa Geral de Depósitos, S.A.
- Chairman of the Board of the General Meeting of Caixa – Banco de Investimento S.A.
- Chairman of the Board of the General Meeting of Caixa - Participações, SGPS, S.A.
- Chairman of the Board of the General Meeting of Caixa Leasing e Factoring - IFIC, S.A.
- Chairman of the Board of the General Meeting of Gerbanca, SGPS, S.A.
- Chairman of the Board of the General Meeting of Parbanca, SGPS, S.A.
- Chairman of the Board of the General Meeting of Partang, SGPS, S.A.
- Chairman of the Board of the General Meeting of Banco Internacional de S. Tomé e Príncipe, SARL.

Former positions

Business Positions

- Chairman of the board of directors of Parvalorem, S.A, since 2010
- Chairman of the board of directors of Parups, S.A., since 2010

- Chairman of the board of directors of Participações, SGPS, S.A., since 2010
- Board Member of BPN – Banco Português de Negócios, S.A., 2008
- Board Member of BPN Internacional, SGPS, S.A., 2008
- Board Member of BPN Serviços – Serviços Administrativos, Operacionais e Informáticos, ACE, 2008
- Board Member of Banco Efisa, S.A., 2009
- Chairman of the board of the shareholders' meeting of Bandeirantes, SGPS, S.A., 2009
- Vice-Chairman of the Board of the General Meeting of Companhia de Seguros Fidelidade - Mundial, S.A.

Academic Positions

- Assistant at the Faculty of Law of the University of Lisbon.
- Assistant lecturer at Universidade Autónoma de Lisboa;

Academic qualifications

- Masters in Legal Sciences from the Faculty of Law of the University of Lisbon
- Degree in Law from the Faculty of Law of the University of Lisbon.

MEMBERS OF THE BOARD OF DIRECTORS

CHAIRMAN - ANTÓNIO DOMINGUES

Date of Birth: 30 December 1956

Current positions

- Chairman of the Board of Directors and Chairman of the Executive Committee

Former positions

Business Positions

- Vice-chairman of the Executive Committee of the Board of Directors of Banco BPI, S.A.
- Vice-chairman of the Board of Directors of Banco Português de Investimento, S.A.
- Vice-chairman of the Board of Directors of Banco Fomento Angola, S.A.
- Chairman of the Board of Directors of BPI Moçambique – Sociedade de Investimentos, S.A.
- Member of the Board of Directors of UNICRE and SIBS
- Member of the Board of Directors of Companhia de Seguros Allianz Portugal, S.A.
- Member of the Board of Directors of BPI Madeira, SGPS, Unipessoal, S.A.
- Non-Executive Member of the Board of Directors of NOS, SGPS, S.A.
- Member of the Board of Directors of PT Multimédia and ZON Multimédia
- Vice-chairman of the Board of Directors of BCI – Banco Comercial e de Investimentos, S.A.
- Deputy General Manager of the France Branch of Banco Português do Atlântico

- Technical advisor to the Foreign Department of the Bank of Portugal
- Director of Foreign Department of Instituto Emissor de Macau
- Economist at IAPMEI
- Economist in the Studies and Planning Office of the Ministry of Industry and Energy

Academic qualifications

- Degree in Economics from Lisbon's Instituto Superior de Economia Lisboa

VICE-CHAIRMAN - EMÍLIO RUI DA VEIGA PEIXOTO VILAR

Date of Birth: 17 May 1939

Current positions

- Vice-chairman of the Board of Directors of Caixa Geral de Depósitos, S.A. (31-08-2016)
- Member of the Advisory Committee of the Bank of Portugal (2014-) (in abeyance)
- Chairman of the General Board of the University of Coimbra (2013-)
- Chairman of the Advisory Board of the Portuguese Oncology Institute (2013-)
- Chairman of the Foundations Advisory Board (2012-)
- Non-Executive Member of the Board of Directors of the Calouste Gulbenkian Foundation (2012-)
- Non-Executive Member of the Board of Directors of Partex Oil & Gas (Holdings) Corporation (2012-)

Former positions

- Chairman of REN, SGPS, S.A. (2014-2015)
- Lawyer-Consultant at PLMJ, Sociedade de Advogados, RL (2012-2015)
- Non-Executive Member of the Board of Directors and Officer of the Audit Committee of REN, SGPS, S.A. (2012-2014)
- Chairman of the European Foundations Centre (2008-2011)
- Chairman of the General Board of the Portuguese Institute of Corporate Governance (2007-2011)
- Chairman of the Portuguese Foundations Centre (2006-2012)
- Chairman of the Gulbenkian Foundation (2002-2012)
- Chairman of Partex Oil & Gas (Holdings) Corporation (2002-2012)
- Chairman of the Board of Directors of Galp Energia (2001-2002)
- Non-Executive Member of the Board of Directors of SOPORCEL (2000-2001)
- Chairman of the Audit Board of the Bank of Portugal (1996-2014)
- Member of the Board of Directors of the Gulbenkian Foundation (1996-2002)
- Chairman of the European Savings Bank Group (1991-1994)
- Chairman of the Board of Directors of Caixa Geral de Depósitos (1989-1995)
- Commissary General of Europália 91 – Portugal (1989-1992)

- Director General of the European Commission (Brussels) (1986-1989)
- Chairman of the Advisory Board of BESCL (1985-1986)
- Vice-Governor of the Bank of Portugal (1975-1984)
- Director of Banco Português do Atlântico (1969-1973)
- Technical Officer and Head of Division of GEPTT (1966-1969)
- Military Service (1962-1965)
- Trainee Lawyer (1961-1962)

Government Posts

- Minister of Transport and Communications (1976-1978)
- Minister of the Economy (1974-1975)
- Secretary of State for Foreign Trade and Tourism (1974)

Academic Positions

- Guest lecturer at the Faculty of Economics and Management of Universidade Católica (Porto) (1998-2002)

Academic qualifications

- Degree in Law from the University of Coimbra (1961)

Distinctions

- Honorary Doctorate from the University of Lisbon (2011)
- Grand Cross of the Military Order of Christ (1996)
- Grand Cross of the Ordem do Infante (1991)
- Commander of the Order of Agricultural and Industrial Merit – Industrial Merit Class (1982)
- Campaign Medal (Angola 1964-65)
- Grand Master of the Order of Léopold (Belgium)
- Grand Master of the National Order of the Southern Cross (Brazil)
- Grand Master of the Order of the Star and Italian Solidarity
- Officer of the National Order of the Legion of Honour (France)
- Order of Civil Merit (Spain)
- Royal Norwegian Order of Merit

EMÍDIO JOSÉ BEBIANO E MOURA DA COSTA PINHEIRO

Date of Birth: 7 May 1960

Current positions:

- Executive Member of the Board of Directors of Caixa Geral de Depósitos, since 31 August 2016

