BOARD OF DIRECTORS' REPORT

1st Half 2016

CGD Reports

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1. Board of Directors' Report

1.1. Highlights

RESULTS

At the end of the first half 2016, core operating income (sum of net interest income and commissions, net of operating costs), saw an increase of 19.1% in the period to €159.6 million, influenced by the good performance of net interest income and operating costs.

CGD Group's net interest income, in first half 2016, was up 5.5% by €29.8 million over the same half 2015 to €568.7 million.

As in first half 2015, the half yearly growth of net interest income greatly benefited from the 17.5% reduction of €171.7 million in funding costs, surpassing the reduction also felt in interest on lending (down 9.3% by €141.8 million).

Commissions earnings (net) of €230.1 million reflected the strong competitive and regulatory pressure on commissions charges.

Income from financial operations were negative at €47.4 million, influenced by high volatility experienced in international financial markets, including public debt, associated with the United Kingdom's referendum about remaining in the European Union.

CGD's total operating income for the half year, strongly influenced by the negative change of €349.4 million in income from financial operations, was therefore down €399.5 million over the same half 2015 to €754.7 million.

CGD's operating costs, which benefited from the containment felt across all of its components, namely administrative expenditure (down 3.1%) and depreciation (down 7.6%) were down 2.0% in the half year. Employee costs were down 0.7%, although the reduction would have been 6% with the exclusion of the one-off *Horizonte Plan* cost of €20.0 million. Total operating costs, excluding this one-off factor, were down 5.1%.

Net operating income before impairments for first half 2016 amounted to €115.4 million.

There was a 2.1% increase of €6.7 million in provisions and impairment for the period to €328.4 million.

Income before tax and non-controlling interests and net income for the half year were €-193.1 million and €-205.2 million, respectively.

BALANCE SHEET

CGD Group's total assets, at the end of June 2016, were down 0.9% over the same date in 2015, to €99,355 million.

Customer resources of €72,442 million at the end of the first half represented a positive 3.1% evolution of €2,199 million over June 2015.

Gross loans and advances to customers (including credit with repurchase agreements) amounted to €70,674 million in June last. The growth of new loan operations across the half year was insufficient to offset portfolio maturities.

Credit at risk, in June 2016, was 12.2% of the credit portfolio, with a level of provisions and impairment coverage of 63.2%. The level of coverage of credit at risk was 46.5% for credit to individuals and 73.7% for corporate customers.

The loans-to-deposits ratio of 90.1% reflected CGD's strong resource-taking capacity, in addition to the, as yet, limited recovery of demand for credit, in Portugal.

LIQUIDITY

CGD's funding from the Eurosystem at the end of June 2016 totalled €3,597 million, a change of €832 million over December 2015 and €691 million over June 2015 and currently representing 3.6% of total assets.

CGD's liquidity remained at a highly comfortable level with an LCR (liquidity coverage ratio) of 193.5%, far in excess of regulatory requirements. Net Stable Funding Ratio (NSFR) was 133.4% in June 2016 (135.9% in December 2015).

The phased-in and fully implemented Common Equity Tier 1 (CET 1) ratios, calculated according to CRD IV/CRR rules were 10.0% and 9.2%, respectively in June 2016, complying with the regulatory requirements.

The Leverage fully implemented ratio was 5.2% at the end of June 2016, which compares with 5.7% in December 2015.

CGD: HIGHLIGHTS

(million euros)

				Change 2016-06 vs 2015-06	
RESULTS	2015-06	2015-12	2016-06	Total	(%)
Net interest income	538.9	-	568.7	29.8	5.5%
Net inter. income incl. inc. from equity investm.	582.1	-	598.3	16.3	2.8%
Commissions (net)	247.7	-	230.1	-17.6	-7.1%
Non-interest income	572.1	-	156.3	-415.8	-72.7%
Total Operating Income	1,154.2	-	754.7	-399.5	-34.6%
Operating costs	652.5	-	639.3	-13.3	-2.0%
Net Operating Income before Impairments	501.6	-	115.4	-386.2	-77.0%
Net Income before tax and non-controlling interests	213.5	-	-193.1	-406.6	-
Net income	47.1	-	-205.2	-252.3	-
BALANCE SHEET					
Net assets	100,238	100,901	99,355	-883	-0.9%
Cash and loans and advances to credit instit.	6,090	7,664	5,145	-945	-15.5%
Securities investments (1)	19,951	19,649	20,640	689	3.5%
Loans and advances to customers (net) (2)	66,639	66,178	65,284	-1,355	-2.0%
Loans and advances to customers (gross) (2)	71,855	71,376	70,674	-1,181	-1.6%
Central banks' and credit institutions' resources	6,019	5,433	5,769	-251	-4.2%
Customer resources	70,242	73,426	72,442	2,199	3.1%
Debt securities	8,170	6,700	6,117	-2,053	-25.1%
Shareholders' equity	6,391	6,184	5,745	-646	-10.1%
RESOURCES TAKEN FROM CUSTOMERS	100,057	103,018	100,968	911	0.9%
PROFIT AND EFFICIENCY RATIOS					
Gross return on equity - ROE (3) (4)	6.3%	-0.3%	-6.3%		
Net return on equity - ROE (4)	2.8%	-1.3%	-5.9%		
Gross return on assets - ROA (3) (4)	0.4%	0.0%	-0.4%		
Net return on assets - ROA (4)	0.2%	-0.1%	-0.4%		
Cost-to-income (3)	54.9%	66.6%	82.5%		
Employee costs / Total Operating Income (3)	31.7%	39.3%	48.4%		
Operating costs / Average net assets	1.3%	1.4%	1.3%		
Total Operating Income / Average net assets (3)	2.4%	2.1%	1.6%		

(1) Includes assets with repo agreements and trading derivatives.
(2) Includes assets with repo agreements.
(3) Ratios defined by the Bank of Portugal (instruction 23/2012).
(4) Considering average shareholders' equity and net asset values (13 observations).

(%)

CREDIT QUALITY AND COVER LEVELS	2015-06	2015-12	2016-06
Overdue credit ratio	7.9%	7.6%	8.1%
Credit more than 90 days overdue ratio	7.4%	7.2%	7.4%
Non-performing credit ratio	9.7%	9.3%	9.8%
Non-performing credit (net) ratio (3)	2.6%	2.2%	2.3%
Credit at risk ratio (3)	12.4%	11.5%	12.2%
Credit at risk (net) ratio (3)	5.5%	4.5%	4.9%
Restructured credit ratio (5)	10.1%	10.0%	10.3%
Restr. crd. not incl. in crd. at risk ratio (5)	5.3%	5.6%	5.9%
Credit more than 90 days overdue coverage	99.1%	102.2%	103.2%
Crd. Imp. (P&L) / Loans & adv. custom. (aver.)	0.66%	0.78%	0.86%
STRUCTURE RATIOS			
Loans & adv. customers (net) / Net assets	66.0%	65.2%	65.4%
Loans & adv. custom. (net) / Custom. dep. (3)	94.8%	90.1%	90.1%
SOLVENCY AND LIQUIDITY RATIOS (CRD IV/CRR)			
Common equity tier 1 - includ. DTA (phased-in)	11.0%	10.9%	10.0%
Tier 1 - includ. DTA (phased-in)	11.0%	10.9%	10.0%
Total - includ. DTA (phased-in)	12.5%	12.3%	11.2%
Common equity tier 1 - includ. DTA (fully implemented)	9.8%	10.0%	9.2%
LEVERAGE AND LIQUIDITY RATIOS (CRD IV/CRR)			
Leverage ratio (fully implemented)	5.6%	5.7%	5.2%
Liquidity coverage ratio	135.9%	143.1%	193.5%
Net stable funding ratio	134.4%	135.9%	133.4%
OTHER INDICATORS			
Number of branches - CGD Group	1,225	1,253	1,221
Number of branches - CGD Portugal	760	764	729