Former positions

- Chairman of the Executive Committee of Banco de Fomento Angola, from April 2005 to August 2016
- General Manager of the Individual Customers and Small Businesses Commercial Division of the Lisbon Region, from October 2002 to April 2005
- General Manager of the Investments Centre Division, of BPI, from June 2001 to October 2002
- General Manager of the Emigration Division, of BPI, from May 1997 to June 2001
- General Manager of the France Branch, of BPI, from December 1996 to May 1997
- Responsible for the strategic definition and organic integration of the Group, investment fund managers, asset management companies and insurance companies, following BPI's acquisition of Banco Borges & Irmão and Banco de Fomento e Exterior, from December 1996 to May 1997
- Responsible for implementing the operational and legal merger programme of various entities, from December 1996 to May 1997
- Executive Member of the Board of Directors of several Life Insurance companies, namely Scottish Union, Companhia de Seguros de Vida, A Social and BFE-Seguros, Companhia de Seguros de Vida and Investment Fund Companies, from December 1996 to May 1997
- Executive Member of the Board of Directors of BPI Vida, Companhia de Seguros Vida, from April 1993 to December 1996
- Executive Member of the Board of Directors of BPI Pensões, Sociedade Gestora de Fundos de Pensões, from April 1990 to April 1993
- Manager of the life insurance area of Companhia de Seguros Mundial Confiança, from October 1987 to April 1990

Academic qualifications

- Degree in Economics from Universidade Católica Portuguesa (1978 – 1983)
- MBA from Universidade Nova de Lisboa and Wharton University (1986 – 1987)

HENRIQUE CABRAL DE NORONHA E MENEZES

Date of Birth: 25 April 1970

Current positions

- Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A.
- Chairman of the Board of Directors of Caixa Desenvolvimento, SGPS, S.A.
- Chairman of the Board of Directors of Caixa Participações, SGPS, S.A.
- Chairman of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A.

Former positions

Business Positions

- Chairman of the Executive Committee of the Board of Directors of Banco Caixa Geral Brasil, from May 2014 to August 2016
- Coordination Manager of the Corporate Finance & Investment Banking area of

Banco Caixa Geral Brasil, from January 2014 to April 2014

- Portfolio manager in Plurima Fund, from May 2012 to December 2013
- Founder, Majority Shareholder and CEO of Douro Capital Management, from April 2010 to February 2012
- Member of the Executive Committee of Banco BPI – Banco Português de Investimento for Market Risks, responsible for the Equities Department from 2007 to 2009
- Member of the Executive Committee of Banco BPI – Banco Português de Investimento, responsible for the equities area from 2003 to 2007
- General Manager of the Spain Branch of Banco BPI – Banco Português de Investimento, from 2004 to 2009
- Chairman of the Executive Committee and Coordination Manager of BPI Dealer, from 2001 to 2003
- Managing Director and Member of the Board of Directors of BPI Dealer, responsible for the Equity Research & Sales area from 1999 to 2000
- Manager in the Department of Equity Research of Banco BPI – Banco Português de Investimento, from 1998 to 1999
- Manager of the Equities Department of Banco Santander de Negócios, from 1995 to 1998
- Analyst in the Equities Department of Baring Securities, from 1993 to 1994

Academic qualifications

- Executive MBA from Harvard Business School, Boston, from March to May 2009
- Masters (with distinction) from the London Business School from 1997 to 1998
- Graduate in Corporate Management with a degree in Management from Universidade Católica Portuguesa, from 1988 to 1993
- Insead Negotiation Dynamics course, Paris
- Insead, Building Your Business in Asia Course, Singapore

JOÃO PAULO TUDELA MARTINS

Date of Birth: 25 April 1966

Current positions

- Member of the Board of Directors of CGD

Former positions

Business Positions

- General Manager of DACR (Risk Control and Analysis Division), BPI, from February to August 2016
- Coordination Manager of DRC (Credit Risk Division), in BPI, from 2002 to February 2016
- Commercial Coordination Manager of DGES (Large Enterprises Southern Division), in BPI, from 2000 to 2002
- Commercial Manager of Corporate Centre, in BPI, from 1996 to 2000

Academic qualifications

- Stanford Executive Program – Stanford Graduate School of Business, São Francisco, San Francisco, USA in 2013
- Postgraduation in Corporate Finance – ISCTE Business School, from 2000 to 2001
- Degree in Management – Universidade Católica Portuguesa from 1983 to 1989

PAULO JORGE GONÇALVES PEREIRA RODRIGUES DA SILVA

Date of Birth: 22 March 1964

Current positions

- Member of the Board of Directors and Executive Committee of Caixa Geral de Depósitos, S.A.
- Non-Executive Member of the Board of Directors of SIBS SGPS and SIBS Forward Payment Solutions (representing Caixa Geral de Depósitos, S.A.)

Former positions

Business Positions

- Consultant/Project Manager in various countries, 2010-2016
- Vodafone Telecel Portugal, as a Non-Executive Board Member, 2004-2009
- Vodafone Turkey, as Chief Commercial Officer (CCO), 2007-2009
- Vodafone Group, UK, as Global IT & Services Manager, 2006-2007
- Vodafone Group, Germany, as Global Platforms Services Manager, 2004-2006
- Vodafone Telecel, Portugal, as Board Member/Vice-Chairman – Technology and Operations, 2000-2004
- Chairman of Telecel Online (representing Vodafone Telecel Portugal), 2000-2004
- Chairman of Vizzavi Portugal (representing Vodafone Telecel Portugal), 2000-2004
- SIBS – Sociedade Interbancária de Serviços, S.A., Portugal, as a Member of the Board of Directors (representing Banco BPI), 1997-2000
- Unicre – Instituição Financeira de Crédito, S.A., Portugal, as a Member of the Board of Directors (representing Banco BPI).1997-2000
- Banco BPI, Portugal, as a Director of Technology, Organisation and Operations – Information Systems, Network and Organisation, Operations and Internet, 1992-2000
- McKinsey & Co. Iberia, as a consultant, 1990-1991

Academic qualifications

- Master in Business Administration (MBA) Dean's List, INSEAD Fontainebleau, France, 1987-1989
- Degree in Economics from Universidade Católica Portuguesa, Lisbon – 1980-1985

PEDRO HUMBERTO MONTEIRO DURÃO LEITÃO

Date of Birth: 25 June1970

Current positions

- Member of the Board of Directors and Executive Committee of Caixa Geral de Depósitos, S.A..

Former positions

Business Positions

- Interim CEO of Angola Telecom, E.P (2016)
- Executive Board Member, Group CEO Direct Report of PT Portugal, SA (PT Comunicações, SA; TMN, SA; PT Prime, SA; PT Sales, SA) (2007-2015)
- Executive Board Member, CEO Direct Report na PT MULTIMEDIA, SGPS (TV Cabo Portugal, SA; PT Conteudos, SGPS; Lusomundo Audiovisuais, SA) (2004-2007)
- Executive Board Member and CEO Direct Report da PT Comunicações (2003-2004)
- CEO na PTM.COM, SGPS (Telepac, SA; Saber e lazer, SA) (2002-2004)
- Strategy and development of portuguese business manager of Portugal Telecom, SGPS (2000-2002)
- Engagement Manager; Associate; Business Analyst na Mckinsey & Company Iberia (1993-2000)

Academic qualifications

- Master of Business Administration, Kellogg School Of Management- Northwestern University (EUA) (1986-1987)
- Degree in Business Administration by Universidade Católica Portuguesa (1987-1993)

TIAGO RAVARA BELO DE OLIVEIRA MARQUES

Date of Birth: 24 July 1962

Current positions

- Member of the Board of Directors and Executive Committee of Caixa Geral de Depósitos, S.A.

Former positions

Business Positions

- BPI Group – Human Resources Division as General Manager, 2000-2016
- BPI Pensões – Sociedade Gestora de Fundos de Pensões, S.A., as a Non-Executive Board Member, 2000-2010
- BPI Pensões – Sociedade Gestora de Fundos de Pensões, S.A., as a Board Member, 1997-2000
- BPI Pensões – Sociedade Gestora de Fundos de Pensões, S.A., as General Manager, 1994-1997
- BPI Pensões – Sociedade Gestora de Fundos de Pensões, S.A., as Technical and Commercial Manager and as an Actuary, 1991-1994

- BPI Vida – Companhia de Seguros de Vida, S.A., as a Non-Executive Board Member, 1999-2002
- Vanguarda – Sociedade Gestora de Fundos de Pensões, S.A., as an Actuary and Commercial Operative, 1987-1991
- Boels & Bégault Portugal (Insurance Brokers), as a Junior Assistant, 1987

Academic qualifications

- Nova School of Business & Economics (Nova SBE) – Degree in Economics, 1980-1985

Prizes and Distinctions

- ASF – Autoridade de Supervisão de Seguros e Fundos de Pensões, as a Member of the Certification Jury for the Actuary Responsible for Pension Funds, 2005-2016
- Associação das Empresas Gestoras de Fundos de Pensões, as a Member of the Advisory Committee, 1997-2000
- Instituto dos Atuários Portugueses, as a Member and Lead Actuary, 1989

PEDRO LOPO DE CARVALHO NORTON DE MATOS

Date of Birth: 22 August 1967

Current Positions

- Caixa Geral de Depósitos – Non-Executive Board Member
- Sociedade Agrícola da Alorna – Non-Executive Board Member

Former positions

Business Positions

- IMPRESA
    - CEO from October 2012 to March 2015
    - Executive Vice-Chairman, April 2008 to March 2015.
    - Board Member, April 2008 to March 2015
    - CEO – IMPRESA JORNAIS, September 2001 to April 2008.
    - New Business Manager - SIC, August 1999 to June 2001.
    - Management Control Director - SIC, June 1996 to August 1998.
    - Financial Manager – ABRIL CONTORLJORNAL, June 1995 to March 1996.
    - Advisor to CEO – IMPRESA, May 1992 to June 1995
- CUSTÓDIO CARDOSO PEREIRA
    - Advisor to Board of Directors, September 1991 to May 1992
- ESSI
    - Project Finance Analyst, September 1990 to June 1991

Government and para-Governmental Posts

- Member of the Advisory Committee (Trade and Service) of the Agenda para a Competitividade 2014 - 2020, three year period 2015-2017.

- Member of the “Strategic Committee for the Oceans” June 2003 to September 2004

Academic Positions

- Chairman of the Strategic Council of the Institute of Political Studies of Universidade Católica Portuguesa since March 2013
- Member of CEPAC for LabCom, since October 2011
- Member of the Advisory Committee of the Faculty of Human Sciences of Universidade Católica Portuguesa, since September 2009
- Lecturer in “Media and Society” at Universidade Católica Portuguesa, September 2002 to January 2005

Academic qualifications

- INSEAD. Advanced Management Programme, Fontainebleau 4 - 29 July, 2016
- Kellogg School of Management, Chicago, USA and Faculty of Business Economic Sciences of Universidade Católica Portuguesa, Lisbon, Portugal, Advanced Management Programme, June 2010
- INSEAD, Managing for Shareholder Value (given by Professor Gabriel Hawawini), Lisbon, Portugal, November 2005
- Boston University School of Communication, Boston, USA, Masters in Television Management, August 1999
- Universidade Católica Portuguesa, Lisbon, Portugal, Masters in Theory and Political Science, May 1998. Infante D. Henrique Prize.
- Universidade Católica Portuguesa, Lisbon, Portugal, Degree in Corporate Management, June 1990
- Lycée Français de Lisbonne, Lisbon, Portugal, June 1984

Prizes and Distinctions

- Member of the “Pessoa Prize” jury, since 2014
- Chairman of the General Meeting of APDC for the three year period 2013-2015
- Chairman of APDC 2011 to 2012.
- Member of the European Publishers Council’s Committee of Corporate Affairs.
- Columnist in Meios & Publicidade magazine, 2006 and 2007
- Columnist in “Visão” magazine, since 2001
- Columnist in “Diário Económico” newspaper, 1999 to 2001
- Literary Critic of “O Independente” magazine 1990

ANGEL CORCÓSTEGUI GURAYA

Date of Birth: 14 December 1951

Current positions

- Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A. (31-08-2016)
- Founding partner of Magnum Industrial Partners, Iberia (since 2006)
- Member of the Board of Directors of CEPSA (Compañía Española de Petróleos,

S.A.U.) Spain (since 2016)

- Member of the International Advisory Committee, Banco ITAÚ-Unibanco, Brazil (since 2013)

Academic Positions

- Member of the Committee of Chancellors for Excellence (unpaid), Cantabria University, Spain (since 2010)
- Member of the Board of Directors (unpaid), APD (Asociación para el Progresso de la Dirección), Spain (since 2009)
- Member of the Academic Council and Board of Directors (unpaid), Instituto de Estudios Bursátiles, Spain (since 2009)
- Member of the Advisory Board (unpaid), Lauder Institute of International Management, Wharton Business School, University of Pennsylvania, USA (since 2001)

Former positions

Business Positions

- Vice-chairman and CEO, Banco Santander (formerly Santander Central Hispano), Spain (1994-2002)
- Member of the Board of Directors, Member of the Executive Board and General Manager of Banco Bilbao Vizcaya (BBV), Spain (1987-1994)
- Chief Economist, Chase Econometrics, Chase Manhattan Bank, USA (prior to 1987)
- Financial Analyst, World Bank, Washington D.C., USA (prior to 1987)
- Chief Consultant for the Iberian Peninsula, Carlyle Private Equity (2002-2006)
- Vice-chairman of the Board of Directors and Member of the Executive Committee of CEPSA (Compañía Española de Petróleos, S.A.), Spain (1995-2002)
- Member of the Board of Directors and Member of the Executive Committee of Compañía Sevillana de Electricidad, Spain (1989-1994)