(3) Ratios defined by the Bank of Portugal (instruction 23/2012).
(5) Ratios defined by the Bank of Portugal (instruction 32/2013)
Note: Calculation of indicators as in the glossary: https://www.cgd.pt/English/Investor-Relations/Investor-Information/Documents/Glossary.pdf

1.2. Evolution of CGD Group

BRANCH OFFICE NETWORK

CGD Group's branch office network, at the end of June 2016, comprised 1,221 branches against an end of 2015 total of 1,253. This reduction reflected the furtherance of the streamlining programme on CGD's branch office network in Portugal, considering strategic commitments to improve its levels of operational efficiency and rationalise its distribution costs.

CGD (Portugal) had 729 units at the end of June 2016, comprising 663 branches with face-to-face services (32 fewer than at the end of 2015), 40 self-service branches and 26 Caixa Empresas "corporate offices".

Banking coverage abroad was, at the same time, increased by 3 branches to a total of 491, owing to the expansion of the Banco Comercial e de Investimentos (BCI) network, in Mozambique, with an additional two branch offices and Banco Nacional Ultramarino, and in Macau, with one new branch.

NUMBER OF GROUP BANK BRANCHES

	2015-06	2015-12	2016-06
CGD (Portugal)	759	764	729
Physical branches	695	695	663
Self-service branches	38	43	40
Corporate offices	26	26	26
Caixa - Banco de Investimento (Lisbon+Madrid)	2	2	2
France Branch	48	48	48
Banco Caixa Geral (Spain)	110	110	110
Banco Nacional Ultramarino (Macau)	18	18	19
B. Comercial e de Investimentos (Mozambique)	171	191	193
Banco Interatlântico (Cape Verde)	9	9	9
Banco Comercial Atlântico (Cape Verde)	33	34	34
Mercantile Lisbon Bank Holdings (South Africa)	15	14	14
Banco Caixa Geral Brasil (Brazil)	2	1	1
Banco Caixa Geral Angola	37	40	40
Other CGD branch offices	21	22	22
Total	**1,225**	**1,253**	**1,221**
Representative offices (*)	**12**	**12**	**12**

(*) Including the representative office in Algeria pending the issue of a permit from the Algerian authorities.

HUMAN RESOURCES

CGD Group had 16,106 employees at the end of June 2016, down 94 over June 2015, owing to the reduction of staff engaged in domestic operations (down 469 employees) in conjunction with an increase of 375 employees engaged in international operations.

NUMBER OF CGD GROUP EMPLOYEES

	2015-06	2015-12	2016-06
Domestic activity	10,006	9,546	9,537
International activity	6,194	6,512	6,569
Total	**16,200**	**16,058**	**16,106**

The international branch office network was also the reason for the increase in the total number of employees in comparison to the end of 2015, owing to the expansion of the Group's activity in Africa and the Orient, namely in BCI Moçambique, with an additional 33 employees and Banco Caixa Geral Angola with a further 16 employees.

CAIXA BRAND, PRIZES AND AWARDS

Caixa Geral de Depósitos celebrated its 140th anniversary on 10 April last when 21 branch offices opened their doors to celebrate with the community in which they operate, from north to south, including Madeira and the Azores, promoting diverse local activities such as exhibitions, musical events, handicrafts, *tertúlias* (gatherings) and sharing stories, animations and financial literacy activity games for children.

The celebrations included a solidary book-collecting action (comprising a total of 2,500 books) on behalf of charitable institutions for children and old people.

The MRI *("Marktest Reputation Index")* ranked Caixa as the brand with the best reputation in the Portuguese financial sector, in 2016, based on its assessment of the following indicators: Familiarity, Credibility, Image, "WOM" (Word of Mouth), Admiration, Satisfaction and Recommendation.

According to BrandFinance CGD was the most valuable brand in the Portuguese financial sector, in 2016.

In CGD Group's investment banking area, Caixa Banco de Investimento (CaixaBI) renewed several of its international prizes in 2016, having additionally been awarded a series of distinctions in respect of 2015:

- *Best Investment Bank in Portugal* 2016 (Euromoney)
- *Best Investment Bank in Portugal* 2016 (Global Finance)
- *Best Investment Bank in Portugal* 2016 (World Finance)
- *Best Investment Bank in Portugal* 2015 (EMEA Finance)
- *Best sovereign bond in Europe* 2015 (EMEA Finance)
- *Best covered bond* 2015 (EMEA Finance)
- *Best supranational private equity investment* 2015 (EMEA Finance)

Reference should be made to the following prizes in respect of the group's international activity

- BNU Macau was considered the "Best Retail Bank – Macau" and the "Best Bank for Social Responsibility – Macau" (IFM) in 2015
- BCI was chosen as the "Best Retail Bank Mozambique 2015" and the "Best Commercial Bank Mozambique 2015*"* by World Finance and IFM
- BCA won the "Cape Verdean's Brand of Confidence" award for the sixth consecutive time in 2015" (Afrosondagem)

Caixa, centring its discourse on certainty and strengthening the values of trust, financial strength and prestige, also introduced other attributes such as "innovative, modern and young" it wishes to see reinforced in 2016.

In terms of institutional campaigns, reference should also be made to the strengthening of the "Caixa. Of course." concept, changing the communication to a more natural, relaxed, simple tone.

Pursuant to the furtherance of its commercial and communicational strategy, the 1st half year was marked by the following campaigns:

- Launch of the new concept focusing on innovation and investment, two strategic issues for Caixa, in 2016, with the objective of strengthening the obvious choice of Caixa when deciding upon the best financial partner, based on the repetition of the "Caixa. Of course" catchphrase;
- *RE Páscoa* (Residents abroad Easter Campaign), for customers residing abroad in which the new type of emigration is increasingly important;
- *Imóveis Caixa* ("Caixa Property") to provide information on specific conditions for the purchase of residential or non-residential property from the Caixa portfolio;
- *Caixa 2020*, information on Caixa's support for companies interesting in applying for the *Portugal 2020* programme*;*
- Sectoral offer, in the sphere of communication targeted at companies with the launch of the first campaign focusing on internationalisation and exports.

SOCIAL RESPONSIBILITY

CGD's sustainability strategy for the three year period 2015/2017 is in alignment with the United Nations' *Sustainable Development Goals* (SDGs). The bank has been a member of the SDG Coordinating Committee since March 2016.

CGD posted an improvement of 6% over 2013 in the DJSI-Dow Jones sustainability index and is 2% from the lowest and 15% from the highest score, placing it in one of the TOP 15 in the DJSI's official report.

CGD was considered the most attractive place to work in the banking sector, according to the "Portugal's Most Attractive Employers" ranking produced by Universum with the backing of *Universidade Católica* and based on online searches and surveys of university students. Reference should also be made to its 7th place in the general classification.