Academic Positions

- Member of the International Executive Board (unpaid), Wharton Business School, USA (1994-2007)

Academic qualifications

- Doctorate in Finance, Wharton Business School, USA
- MBA, Wharton Business School, USA
- Masters in Economics, University of Pennsylvania USA
- Civil Engineering (Roads, Channels and Ports), University of Santander, Spain

HERBERT WALTER

Date of Birth: 10 August 1953

Current positions

- Non-Executive Member of the Board of Directors of Caixa Geral de Depósitos, S.A., (31-08-2016)
- Member of the Supervisory Board of ERGO Group AG, Düsseldorf, (since July 2016)
- Walter Consult, Frankfurt/Main, Founding Partner/Chairman (since 2009)

Other positions

- Aquila Capital Group, Hamburg, Chairman of Advisory Committee (since 2009)
- Council for Corporate Leadership, Schmalenbach-Gesellschaft für Betriebswirtschaft, Köln (since 2011)
- University of Bayreuth, Institute of Philosophy and Economics, Member of the Advisory Board (since 2010)

Former positions

Business Positions

- Federal Agency for the Stabilisation of the Financial Market, Frankfurt/Main, Chairman of the Executive Committee (2015-2016)
- Single Resolution Board, Brussels, Member of the Plenary Committee (2015/2016)
- Dresdner Bank, A.G., Frankfurt/Main, Chairman of the Executive Committee, (2003-2009)
- Allianz SE, Munich, Member of the Group's Executive Board (2003-2009)
- Deutsche Bank AG, Frankfurt/Main, Member of the Group's Executive Committee (2002-2003)
- Deutsche Bank AG, Frankfurt/Main, Member of the Board of Directors Division – Department of Private and Corporate Customers (1999-2002)
- Deutsche Bank 24 AG, Frankfurt/Main, Spokesman for the Executive Board, (1999-2003)
- Deutsche Bank AG, Frankfurt/Main, Leader of merger project between BANK 24 and the Department of Private and Corporate Customers in a new legal entity – Deutsche Bank 24 AG (1998-1999)
- Deutsche Bank AG, Frankfurt/Main, Manager of Credit Activity/Risk Management – Department of Private and Corporate Customers (1995-1998)
- Deutsche Bank AG, Frankfurt/Main, Member of the Group's Credit Committee (1995-1998)
- Deutsche Bank AG, Bochum/Ruhr Region, Regional Division (1989-1995)
- Deutsche Bank AG,Frankfurt/Main, Advisor to Officer Dr. Ulrich Cartellieri (1985-1989)
- Deutsche Bank AG, Bavaria Region, Advisor to Regional Division (1984-1985)
- Deutsche Bank AG, Frankfurt/Main, trainee in management and corporate banking, (1983-1984)

- Frankfurter Allgemeine Zeitung und Handelsblatt, freelance journalist (1980-1989)

Member of Supervisory Boards

- Alceda Asset Management GmbH, Hamburg (up to January 2015)
- Aragon AG, Wiesbaden, Chairman of Supervisory Board (up to January 2015)
- Banco BPI, S.A., Porto/Portugal (up to January 2015)
- DEPFA Bank plc, Dublin/Ireland (up to January 2015)
- Jung DMS & Cie, Wiesbaden, Chairman of the Supervisory Board (up to January 2015)
- Scope Ratings, Berlin, Chairman of the Board of Directors and Supervision (up to January 2015)
- Hypo Alpe-Adria-Bank International AG, Klagenfurt/Austria, Chairman of the Supervisory Board (up to January 2014)
- NOMOS-BANK plc, Moscow (up to February 2013)
- Deutsche Lufthansa AG, Köln (up to May 2010)
- E.ON Ruhrgas AG, Essen (up to May 2010)
- Banco Popular Espanol S.A., Madrid (up to March 2010)
- Deutsche Börse AG, Frankfurt (up to May 2009)
- Allianz Vertriebsgesellschaft AG, Munich (up to January 2009)

Other positions

- Consileon Business Consultancy, Karlsruhe/Frankfurt: Advisory Committee (up to January 2015)
- WhoFinance GmbH, Berlin, Executive Management (up to 2015)

Academic Positions

- Research Assistant at Institut fur Bankwirtschaft und Finanzierung, Ludwig Maximilians University, Munich (1979 -1983)

Academic qualifications

- Doctorate: Dr. rer. Pol (economics, business administration, political science). (1982)
- Academic qualification: Diplom-Kaufmann, Universidade Ludwig Maximilians, Munich (1979)

MEMBERS OF THE SUPERVISORY BOARD

CHAIRMAN - GUILHERME VALDEMAR PEREIRA DE OLIVEIRA MARTINS

Date of Birth: 23 de September de 1952

Current positions

- Chairman of the Supervisory Board of Caixa Geral de Depósitos, S.A. (31-08-2016)
- Chairman of the Great Council of Centro Nacional de Cultura (National Centre for Culture) (2016)

- Executive Director of Calouste Gulbenkian Foundation (16/11/2015)
- Correspondent Member of Academia das Ciências de Lisboa (Lisbon Academy of Science) (elected on 31/05/2010)
- Acting member of the Academia de Marinha (Naval Academy) (elected on 16/12/2014)
- Academic of Merit in the Academia Portuguesa da História (Portuguese History Academy) (elected on 6/07/2015)
- Guest Professor at Lusíada University
- Guest Professor at Instituto Superior de Ciências Sociais e Políticas da Universidade Técnica de Lisboa (ISCSP)

Former positions

Business Positions

- Chairman of Centro Nacional de Cultura (2003-2016)
- Chairman of Tribunal de Contas (Audit Court) (2005-2015)
- Chairman of Conselho de Prevenção da Corrupção (Council for the Prevention of Corruption) (2008-2015)
- Chairman of EUROSAI – Organização das Instituições Superiores de Controlo das Finanças Públicas da Europa (Organisation of Higher Institutions for the Control of Public Finances in Europe) - elected at the 7th EUROSAI Congress, Lisbon (Portugal), (2011-2014)
- Chairman of the Comité de Contacto dos Presidentes das Instituições Superiores de Controlo da União Europeia (Contact Committee of Presidents of Higher Control Institutes of the European Union) (2011-2012)
- General Meeting Auditor of the WEU – Western European Union (2008-2011)
- First Vice-Chairman of EUROSAI (2008-2011)

Government Posts:

- Minister of the Presidency (2000-2002)
- Minister of Finance (2001-2002)
- Minister of Education (1999-2000)
- Secretary of State for Educational Administration (1995-1999)
- Chef de cabinet of the Minister of Finance (1979)

Other:

- Deputy of the Assembly of the Republic (1980-1988, 1991-1995, 1995, 1999, 2002-2005)
- Vice-Chairman of Socialist Party Parliamentary Group (2002-2005)
- Vice-Chairman of the National Committee for UNESCO (1988-1994)
- Chairman of SEDES - Associação para o Desenvolvimento Económico e Social (Association for Economic and Social Development) (1985-1995)
- Political advisor to the Casa Civil do Presidente da República (Civil Household of the Presidency of the Republic) (1985-1991)

- Secretary General of Portuguese Committee of the European Cultural Foundation
- Director of the Legal Services of the Directorate General for the Treasury
- Member of Convention on the Future of Europe
- Chairman of the Steering Committee of the Council of Europe (27/10/2005)

Academic Positions

- Lecturer at Lisbon Faculty of Law (1977-1985)

Academic qualifications

- Degree in Law from the Faculty of Law of the University of Lisbon
- Masters Degree in Law, University of Lisbon

Prizes and Distinctions

- Honorary Doctorate from the Portuguese Open University (September 2016)
- Honorary Doctorate from Lusíada University (June 2016)
- Grand Master of Ordem do Infante D. Henrique
- Commander of the Order of Isabella the Catholic (Spain)
- Gran Cruz of the Order of the Southern Cross (Brazil)
- Officer of the Order of the Legion of Honour (France)
- Medal of Gratitude from the European Solidarity Centre (Poland)
- Cross of the Grand Master of the Order of Merit of the Republic of Poland
- Municipal Medal of Merit - Gold (Loulé City Hall)
- Collar of Merit of the Minister Victor Nunes Leal (Audit Court of the Rio de Janeiro City Hall, Brazil)
- Grand Cross of the Military Order of Christ

ANTÓNIO LUÍS TRAÇA BORGES DE ASSUNÇÃO

Date of Birth: 8 of November 1958

Current positions

- Member of the Supervisory Board of Geral de Depósitos, S.A. (31-08-2016)
- Manager, Altauto Fahren (AF), Lda. (since 2015)
- Manager, VLX, Lda. (since 2013)
- Manager, Sinvegere, Lda (since 2006)
- Professor of Finance at Universidade Católica Portuguesa (since 2005)

Former positions

Business Positions

- Advisory to the Executive Committee, Banco BPI (2011-2015)
- Non-Executive Member of the Board of Directors, TagusPark, SA (2013-2014)
- Board Member, BPI Global Investment Fund Management Company, SA (2005-2012)

- Board Member, BPI Vida, SA (2007-2011)
- Board Member, BPI Pensões, SA (2007-2011)
- Board Member, BPI Gestão de Activos, SA (2005-2011)
- Board Member, Banco Português de Investimento, SA (1998-2007)
- Chairman, BPI – Serviços Financeiros, SA (1997-1999)
- Board Member, BFE – Mercado de Capitais e Serviços, SGPS, SA (1993-1996)
- Board Member, BFE – Serviços Financeiros, SA (1993-1996)
- Manager, Sociedade Independente de Serviços Financeiros, Lda. (1991-1993)
- Director, CISF, SA (1988-1990)
- Director General, Vanguarda – Sociedade Gestora de Fundos de Pensões, SA (1987-1990)
- Economist, Chase Econometrics, EUA (1983-1984)
- Economist, Planning and Financial Analysis Department, Banco Fonsecas & Burnay (1981-1982)

Academic Positions

- Associate Professor, Universidade Nova de Lisboa, Business School (1987-1989)
- Professor of Finance at Universidade Católica Portuguesa, Lisboa (1987-1989)
- Assistant Professor, Investments and Financial Management, Wharton School, University of Pennsylvania, EUA (1983-1986)
- Assistant Professor, Universidade Católica, Lisbon (1980-1982)

Academic qualifications

- Ph.D in Finance, Wharton School, Universidade da Pennsylvania, EUA (1987)
- MBA, Universidade Nova de Lisboa (1981)
- Graduated in Business Administration, Universidade Católica Portuguesa, Lisbon (1980)

LUÍS MANUEL BAPTISTA BRANCO

Date of Birth: 8 of July 1968

Current positions

- Member of the Supervisory Board of Caixa Geral de Depósitos, S.A. (31-08-2016)
- Partner of the Portuguese law firm Morais Leitão, Galvão Teles, Soares da Silva & Associados (since 2001)

Former positions

Business Positions

- Partner of the Portuguese law firm Abreu & Marques (1989-2000)

Academic Positions

- Assistant Professor at the Portuguese Catholic University Law School (1982-1996)

Academic qualifications

- Masters in Law (Portuguese Catholic University Law School (1989)
- Law Graduate from the Faculty of Law of the Portuguese Catholic University (1982)

MANUEL SOTTO-MAYOR COELHO DE SOUSA

Date of Birth: 17 of May 1949

Current positions

- Deputy member of the Supervisory Board of Caixa Geral de Depósitos, S.A. (31-08-2016)

Former positions

Business Positions

- M. Moura – Consultores Associados, Lda. (2004-2009)
- Board member of Caixa – Gestão de Ativos, S.A. (2001-2003)
- Board member of CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A.
- Board member of Esegur – Empresa de Segurança, S.A.
- Board Member of Caixa BI, Banco de Investimento, S.A. (2000-2001)
- Chairman of INVESTIL – Sociedade Gestora de Fundos de Investimentos Mobiliário, S.A.
- Managing director of Financial Markets Division of Caixa Geral de Depósitos (1990-2001)
- Chairman of Caixagest – Técnicas de Gestão de Fundos, S.A. (1990-1999)
- Chairman of Servimédia – Sociedade Mediadora de Capitais, S.A. (1990-1995)
- Board member of Instituto do Investimento Estrangeiro (1986-1989)
- Director of the Marketing and Planning Department (1977-1986)
- Technical functions in Economics and Research Department of Banco Fonsecas & Burnay (1974-1975)

Government and Para-Governmental Post

- Technical functions in Global Global Planning Division of Central Planning Department, Ministry of finance and planning (1973-1977)

Academic qualifications

- Graduated in Economics by Instituto Superior de Economia (1973)

ANNEX III

DECLARATIONS REFERRED TO IN ARTICLES 51º AND 52º OF DECREE LAW NO. 133/2013, OF 3 OF OCTOBER

Inspector General of Finance

I, António Domingues, NIF[1] 149941722, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 8 September 2016

António Domingues

Inspector General of Finance

I, Emílio Rui da Veiga Peixoto Vilar, NIF 111661056, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 7 September 2016

Emílio Rui da Veiga Peixoto Vilar

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[1] *Tax number*

Inspector General of Finance

I, Emídio José Bebiano e Moura da Costa Pinheiro, NIF 103914366, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 2 September 2016

Emídio José Bebiano e Moura da Costa Pinheiro

Inspector General of Finance

I, Henrique Cabral de Noronha e Menezes, NIF 198575351, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 7 September 2016

Henrique Cabral de Noronha e Menezes

Inspector General of Finance

I, João Paulo Tudela Martins, NIF 187387982, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company of the respective Group.