In the sphere of the recognition of social responsibility practice 2016, the *Associação Portuguesa de Ética Empresarial* (Portuguese Association of Corporate Ethics) recognised CGD for its *Young Volunteam* and bank cards recycling projects which were singled out as good social responsibility practices in the Voluntary and Environmental categories (Reduction of Impacts), respectively.

The *Young VolunTeam* programme is a voluntary programme for young people promoted by Caixa Geral de Depósitos and developed in partnership with *ENTRAJUDA* and *Sair da Casca.* It also relies upon the backing of the Directorate General of Education of the Ministry of Education, Portuguese Institute for Sport and Young People, the Youth in Action Programme of the European Commission and *SEA – Agência de Empreendedores Sociais* ("Social Entrepreneurs Agency"). Since the 2014/2015 edition, the fact of benefiting from the support of the High Patronage of His Excellency the President of the Republic has confirmed the value of this project, reaffirming the objective of backing ideas with the future of Portugal as their primary, basic element.

The 2015/16 edition of this programme, involving 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.

Reference should be made, in respect of the bank cards recycling project, to the fact that the 5 metric tonnes of cards collected permitted the production of the first items of urban furniture which were delivered, in May, to two charitable institutions identified by *Entreajuda*: the S. João das Lampas Social and Parochial 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) in the garden of CGD's headquarters building, to incentivise selective waste collection. This project was distinguished by Quercus with Caixa being considered as a pioneer in the banking sector, and particularly so in the media with a presence in RTPs *Minuto Verde* programme.

Reference should also be made to the 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 of donations of funds for old people.

1.3. Economic-Financial Framework

Early 2016 was marked by heightened fears over the cooling of the emerging market economy countries, particularly in the case of China, owing to the doubts raised by the impact of the sharp drop in the main commodity prices and, of no less relevance, the tendentially less expansionary context of US monetary policy. Demand for lower risk assets at the time in question fuelled across-the-board falls in world equity indices, with the MSCI World Index sinking to its lowest level of almost three years, in mid February.

A gradual improvement in sentiment was, however, witnessed during the course of the first quarter, as a consequence of the implementation of more incentives by Chinese policymakers, the expected strengthening of monetary *stimuli* by the European Central Bank (ECB) and the conviction that the US Fed would soften its key rate hike policy in 2016, in a context of plentiful liquidity.

There were also improvements in the evolution of consumer prices and assessments of expectations regarding inflation, assuaging fears over a deflationary scenario in several economies, in a period of the recovery of oil and other commodity prices in the international marketplace and a stabilising of economic indicators in the emerging bloc.

Uncertainty levels, both political and economic, were once again raised by the result of the end of June referendum in the United Kingdom (commonly referred to as "Brexit"), which decided in favour of leaving the European Union. Several days of marked retraction in the demand for risk assets and an increase in the demand for "safe" securities were followed by a new upsurge in market sentiment owing to investors' increased expectations to the effect that the action of the main central banks would involve the strengthening of monetary *stimuli* across the second half year.

Even prior to the advent of the *Brexit* scenario, the main central banks effectively continued to focus on the ultra-accommodative policy in force across the last few years, with the objective of reaccelerating economies and providing for deflationary scenarios. Even in the US, whose monetary policy cycle is at a different stage and geared to rate hikes, the uncertainties related with the international environment contributed towards the Fed's adoption of a more prudent approach in its strategy for the normalisation of its key lending rate.

The Bank of Japan, accordingly, set the tone, in January by setting negative deposit rates, in a decision which was not only unheard of but also unexpected. Other central banks in developed economies such as Australia, New Zealand, Norway and Switzerland also announced cuts in their key reference rates.

Several central banks in the emerging economies, particularly India, Russia and Indonesia, also changed the level of their respective key reference rates, in the vast majority of cases, downwards. In China, the central bank announced a reduction of 50 bps in the reserves ratios of the major as well as the smaller banks, to 17.0% and 15.0%, respectively.

In the Euro Area, the ECB strengthened its monetary *stimuli*, by reducing its key reference rates in March. The deposit rate was down 10 bps to -0.40%, with the interest rate on the main refinancing operations being reduced by 5 bps to 0%. The ECB's council of governors also voted in favour of a €20 billion/month expansion of the quantitative easing programme to €80 billion and the expansion of its corporate assets purchase programme in addition to the launch of an additional four LTROs.

In growth terms, several supranational bodies downgraded their projections for worldwide GDP growth in 2016, to close to 3.0%, as in 2015. Contributory factors were the slowdown in the US and particularly the slow rate of first quarter growth (no more than a consecutive, annualised 0.8%), with the second quarter also turning out to be modest in accordance with the initial estimate. The situation was reversed in the dynamics of other geographies which produced a surprisingly positive first quarter, as in the case of the Euro Area and Japan, with deceleration in the second quarter or even stagnation, in the case of Japan.

The US, following disappointing first quarter GDP growth, witnessed an improved level of economic activity in the second quarter, driven by household consumption and the construction sector. The performance of the labour market albeit continuing to create jobs at a high rate, was more moderate in comparison to the preceding halves. A particularly negative reference should be made to gross fixed capital formation whose performance was, once again lower than expected. As regards inflation, the underlying growth of consumer prices in the six months up to June always remained above the 2.0% mark (closing the half at 2.3%). The last time this occurred was in second half 2008.

Reference should be made to first quarter growth (a consecutive not annualised 0.6%) in the Euro Area. This was higher than posted in the US and UK and had only happened once over the last five years. Special reference should be made to the strong contribution of domestic demand. The sentiment indicators of businesspeople and consumers remained stable in the second quarter of the year, and, albeit consistent with a moderating level of economic activity, continued to perform better than in other developed or emerging market economy countries. A particularly positive reference should be made to the recovery of lending. As regards inflation, the year-on-year change, which slipped into negative territory on several occasions ended the half at 0.1%. This was, even so, less than at the end of the preceding year and, for the forty first month, less than the ECB's objective of 2.0%.

GDP in Portugal was up by a consecutive, not annualised 0.2%, both in the first and second quarter, as at the end of 2015, decelerating year-on-year from 1.3% to 0.8%, its lowest level in six quarters Recovery continued to be speared by domestic demand, particularly private consumption. The second quarter unemployment rate of 10.8% was at its lowest value since first quarter 2011. The year-on-year change in inflation remained in positive territory across the whole of the first half at an average 0.5%, in line with the annual average in 2015.

The addition of fresh monetary *stimuli* to the Euro Area economy by the ECB, with inflation remaining at low levels, expectations of moderate economic growth and one-off movements of risk aversion, continued to translate into low and falling 10 year yields, which accentuated even further after the results of the UK referendum were announced. At the end of June, new minimum lows were reached in Germany, with negative rates for the first time, as in France and the United Kingdom.

Yields in the peripheral countries continued to benefit from ECB backing, falling to their lowest levels in just over a year in Spain and Italy at the end of June. Higher risk *premia* were, however, demanded, across the first two quarters of the year, comprising higher spreads on the respective rates in comparison to the German benchmark. This increase was more marked in the case of Portugal where, as opposed to its peers, the respective yield posted an increase across first half 2016, having inclusively, in February, exceeded 4.0%, its highest since early 2014.

The strengthening of the accommodative nature of the ECB's monetary policy and fresh reduction of key lending rates helped to maintain Euribor rates and, inclusively accentuate their downwards trend. The main maturities, all of which in negative territory, fell to new minimum lows.