I have, as of this date, the following interests:

a) A 20% holding in Sociedade Agricola de Vale Crespim, Lda (share capital of €5,000) – NIF 203412686.

b) 36,739 call options on an identical number of shares of Banco BPI, SA – NIF 501214534.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 2 September 2016

João Paulo Tudela Martins

Inspector General of Finance

I, Paulo Jorge Gonçalves Pereira Rodrigues da Silva, NIF 110351428, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 5 September 2016

Paulo Jorge Gonçalves Pereira Rodrigues da Silva

Inspector General of Finance

I, Pedro Humberto Monteiro Durão Leitão, NIF 212574489, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 19 September 2016

Pedro Humberto Monteiro Durão Leitão

Inspector General of Finance

I,Tiago Ravara Belo de Oliveira Marques, NIF 157498085, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A..

I declare, as of this date, I have a 50% holding in a in a family company Letras de Génio, Lda, with its head office in Rua da Horta da Cera, nº 13, 2635 596 Albarraque, NIF 508412927, holding my spouse the remaining 50%.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 19 September 2016

Tiago Ravara Belo de Oliveira Marques

Inspector General of Finance

For the purposes of articles 51 and 52 no. 1 of Decree Law 133/2013, I declare that I do not have any equity investment in Caixa Geral de Depósitos, S.A. I also declare that I am a Non-Executive Board Member of Sociedade Agrícola de Alorna, S.A.

1 September 2016

Pedro Norton de Matos

Inspector General of Finance

I, Angel Corcóstegui Guraya, NIF 258172533, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 7 September 2016

Angel Corcóstegui Guraya.

Note: Although I don´t identify it is a source of potential conflict of interest, I ´d like to mention that: (a) The entity named "Fondo Special de Investimento Caixagest Private Equity" is an inversor in Magnum Capital II (SCA) SICAR. These two Magnum Private Equity Funds are related to me, through their advisory companies, since I´m one of the Founding Members of said advisory companies.

Inspector General of Finance

I, Herbert Walter, NIF 1387864642, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 7 September 2016

Herbert Walter

To the

Supervisory Board of

Caixa Geral de Depósitos, S.A

I, António Domingues, NIF 149 941 722, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 8 September 2016

António Domingues

To the

Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Emídio José Bebiano e Moura da Costa Pinheiro, NIF 103914366, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 2 September 2016

Emídio José Bebiano e Moura da Costa Pinheiro

To the

Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Henrique Cabral de Noronha e Menezes, NIF 198575351, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 7 September 2016

Henrique Cabral de Noronha e Menezes

To the

Supervisory Board of

Caixa Geral de Depósitos, S.A

I, João Paulo Tudela Martins, NIF 187387982, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company of the respective Group.

I have, as of this date, the following interests:

c) A 20% holding in Sociedade Agricola de Vale Crespim, Lda (share capital of €5,000) – NIF 203412686.

d) 36,739 call options on an identical number of shares of Banco BPI, SA – NIF 501214534.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 2 September 2016

João Paulo Tudela Martins

To the

Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Paulo Jorge Gonçalves Pereira Rodrigues da Silva, NIF 110 351 428, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 5 September 2016

Paulo Jorge Gonçalves Pereira Rodrigues da Silva

To the

Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Pedro Humberto Monteiro Durão Leitão, NIF 212 574 489, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 19 September 2016

Pedro Humberto Monteiro Durão Leitão

To the

Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Tiago Ravara Belo de Oliveira Marques, NIF 157 498 085, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A.

I declare, as of this date, I have a 50% holding in a in a family company Letras de Génio, Lda, with its head office in Rua da Horta da Cera, nº 13, 2635 596 Albarraque, NIF 508412927, holding my spouse the remaining 50%.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 19 September 2016

Tiago Ravara Belo de Oliveira Marques

To the

Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Emílio Rui da Veiga Peixoto Vilar, NIF 111661056, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 7 September 2016

Emílio Rui da Veiga Peixoto Vilar

To the

Supervisory Board of

Caixa Geral de Depósitos, S.A

IFor the purposes of articles 51 and 52 no. 1 of Decree Law 133/2013, I declare that I do not have any equity investment in Caixa Geral de Depósitos, S.A. I also declare that I am a Non-Executive Board Member of Sociedade Agrícola de Alorna, S.A.

1 September 2016

Pedro Lopo de Carvalho Norton de Matos

To the

Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Angel Corcóstegui Guraya, NIF 258172533, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 7 September 2016

Angel Corcóstegui Guraya

Note: Although I don´t identify it is a source of potential conflict of interest, I ´d like to mention that: (a) The entity named “Fondo Special de Investimento Caixagest Private Equity” is an inversor in Magnum Capital II (SCA) SICAR. These two Magnum Private Equity Funds are related to me, through their advisory companies, since I´m one of the Founding Members of said advisory companies.

To the

Supervisory Board of

Caixa Geral de Depósitos, S.A

I, Herbert Walter, NIF 1387864642, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

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Lisbon 7 September 2016

Herbert Walter

To the Board of Directors

Caixa Geral de Depósitos, S.A.

I, António Domingues, NIF 149 941 722, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 8 September 2016

António Domingues

To the Board of Directors

Caixa Geral de Depósitos, S.A.

I, Emílio Rui da Veiga Peixoto Vilar, NIF1 111661056, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

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Lisbon 7 September 2016

Emílio Rui da Veiga Peixoto Vilar

To the Board of Directors

Caixa Geral de Depósitos, S.A.

I, Emídio José Bebiano e Moura da Costa Pinheiro, NIF 103914366, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 2 September 2016

Emídio José Bebiano e Moura da Costa Pinheiro

To the Board of Directors

Caixa Geral de Depósitos, S.A.

I, Henrique Cabral de Noronha e Menezes, NIF 198575351, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 7 September 2016

Henrique Cabral de Noronha e Menezes

To the Board of Directors

Caixa Geral de Depósitos, S.A.

I, João Paulo Tudela Martins, NIF 187387982, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company of the respective Group.

I have, as of this date, the following interests:

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b) 36,739 call options on an identical number of shares of Banco BPI, SA – NIF1 501214534.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 2 September 2016

João Paulo Tudela Martins.

To the Board of Directors

Caixa Geral de Depósitos, S.A.

I, Paulo Jorge Gonçalves Pereira Rodrigues da Silva, NIF 110351428, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 5 September 2016

Paulo Jorge Gonçalves Pereira Rodrigues da Silva

To the

Chairman of the Board of Directors

Caixa Geral de Depósitos, S.A.

I, Pedro Humberto Monteiro Durão Leitão, NIF1 212 574 489, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company of the respective Group.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 19 September 2016

Pedro Humberto Monteiro Durão Leitão

To the Board of Directors

Caixa Geral de Depósitos, S.A.