In a half year marked by the volatility of prices of financial assets, the foreign exchange market was no exception. The euro continued to trend to appreciation against the dollar, in line with the decline in investors' expectations of the diminishing probability of the Fed's announcement of a new increase in its lending rate, in June, in an environment marked by economic improvement in the Euro Area. The 2.2% appreciation recorded in the first half was, however, insufficient to cancel out the depreciation of more than 2.5% noted in the last six months of last year.

Reference should also be made, in the first half, to the significant 14.4% appreciation of the Japanese yen. This derived, on the one hand, from the absence of new measures taken by the Bank of Japan after January and, on the other, its nature as a safe haven in times of increased uncertainty. In this context, following *Brexit*, the Japanese currency reached its highest level of the last two years. The result of the referendum in the United Kingdom had a substantial effect on sterling which posted an accrued depreciation of 11.1% and 8.9% against the dollar and euro, respectively, over the two days following the holding of the referendum, closing the half year at a 31 year low against the US currency.

Of the main share indices in the developed economies, only the US S&P 500 and UK's Footsie 100 made half yearly gains of 1.0% and 3.0%. On the contrary, in the case of the countries on the European periphery, share indices closed the half year with accumulated losses of 20.8% in the case of Greece, which was only surpassed by the Italian index's losses of 24.4%, the latter having been heavily penalised by the uncertainties existing in the local financial sector. Half yearly losses of 16.2% on the PSI20, were higher than the losses of 9.8% by Eurostoxx600 and 9.9% by Germany's DAX. Spain's IBEX was also down 14.5%.

Performance among the BRICs was positive, with the exception of the Chinese *Shanghai* index with first half losses of 17.2% following its second half losses of 17.3%. Particularly significant were the 7.4% increase in the Russian financial market and 18.9% increase in the case of Brazil's *Bovespa*.

1.4. Operating Segments

1.4.1. COMMERCIAL BANKING

Caixa retained its strategic focus on its backing for companies and developing its level of service in 1st half 2016, strengthening the quality of its customer care and improving its customer ties, loyalty and satisfaction.

Also herein and considering the strategic commitments to strengthen its levels of operational efficiency and rationalise its distribution costs, CGD furthered its *Transforma* project, aimed at improving the efficiency of its branch office network, leveraging quality of service and reducing costs by optimising the management of its human and physical resources. The domestic physical retail network therefore totaled 663 "universal" (i.e. general) branch offices at the end of June 2016 (32 fewer than at the end of 2015) and 26 Caixa Empresas "corporate offices" to a grand total of 689 branch offices plus 40 self-service branches.

Notwithstanding this reduction, Caixa continued to be the only bank with a branch office network having a physical presence in all municipal districts on national territory. It continues to focus on positive differentiation in terms of customer experience and commercial dynamics, by expanding dedicated management services to cover around 1 million individual and corporate customers.

1.4.1.1. CUSTOMER SEGMENTATION

CGD's commercial dynamics in the corporate segment continued to focus on consolidating its Caixa Empresas service model, underpinned by a personalised customer care and financial advisory service for SMEs, based on a proprietary network of 26 offices with 97 dedicated account managers as well as for self-employed businesspeople and micro-enterprises, with a team of 322 dedicated account managers and Caixa Empresas spaces at CGD branch offices.

Individual customer management focuses on the following segments:

- *Affluent*: 969 customer account managers (226 with a customer portfolio in more than 1 branch office) for around 230 thousand Caixazul customers at 656 branch offices;
- *Mass Affluent*: 680 thousand customers managed by 1,328 commercial assistants at 637 branch offices and 18.5 thousand with personalised distance management provided by 16 commercial assistants;
- Residents abroad: 7 customer account managers managing 2.5 thousand customers (*Caixazul Internacional*) and 12 commercial assistants for 22.6 thousand customers (*Caixadirecta Internacional*);
- *Caixadirecta Mais*: 12 commercial assistants managing 14.5 thousand recent graduate customers who are entering the labour market;
- *Universal*: transversal to the branch office network, thru 663 branches with face-to-face services in June.

1.4.1.2. COMPANIES

Commercial promotions for companies were centred on a campaign structure comprising a sectoral offer geared to customer relationships and designed to improve the level of service provided and the partnership relationship deriving from global involvement between Caixa and the company. At the same time, Caixa monitored the cross-border business of its "internationalised" companies for the markets in which it has a presence, directly backing local investment projects.

This structure is organised into 3 structuring segments: finding new customers; retaining the loyalty of current customers and adding value (focusing on profitability of customers).

To back companies in all aspects of their activity, the enhanced commercial dynamics were based on contracting for financial limits for the treasury support function, foreign trade operations, commercial discounting, credit card limits and the acquisition of current equipment and issuance of bank guarantees, improving quality of service and optimising customer response times.

Caixa took a series of steps to enhance its offer, namely:

- The launch of *Caixa Comércio e Serviços* ["Commerce and Services"] package, as an integrated banking products and services solution, including POS, with special prices for one-off sales of products and payment of a fixed instalment;
- Launch of new line of Support Credit for the Qualification of the Offer for Companies in the Tourism Sector designed to strengthen its offer to companies in one of the sectors making the largest contribution to domestic GDP growth;
- Boosting and promotion of several special/governmental lines of credit which particularly include the *PME Crescimento* ["SME Growth"] line 2015, with the objective of backing the growth and internationalisation of domestic companies. Its commitment to these lines of credit has given Caixa the status as the Portuguese bank financing Portuguese companies, owing to its lead of the *SNGM* (National Mutual Guarantee System) and *PME Crescimento* ["SME Growth "] lines;
- Promotion of the EIB 2015 line of credit for a broad range of projects, with extended maturities and price reductions based on the existence of commercial relationships in which more than 90% of the agreed €300 million has already been used;
- Broadening of consultancy service partnerships, to the *PDR* (Regional Development Programme), *POSEUR* (Operational Programme for Sustainability and the Efficient Use of Resources) and *POCI* (Operational Programme for Competitiveness and Internationalisation) programmes, to provide the branch office network with alternatives to strengthen support/advisory services for corporate customers, in the sphere of the Portugal 2020 programme;
- Caixadirecta Empresas provided a file conversion service to assist companies in the application of EU regulation 260/2012 under which all direct credit and debit transfers in euros must use the same format.

Caixadirecta Empresas

There was a significant evolution of the range of functionalities of the Caixadirecta Empresas corporate banking channel. Particular reference should be made to: the viewing feature on renting agreements entered into with Locarent; stock exchange and investment funds trading and the viewing feature on leasing agreements entered into with Caixa Leasing e Factoring. This evolution made a decisive contribution to the 9.8% growth in the number of frequent use contracts and increase in operations and amounts traded (up 12.4%), over the same period 2015.

1.4.1.3. INDIVIDUAL CUSTOMERS

Caixa's developed its offer of solutions for the individual customers segment to facilitate day-to-day financial management, the performance of projects, protection and safeguarding of the future, based on customers' financial profiles. "Involvement recovery actions" enabling Caixa to identify the main reasons for the break in the relationship and the provision of information on the most adequate offer for customers were also launched.

With the objective of providing continuity to the strategic priority of retaining and finding new resources with adequate returns and retaining them on maturity, Caixa launched several savings and investment solutions in first half 2016, covering its various types of products (integrated deposits, funds and financial insurance).

In 1st half 2016, in the sphere of its usual pricing reviews, adjustments were made to its global deposits offer on several maturities and deposit-type families and several characteristics of its standard term deposits and savings offer were reformulated.

Forty one short and medium term indexed deposits with guaranteed capital on maturity and varied interest structures were commercialised. These included, *inter alia*, interest rates on shares, share indices, exchange rates and commodities. The launch of 5 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 campaign for residents abroad.

Two 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 three promotional actions for the *Leve PPR* retirement pension plan. A new insurance product in the form of unit-linked insurance, comprising an individual life insurance policy linked to long term investment funds, classified as a "structured savings instrument" and as a "complex financial product" were also launched. Three medium/long term unit-linked funds with a green graphic alert – 1, with guaranteed capital and fixed interest on maturity were commercialized.

There were also six monthly actions to promote Caixa's standing range of investment funds and four monthly actions to promote its standing range of three pension funds.

Reference should also be made to the following initiatives:

- Participation in the Benfica Sports Club ("Benfica SAD") 2016-2019 public subscription offer;
- Participation in the Portuguese Republic's variable interest May 2021 treasury subscription offer issued by IGCP.

A campaign, based on customers' profiles with solutions designed to facilitate day-to-day financial management was launched. Special reference should be made to wage deposit accounts and their associated benefits. Work also began on a commercial action, to increase the integrated sale of debit cards and Caixadirecta, when opening new current accounts.

As regards the project performance initiatives and the protection and safeguarding of the future, reference should be made to the launch of the campaigns geared to specific customer segments, to increase business and generate emotional and relational involvement:

- Women's Month – promotion of 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;
- Fathers' Day – advertising of prestige products with preferred conditions based on use of the 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;
- Easter and summer campaigns for residents abroad: focusing on the association with Portugal, diversification of savings 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;

CGD continued to play an important role in the university segment as a higher education support bank across first half 2016, in the form of the promotion of knowledge and academic merit comprising:

- Activation campaigns for products targeted at students (savings, *Caixa IU, Caixa ISIC* and wage deposit accounts) with fresh information on changes to personal data at the time of each contact;
- Contacts with customers who no longer have a university card (*Caixa IU*), incentivising the use of wage deposit accounts and activating a replacement card;
- Sending of a monthly offer comprising 10 additional discount vouchers for *vantagenscaixa* partners, via Caixadirecta messages, incentivising the activation of the home banking service;
- Commercial actions at higher educational establishments having agreements with CGD, with information on products and the advantages of Caixa in higher education for professionals or students, subscribing for the issue of an ID card;
- Presence at academic weeks in Bragança, Minho, Porto, Aveiro, Lisbon and Faro with an action to boost and activate the Caixa PLIM and Caixadirecta apps, with the objective of finding new users.

Caixadirecta

This channel allows individual customers to use their accounts via web, telephone, mobile phone, sms and Windows, Android and iOS apps as well as smartwatches. 1st half 2016 witnessed an increase in the number of frequent use contracts and more than 205 million operations (up 6.5% year-on-year 2015).

Starting February, Caixadirecta provided for subscriptions to the new 3D Secure authentication method permitting the use of *SMS Token* accreditation to safely validate all internet purchases.

1.4.1.4. MEANS OF PAYMENT

Caixa continues to have the largest share of the domestic market for bank cards, in the means of payment and services area. Portfolio management initiatives designed to keep pace with the new regulatory framework and continuing to cut costs were strengthened in 2016.

In terms of new electronic commerce services, Caixa upgraded its *3D Secure* service for cards using the MasterCard/Maestro and Visa/Visa Electron network to optimise the security of online payments and improve levels of usability.

1.4.1.5. RESOURCES

Caixa launched various campaigns across the first six months of 2016, designed to take in and diversify resources with the objective of continuing to afford strategic priority to retaining and taking-in suitably profitable resources. In addition to its presentation of savings and investment solutions for various types of products (deposits, automatic savings solutions, tracker deposits, financial insurance and funds), Caixa also revised its pricing, as part of its deposit facilities price adjustments process.

In overall Group terms, the resources-taken balance (excluding the interbank market) at the end of June 2016 amounted to €108,436 million, i.e. a 0.6% reduction of €609 million in comparison to the same date in 2015. The balance sheet resources balance was very similar to the preceding year (up 0.1%).

RESOURCE-TAKING BY GROUP – BALANCES

(million euros)

				Change 2016-06 vs 2015-06		Change 2016-06 vs 2015-12	
	2015-06	2015-12	2016-06	Total	(%)	Total	(%)
Balance sheet	**80,838**	**82,555**	**80,958**	**120**	**0.1%**	**-1,597**	**-1.9%**
Retail	71,850	74,494	73,490	1,640	2.3%	-1,004	-1.3%
Customer deposits	69,818	72,996	72,065	2,247	3.2%	-931	-1.3%
Other customer resources	2,032	1,498	1,425	-607	-29.9%	-73	-4.9%
Institutional investors	8,088	7,161	6,568	-1,519	-18.8%	-593	-8.3%
EMTN	2,346	1,456	1,086	-1,260	-53.7%	-370	-25.4%
Covered bonds	5,557	5,584	5,412	-145	-2.6%	-172	-3.1%
Other	185	121	70	-115	-62.1%	-51	-41.9%
Portuguese state - Conting. convert. bonds	900	900	900	0	0.0%	0	0.0%
Off-balance sheet	**28,207**	**28,525**	**27,478**	**-729**	**-2.6%**	**-1,046**	**-3.7%**
Investment funds	3,936	4,186	3,698	-238	-6.1%	-488	-11.7%
Real estate investment funds	1,292	1,246	1,160	-132	-10.2%	-86	-6.9%
Pension funds	3,343	3,414	3,315	-28	-0.8%	-99	-2.9%
Wealth management	19,636	19,679	19,305	-331	-1.7%	-373	-1.9%
Total	**109,045**	**111,080**	**108,436**	**-609**	**-0.6%**	**-2,644**	**-2.4%**
Total (excl. inst. inv. and Portuguese state)	**100,057**	**103,018**	**100,968**	**911**	**0.9%**	**-2,051**	**-2.0%**

Off-balance sheet assets under management were down 2.6% by €729 million over June 2015 to €27,478 million. A particularly significant contributory factor was the 1.7% reduction of €331 million in amounts allocated to wealth management.

Not considering resources taken from institutional investors and CoCo bonds, the year-on-year change was up 0.9% by €911 million.

The Group's customer deposits were up 3.2% by €2,247 million year-on-year to €72,065 million.