I, Tiago Ravara Belo de Oliveira Marques, NIF1 157 498 085, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A.

I declare, as of this date, I have a 50% holding in a family company Letras de Génio, Lda, with its head office in Rua da Horta da Cera, nº 13, 2635 596 Albarraque, NIF 508412927, holding my spouse the remaining 50%.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 19 September 2016

Tiago Ravara Belo de Oliveira Marques

To the Board of Directors

Caixa Geral de Depósitos, S.A.

I, Emílio Rui da Veiga Peixoto Vilar, NIF1 111661056, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 7 September 2016

Emílio Rui da Veiga Peixoto Vilar

To the Board of Directors

Caixa Geral de Depósitos, S.A.

For the purposes of articles 51 and 52 no. 1 of Decree Law 133/2013, I declare that I do not have any equity investment in Caixa Geral de Depósitos, S.A. I also declare that I am a Non-Executive Board Member of Sociedade Agrícola de Alorna, S.A..

1 September 2016

Pedro Lopo de Carvalho Norton de Matos

To the Board of Directors

Caixa Geral de Depósitos, S.A.

I, Angel Corcóstegui Guraya, NIF1 258172533, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 7 September 2016

Angel Corcóstegui Guraya.

Note: Although I don´t identify it is a source of potential conflict of interest, I ´d like to mention that: (a) The entity named "Fondo Special de Investimento Caixagest Private Equity" is an inversor in Magnum Capital II (SCA) SICAR. These two Magnum Private Equity Funds are related to me, through their advisory companies, since I´m one of the Founding Members of said advisory companies

To the Board of Directors

Caixa Geral de Depósitos, S.A.

I, Herbert Walter, NIF1 1387864642, with professional domicile at Avenida João XXI, 63, 1000-300 Lisbon, having been elected as a member of the Board of Directors of Caixa Geral de Depósitos, S.A., at 31 August 2016, for the 2016-2019 term of office, declare, pursuant to the terms and for the purposes of article 52 of Decree Law 133/2013 of 3 October that I do not have any investments and equity interests, either directly or indirectly, in Caixa Geral de Depósitos, S.A. or in any other company.

I furthermore declare that, as far as I am aware, I do not have any relevant relationship with suppliers, customers, other financial institutions or any business partners of Caixa Geral de Depósitos S.A, likely to create conflicts of interests.

Lisbon 7 September 2016

Herbert Walter

ANNEX IV

NON-PROFITABLE ORGANIZATIONS OF WHICH CGD IS AN ASSOCIATED MEMBER

DECEMBER 2016

- AC – Aliança Connector
- ACEPI – Associação para o Desenvolvimento e Promoção do Comércio Eletrónico em Portugal
- ACI Portugal (ex-Forex Club de Portugal)
- ACL – Associação Comercial de Lisboa / Câmara de Comércio e Indústria Portuguesa
- ACP – Associação Comercial do Porto / Câmara de Comércio e Indústria
- AEM – Associação de Empresas Emitentes de Valores Cotados em Mercados
- AEP – Associação Empresarial de Portugal
- A.I.P. – Associação Industrial Portuguesa
- American Club of Lisbon
- APAE – Associação Portuguesa de Avaliações de Engenharia
- APAN – Associação Portuguesa de Anunciantes
- APCC – Associação Portuguesa de Contact Centers
- APFIPP – Associação das Sociedades Gestoras de Fundos de Investimentos, Pensões e Patrimónios
- APIFD – Assoc. Port. de Instrumentos Financeiros
- APQ - Associação Portuguesa para a Qualidade
- Associação África-Verein
- Associação Fiscal Portuguesa
- Associação Portuguesa de Bancos
- Associação Portuguesa de Bibliotecários, Arquivistas e Documentalistas - BAD
- Associação Representantes de Bancos Estrangeiros na Alemanha
- BCSD – Conselho Empresarial para o Desenvolvimento Sustentável
- CADIN
- Câmara de Comércio Americana em Portugal
- Câmara de Comércio Belgo-Portuguesa A.S.B.L
- Câmara de Comércio e Indústria Árabe Portuguesa
- Câmara de Comércio e Indústria Internacional - Secção Portuguesa (ICC)
- Câmara de Comércio e Indústria Luso Alemã
- Câmara de Comércio e Indústria Luso-Brasileira – Fusão com Clube de Empresários do Brasil
- Câmara de Comércio e Indústria Luso Britânica
- Câmara de Comércio e Indústria Luso-Chinesa
- Câmara de Comércio Luso Colombiana
- Câmara de Comércio e Indústria Luso Espanhola
- Câmara de Comércio e Indústria Luso Francesa
- Câmara de Comércio e Indústria Luso Marroquina
- Câmara de Comércio e Indústria Luso-Mexicana

- Câmara de Comércio e Indústria Portugal Angola
- Câmara de Comércio e Indústria Portuguesa
- Câmara de Comércio e Indústria de Timor Leste
- Câmara de Comércio Indústria e Turismo Portugal Cabo-Verde
- Câmara de Comércio Luso-Belga- Luxemburguesa
- Câmara de Comércio Luso Sul Africana
- Câmara de Comércio Portugal Moçambique
- CE CPLP - Conselho Empresarial da Comunidade dos Países de Língua Portuguesa
- Centro Nacional de Cultura
- COTEC
- EBA – Euro Banking Association
- ECBC - European Covered Bond Council
- EFMA – European Financial Management & Marketing Association
- Égide – Economia e Gestão, Associação para a Investigação e Desenvolvimento do Ensino
- ELO – Associação Portuguesa para o Desenvolvimento Económico e a Cooperação
- EPC – European Payments Council
- ESBG- European Savings Banks Group (GECE) / WSBI – World Savings and Retail Banking Institute
- European Association for Banking and Financial History
- Federação Hipotecária Europeia
- Fórum para a Competitividade
- Fórum Oceano - Associação da Economia do Mar
- Fundação Centro Cultural de Belém / Fundação das Descobertas
- Fundação Cidade de Lisboa
- Fundação Eça de Queirós
- Fundação Económicas
- Fundação Júlio Pomar
- Fundação Luso-Brasileira
- Fundação Luso Espanhola
- Fundação Portugal África
- Fundação de Serralves
- GOH Portugal (faz parte da Federação Hipotecária Europeia)
- Global Compact Network Portugal
- GPUS – Grupo Português de Utilizadores de Swift
- GRACE – Grupo de Reflexão e Apoio à Cidadania Empresarial
- IAP – Instituto de Atuários Portugueses
- ICAP – Instituto Civil da Autodisciplina da Publicidade
- IFB – Instituto de Formação Bancária
- Instituto de Investigação e Desenvolvimento Tecnológico em Ciências de Construção
- Instituto Português de Corporate Governance

- ICA - International Council on Archives
- IPAI – Instituto Português de Auditores Internos
- IPN – Instituto Pedro Nunes
- IPN – Incubadora – Associação para o Desenvolvimento de Atividades de Incubação de Ideias e Empresas
- Nova Fórum – Instituto de Formação de Executivos da Universidade Nova de Lisboa
- Portugal – U.S. Chamber of Commerce
- Smart Waste
- Sociedade Histórica da Independência de Portugal
- UCCLA – União das Capitais Luso-Afro-Américo-Asiáticas
- Visa Portugal
- World Monuments Fund

ANNEX V

MINUTE NO. 29/2017 - ANNUAL REPORT 2016 APPROVAL

CAIXA GERAL DE DEPÓSITOS, S. A.