CUSTOMER RESOURCES – BALANCES

(million euros)

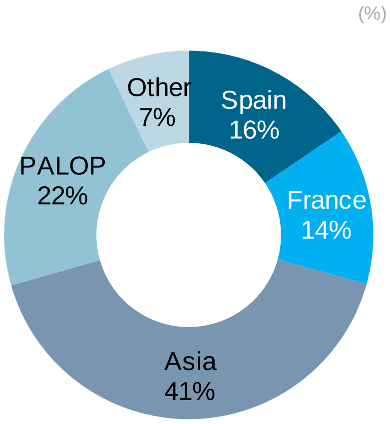
				Change 2016-06 vs 2015-06		Change 2016-06 vs 2015-12	
	2015-06	2015-12	2016-06	Total	(%)	Total	(%)
Customers deposits	69,818	72,996	72,065	2,247	3.2%	-931	-1.3%
Sight deposits	21,778	25,198	25,070	3,292	15.1%	-128	-0.5%
Term and savings deposits	47,734	47,490	46,693	-1,041	-2.2%	-797	-1.7%
Mandatory deposits	306	309	302	-4	-1.2%	-6	-2.0%
Other resources	424	430	377	-48	-11.2%	-53	-12.3%
Total	**70,242**	**73,426**	**72,442**	**2,199**	**3.1%**	**-984**	**-1.3%**

By category, term deposits and savings accounts amounting to €46,693 million at the end of June stabilised in comparison to the end of 2015 at around 65% of total customer deposits.

The customer deposits balance in CGD Portugal was up 2.5% by €1,341 million in the same period, benefiting from the highly favourable performance of individual customers' deposits which were up 4.7% by €2,101 million. The corporate segment also witnessed a 1.8% positive change of €106 million, over the preceding year. The 0.9% reduction of €502 million over December 2015 derived from one-off movements of major institutional customers, although individual customers' deposits were up 1.7% by €807 million.

The international area with €16,616 million (up 4.7% over June 2015) also continued to make a highly favourable contribution to the deposits total. Particular reference should be made to the branches in Asia and Spain.

CUSTOMER DEPOSITS IN THE INTERNATIONAL AREA



PALOP - Portuguese language speaking african countries

The market share of customer deposits therefore remained dominant in Portugal, increasing since the start of the year from 28.2% to 28.5% in June 2016, particularly individual customers' deposits with 31.6%.

CUSTOMER DEPOSITS – MARKET SHARES (PORTUGAL) BY CUSTOMER SEGMENT

(%)

	2015-06	2015-12	2016-06
Corporate	11.8%	11.6%	12.6%
General government	35.2%	30.4%	34.8%
Individual customers	31.6%	31.8%	31.6%
Emigrants	*39.2%*	*40.4%*	*41.2%*
Total	**28.3%**	**28.2%**	**28.5%**

The debt securities balance, influenced by the maturity of several EMTN programme issuances, was down 8.7% by €583 million over the end of 2015.

DEBT SECURITIES

(million euros)

				Change 2016-06 vs 2015-06		Change 2016-06 vs 2015-12	
	2015-06	2015-12	2016-06	Total	(%)	Total	(%)
EMTN programme issues [a]	2,358	935	590	-1,767	-75.0%	-345	-36.9%
Covered bonds	5,557	5,584	5,412	-145	-2.6%	-172	-3.1%
Other	255	181	114	-141	-55.1%	-66	-36.7%
Total	**8,170**	**6,700**	**6,117**	**-2,053**	**-25.1%**	**-583**	**-8.7%**

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

Subordinated liabilities remained stable (down 1.2% over the end of 2015) at €2.4 billion.

SUBORDINATED LIABILITIES

(million euros)

				Change 2016-06 vs 2015-06		Change 2016-06 vs 2015-12	
	2015-06	2015-12	2016-06	Total	(%)	Total	(%)
EMTN programme issues [a]	1,047	1,056	1,026	-21	-2.0%	-29	-2.8%
Contingent convertible (Coco) bonds	900	900	900	0	0.0%	0	0.0%
Other	479	473	473	-6	-1.2%	0	0.0%
Total	**2,426**	**2,429**	**2,400**	**-26**	**-1.1%**	**-29**	**-1.2%**

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

1.4.1.6. CREDIT

CGD has continued to have a very high and comprehensive level of involvement in backing the investment projects of major Portuguese enterprises (micro, SME and major enterprises), in 2016, translating into €934 million of funding for new medium and long term operations in first half 2016.

The economic environment in Portugal and its main Eurozone trading partners has conditioned corporate demand for credit, both in terms of amounts and type. Notwithstanding the fact that CGD is fulfilling its guideline strategy for funding small and medium sized enterprises, as shown by the year-on-year growth of new operations, both on the individual customers and corporate network (up 3%), and the "corporate office" network (up 3%), in the areas of commerce and industry, it has still not been possible to restore the portfolio's natural rate of maturities. There was a year-on-year portfolio decrease of 1.0%, across all companies, in the first six months of 2016, influenced by contraction in the institutionals segment.

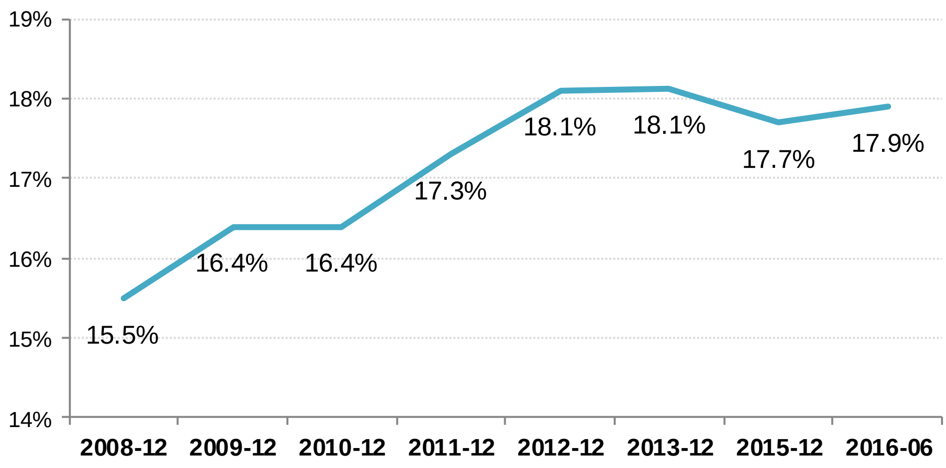
Around €165 million in new loans were issued in the first six months of 2016 in the sphere of PME Investe/Crescimento ["SME Invest/Growth"] lines of credit to a total of €1,512 million in portfolio loans at the end of June 2016.

Caixa is the market leader in terms of the amount of funding authorised under the PME Crescimento ["SME Growth"] 2015 line with an 18.1% share, coming in 2nd place in the number of authorised operations with a market share of 15.4%.

Notwithstanding strong competition from banks in the corporate segment in Portugal, there was an expressive increase in CGD's market share of credit in this segment from 17.7% in December 2015 to 17.9% in June 2016. Reference should be made to the market share of credit for "more than 5 years" which increased from 20.9% to 21.3%, in the same period.

MARKET SHARES – LOANS AND ADVANCES TO COMPANIES (PORTUGAL)

(%)



In consolidated terms, loans and advances to customers (gross) were down 1.0% by €702 million to €70,674 million between December 2015 and June 2016.

LOANS AND ADVANCES TO CUSTOMERS - CONSOLIDATED (a)

(million euros)

				Change 2016-06 vs 2015-06		Change 2016-06 vs 2015-12	
	2015-06	2015-12	2016-06	Total	(%)	Total	(%)
Companies	29,891	29,860	29,777	-114	-0.4%	-83	-0.3%
General government	5,571	5,462	5,499	-72	-1.3%	37	0.7%
Individual customers	36,393	36,053	35,398	-995	-2.7%	-656	-1.8%
Mortgage loans	33,325	32,995	32,505	-820	-2.5%	-491	-1.5%
Other	3,068	3,058	2,893	-175	-5.7%	-165	-5.4%
Total	**71,855**	**71,376**	**70,674**	**-1,181**	**-1.6%**	**-702**	**-1.0%**

(a) Consolidated Activity. Before impairment and including repurchase agreements.

Loans and advances to customers of CGD Portugal totaled €52,788 million, representing around 75% of the Group's total. Corporate credit was a slight 0.2% up over the beginning of the year.

As regards other Group units, reference should be made to international activity's loans and advances to customers (gross) of €15,140 million at the end of first half 2016. In Europe reference should be made to growth in BCG Spain, up 7.1% by €213.6 million over the preceding year. In Africa, BCG Angola posted a 36.0% increase of €138.4 million over

June last year. In Asia reference should be made to the 8.3% growth of €234 million in the BNU Macau portfolio.

In the case of consolidated operations, lending to companies was down 0.3% by €83 million over December 2015, translating a lesser degree of CRE ("commercial and real estate") operations which were down 6.4% by €725 million. At the same time, reference should be made to the extractive and manufacturing industries which were up 8% by €303 million.

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

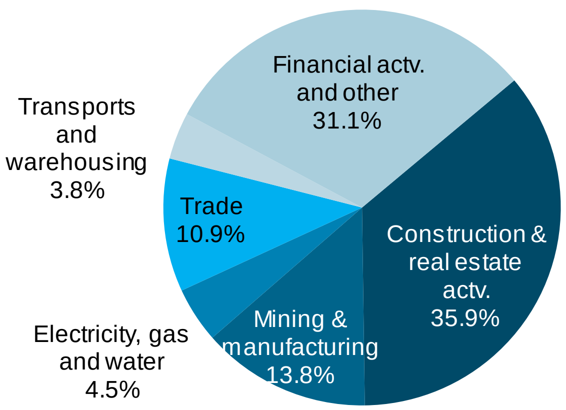
(million euros)

				Change 2016-06 vs 2015-06		Change 2016-06 vs 2015-12	
	2015-06	2015-12	2016-06	Total	(%)	Total	(%)
Agriculture, forestry and fishing	470	505	578	108	22.9%	73	14.5%
Mining and manufacturing	3,874	3,805	4,108	234	6.0%	303	8.0%
Construction and real estate activities	11,614	11,412	10,687	-927	-8.0%	-725	-6.4%
Electricity, gas and water	1,399	1,451	1,351	-48	-3.4%	-100	-6.9%
Wholesale and retail trade	2,950	3,134	3,240	290	9.8%	106	3.4%
Transports and warehousing	1,151	1,169	1,141	-10	-0.9%	-28	-2.4%
Financial activities and other	8,433	8,383	8,672	239	2.8%	289	3.4%
Total	**29,891**	**29,860**	**29,777**	**-114**	**-0.4%**	**-83**	**-0.3%**

(a) Consolidated Activity. Before impairment and including repurchase agreements.

LOANS AND ADVANCES TO CORPORATE – JUNE 2016

(%)

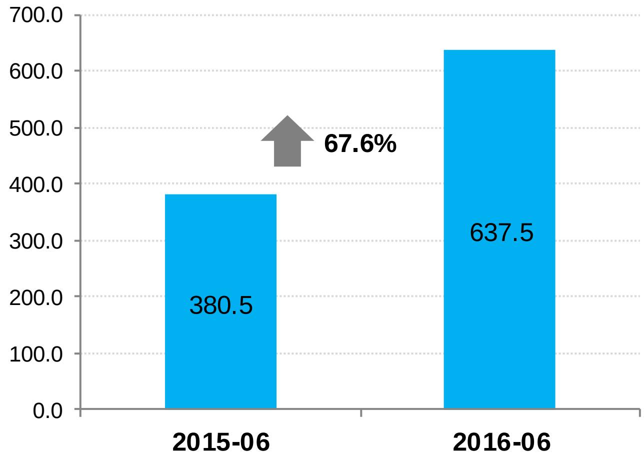


The loans and advances to individual customers balance of €35,398 million at the end of the 1st half was down 1.8% by €656 million over December 2015, particularly deriving from the 1.5% decrease of €491 million in mortgage lending, owing to the fact that the volume of repayments and settlements was higher than the amount of new operations.

There were 6,995 new mortgage lending operations in first half 2016 in CGD (Portugal) comprising a 67.6% increase of €257 million over first half 2015 to €637.5 million.

MORTGAGE CREDIT PORTFOLIO - BRANCH OFFICE NETWORK (PORTUGAL) NEW OPERATIONS

(million euros)



Caixa continued to take various steps to promote and commercialise real estate not used for its principal activity and real estate built with Caixa finance, in first half 2016, providing customers with special financing terms with a more attractive fixed rate across the first 5 or 10 years of the agreement and a reduction of the spread on the operations and extended repayment periods, across the remaining period of the agreement.

CGD had a 21.9% market share of loans and advances to customers in June 2016, similar to the 21.8% posted at the start of the year.

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

(%)

	2015-06	2015-12	2016-06
Corporate	18.1%	17.7%	17.9%
Individual customers	23.4%	23.5%	23.4%
Mortgage loans	26.4%	26.5%	26.4%
Consumer	6.4%	7.0%	7.8%
General government	30.8%	33.0%	34.4%
Total	**21.9%**	**21.8%**	**21.9%**

1.4.2. INVESTMENT BANKING

Caixa – Banco de Investimento, S.A.'s good performance in its core business, as evidenced by its leading positions in the main sector rankings, continued to be recognised by international analysts. CaixaBI was, once again, the winner of the "Best Investment Bank in Portugal" international prizes from the prestigious Euromoney, Global Finance and World Finance organisations, in 2016, having also been distinguished by a series of Emea Finance awards for 2015.

A regards activity, CaixaBI achieved total operating income of €31.9 million in its statutory accounts, in the first six months of the year in which contributory factors were net interest income of €10.4 million, net commissions of €17.5 million and income from financial assets of €4.4 million. Cost-to-income was 37.2%, with provisions and impairment of €14.7 million in the period.

As regards the activity performed during the period, reference should be made to CaixaBI's financial advisory services on the disposal of the full amount of the equity capital of Prado – Cartolinas da Lousã and the full amount of the equity capital of Sagrotel. Reference should also be made to the restructuring of SAG Group and its respective financial liabilities, in which the Bank was the financial advisor in the M&A and structured finance areas. Reference should be made, in the structured finance sphere, to the structuring and organisation of the process for reorganising the financial liabilities of Spain's Blinker Group.

In terms of capital market operations, reference should be made to the continued leadership of the Bloomberg ranking for advisory services on bonds issued by domestic entities and particularly its role as joint lead manager and bookrunner for the syndicated placement of the new Portuguese Republic 10 year benchmark (PGB 2.875% maturing in 2026) in addition to the Brisa and REN eurobond issuances. Reference should also be made to its role of joint global coordinator for the Portuguese Republic's first retail issuance of variable income treasury bonds.

Reference should also be made to the organisation and lead of the bond issuances of Secil, Mystic Invest (inaugural issuance), Sonae, Altri/Celbi, The Navigator, Semana and Sonae Investimentos, in addition to the joint lead for the Autonomous Region of Madeira issuance.