BOARD OF DIRECTORS

Meeting on 27 April 2017

MINUTE No. 29/2017

A meeting of the board of directors of Caixa Geral de Depósitos SA was held on the twenty seventh day of the month of April two thousand and seventeen at three thirty in the afternoon. The meeting was attended by its chairman Emílio Rui da Veiga Peixoto Vilar, its vice-chairman and CEO Paulo José de Ribeiro Moita de Macedo, executive board members Francisco Ravara Cary, João Paulo Tudela Martins, José António da Silva de Brito, Maria João Borges Carioca Rodrigues, Nuno Alexandre de Carvalho Martins and the non-executive board members Ana Maria Machado Fernandes, Maria dos Anjos Melo Machado Nunes Capote, João José Amaral Tomaz and José Maria Monteiro de Azevedo Rodrigues. CGD's supervisory board was represented at the meeting, under the terms of item 4.2. (a) of its regulation, by its chairman, Guilherme Valdemar Pereira d' Oliveira Martins and permanent board members António Luís Traça Borges de Assunção and Manuel Lázaro Oliveira de Brito. Also present was the supervisory board's alternate board member Nuno Filipe Abrantes Leal da Cunha Rodrigues. The external auditor Deloitte was represented by Augusta Francisco and João Ferreira and the statutory auditor Oliveira Rego & Associados by Pedro Bastos. The board of directors considered justified the absence of José João Guilherme, who was represented by CEO Paulo Moita de Macedo.

After opening the meeting at half past three in the afternoon, Emílio Rui Vilar greeted the participants and extended a special welcome to supervisory board members Manuel Lázaro Oliveira de Brito and Nuno Filipe Abrantes Leal da Cunha Rodrigues. He expressed his satisfaction over the success of yet another Encontros Fora da Caixa initiative which took place in Santarém on 10th April last and which was attended by a large number of customers and institutions.

He then began with an analysis of the issues on the Agenda, on which the board of directors passed the following resolutions:

3. The board of directors was informed of the accounting documents for 2016, for approval purposes. Firstly José de Brito gave a short presentation on the report. This was followed by António Valente, managing director of DCI, who stated that since 10th March, which was the date of the approval and market disclosure of the unaudited financial statements, there had been an exhaustive workload in support of the external audit, comprising the analysis and justification of balances, movements and policies adopted in the preparation of the financial statements. From a viewpoint of the background work, special reference was made to the production of the documents to support the application of IFRS 5 to the equity holding in Mercantile, to evidence the recoverability of deferred tax assets and explanation of the impairment recognised in 2016, in the sphere of the asset valuation exercise for the purpose of the recapitalization process, which was completed in March last. António Valente completed his address by expressing the opinion that, in spite of the need to make several minor amendments to the wording of the documents for the submission of the accounts, the said documents fulfilled the necessary conditions for the board of directors' approval. *Deloitte*, represented by Augusta Francisco and João Ferreira, submitted a document summarising the most relevant situations concerning the process for the closure of the year 2016 accounts, as well as several situations with a potential impact for the future. The document was distributed to all members of the board of directors and supervisory board and were attached to these minutes. Following the submission of the referred to document Augusta Francisco reinforced the message that the auditing of the CGD's consolidated financial statements for 2016 was complete and required only the completion of several documentary procedures and correction of several minor lapses and that the statutory audit certificate would be delivered within the next few days. As no questions were raised with the external auditor, chairman Emílio Rui Vilar questioned Augusta Francisco if, based on all of her previous statements, she considered that the conditions enabling the board of directors to sign off the accounting documents for 2016 had been fulfilled, to which the reply was affirmative. Following the intervention of *Deloitte* Pedro Bastos, the statutory auditor representing the statutory audit company was given the floor and began by stating that the works had been performed independently, satisfactorily and conclusively, based on recourse to a specialised taskforce and that he considered that the conditions for the issue of the statutory audit certificate to be issued tomorrow, 28th April had been fulfilled. Pedro Bastos also took the opportunity to inform the board of directors and the supervisory board that, in spite of the demanding circumstances characterising the works, it had been possible to complete them on schedule owing to the collaboration of the whole of Caixa's structure, which gave priority to responding to all of the requests made by the statutory audit company's team. Following the intervention of Maria dos Anjos Capote, in her capacity as chairperson of the governance committee, the board of directors unanimously approved this item on the agenda.

There being no further business, the meeting was brought to a close at a quarter to seven in the evening and upon which I, Eucária Maria Martins Vieira, secretary of the company Caixa Geral de Depósitos, in my position as secretary to the meeting, have prepared these minutes which have also been signed by me.

Excerpt from the Minutes of the Annual Shareholders' Meeting of Caixa Geral de Depósitos, SA

The following text is an excerpt of issue no. 8/17 of the minutes of CGD's general meeting of 29 May 2017, containing a resolution on CGD, S.A.'s 2016 annual report and the proposal for the appropriation of net income, as transcribed below:

"… There being no other interventions regarding this item the chairman of the shareholder's meeting invited the state representative to address the meeting and who greeted all those present and voted in favour of the approval of the board of directors' report 2016, financial statements of separate and consolidated activity, as well as the Corporate Governance Report, taking into account the favourable opinion expressed in the separate and consolidated audit reports from the external auditor, the separate and consolidated statutory audit certificates and the report and opinion of the supervisory board.

(…)

The meeting then went on to discuss item two on the agenda, with the chairman of the shareholder's meeting reading the proposal for the appropriation of net losses for the year relative to the separate accounts of CGD, for the amount of €2,050,413,020, that should be allocated into the "Other Reserves and Retained Earnings" balance sheet account.

The state representative voted in favour of the proposal submitted by the board of directors that, under the terms of article 66, no. 5, f) and article 376 of the Commercial Companies Code, and article 14, no. 2, of Caixa Geral de Depósitos's Articles of Association, the net losses for the year relative to the separate accounts of CGD, should be allocated into the "Other Reserves and Retained Earnings" balance sheet account.

Regarding the third item on the agenda, the state representative, proposed and expressed a vote of confidence in the board of directors and supervisory bodies, as well as in each of its members ..."