As a specialised securities trader, CaixaBI was also involved in the public debt auctions of 9 March (PGB 3.85% 2021 and PBG 2.875% 2026), 23 March (PGB 3.85% 2021 and PGB 3.875% 2030), 11 May (PGB 2.875% 2026) and 8 June (PGB 3.85% 2021 and PGB 2.875% 2026).

As regards venture capital activity, comprising five funds under management, 135 investment opportunities were analysed in the half year, with 18 operations, corresponding to a potential investment of around €15.9 million, having been approved. Reference should also be made to the second edition of the Caixa Empreender Award, in which the seven projects selected for funding in the sphere of the acceleration programmes involving the partnership with Caixa Capital were presented.

1.4.3. SPECIALISED CREDIT

At the end of June 2016 the estimates disclosed by Associação Portuguesa de Leasing, Factory e Renting, concerning the performance of the property leasing, equipment leasing and factoring sectors revealed positive trends, with year-on-year growths of 29.8%,11.3% and 9.2%, respectively.

Caixa Leasing e Factoring

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

The performance of the company's commercial operations was positive in first half 2016, particularly in the leasing and confirming areas.

CGD GROUP SALES – SPECIALIZED CREDIT

(million euros)

Product	CLF Sales			
	2015-06	2016-06	Change	
			Total	(%)
Property leasing	46.5	54.9	8.5	18.2%
Equipment leasing	131.6	161.4	29.8	22.6%
Total leasing	**178.1**	**216.3**	**38.2**	**21.5%**
Domestic and international factoring	763.8	858.8	95.0	12.4%
Confirming	268.2	446.5	178.3	66.5%
Total factoring	**1,032.0**	**1,305.3**	**273.3**	**26.5%**
Consumer credit	**3.3**	**2.9**	**-0.4**	**-12.2%**
of which:				
Vehicle finance [a]	**58.3**	**68.3**	**10.0**	**17.1%**
Equipment leasing	55.1	65.4	10.4	18.8%
Consumer credit	3.3	2.9	-0.4	-11.6%

(a) Light vehicles

New property lease agreements in the period were up 18.2% over the same half 2015 to €54.9 million. CLF's market share was down 1.4 pp to 14.5%.

Equipment leasing agreements of €161.4 million were up 22.6% over the same period last year. Such growth, which is far higher than the respective sector average, represented a market share of 19.0%, up 1.6 pp over the percentagee achieved in the same period last year. Loans for the purchase of light vehicles, up 18.8%, represented around 40.5% of the business's global agreements.

Factoring was up by around 26.5% over June 2015 to €1.3 billion, with a 1.6 pp increase in market share to 11.7%.

Confirming agreements, albeit representing no more than 34.2% of sales in this business area grew by a significant year-on-year 66.5%.

Consumer credit agreements were down 12.2% in value terms.

Net assets were up by around 9.1%, as a result of the €197.5 million increase in the loans and advances to customers portfolio (net) and the increase of around €26.8 million in the investment properties account heading.

CAIXA LEASING E FACTORING - MAIN FINANCIAL INDICATORS

(million euros)

	2015-06	2016-06	Change	
			Total	(%)
Net assets	2,269.5	2,476.2	206.7	9.1%
Loans and advances to customers	2,298.0	2,462.3	164.3	7.1%
Provisions for overdue credit	215.9	182.6	-33.3	-15.4%
Shareholders' equity	88.9	120.8	32.0	36.0%
Share capital	10.0	10.0	-	-
Group %	51%	51%	-	-

As a reflection of the work being carried out on a default management level, provisions and impairment were markedly down year-on-year 2015, making a favourable contribution to

Caixa Leasing e Factoring's net income. The company contributed €6.9 million to CGD's consolidated net income in first half 2016.

Locarent

Sales of 135,240 light vehicles, in Portugal, in June 2016, translated into a positive change of 17.6% year-on-year 2015. This growth was driven, in the first quarter by the advance purchase of light vehicles on account of the increase in vehicle tax and, in the second quarter, by the good performance of the tourism sector in the form of rent-a-car activities. Renting agreements accounted for around 10.3% of the automobile total with 13,909 vehicles, up 12.1% over the same period 2015.

Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A. is the CGD Group company that specialises in renting which consists of the hiring of new vehicles with an associated package of services, guaranteeing all of the management service components in respect of corporate and individual customers' vehicles.

The company's strategic positioning is based on outsourcing the operational risk and capitalising upon the banking channel as a source of prospecting for business. The product is sold across CGD's banking network under the Caixarenting logo.

Locarent's renting business of €44.9 million in first half 2016, was up by a year-on-year 22%, comprising a 24.2% increase in the number of vehicles. Its market share of the segment totalled 17.1% in June 2016.

LOCARENT SALES

(million euros)

	Locarent Sales			
	2015-06	2016-06	Change	
Product			Total	(%)
Renting (number of vehicles)	1,918	2,383	465	24.2%
Renting (value in Eur millions)	36.7	44.9	8.2	22.3%

Locarent remains the second largest player in the market, both on a portfolio and sales level. Locarent's portfolio grew 3.7% over December 2015, with an additional 538 to a total of 14,917 vehicles with a value of €227.3 million (up €7.7 million over the end of of 2015).

LOCARENT PORTFOLIO

(million euros)

	Locarent Portfolio			
	2015-12	2016-06	Change	
Product			Total	(%)
Renting (number of vehicles)	14,379	14,917	538	3.7%
Renting (value in Eur millions)	219.6	227.3	7.7	3.5%

The 4% increase in Locarent's net assets over December 2015 translated the good performance of its renting portfolio. The continued growth of its shareholders' equity to around €28.3 million has enabled the copmpany to strengthen its financial structure. In light of the above performance, the company contributed €1.4 million to CGD Group's consolidated net income in first half 2016.

LOCARENT MAIN FINANCIAL INDICATORS

(million euros)

	2015-12	2016-06	Change Total	Change (%)
Net assets	236.5	246.0	9.5	4.0%
Shareholders' equity	25.4	28.3	2.9	11.4%
Operating results	11.6	5.4	-	-
Share capital	5.3	5.3	-	-
Group %	50%	50%	-	-

1.4.4. ASSET MANAGEMENT

The evolution of asset management activity in CGD Group, across first half 2016, was marked by the adverse evolution of financial markets, greatly affected by the downwards trend of banking activity in Portugal, owing to market instability, low interest rates, an increase in risk aversion and heightened uncertainties over the future of Europe, on account of the unexpected Brexit development.

Such a context has had a penalising effect on the activity of Caixa Gestão de Activos, albeit less markedly so than across the sector in general, with assets under CGD Group management down 3.7% to €27,478 million.

Reference should be made to the commitment to diversify offer, as a means of mitigating volatility and the risks inherent to financial products and services and the training of managers and consultants on CGD's branch office network.

Particular reference should be made to the recognition of CGD Group's products and services. This is visible in profitability rankings and preferences, as well as the distinctions awarded, especially the Morningstar prizes.

Caixa Gestão de Activos is increasingly attaching greater importance to the social aspect, with its launch of the first socially responsible fund in Portugal, as part of CGD Group's sustainability policy.

AMOUNTS UNDER MANAGEMENT

(million euros)

	2015-06	2015-12	2016-06	Change 2016-06 vs 2015-06 (%)	Change 2016-06 vs 2015-12 (%)
Unit trust funds	3,936	4,186	3,698	-6.0%	-11.7%
Property funds	1,292	1,246	1,160	-10.2%	-6.9%
Pension funds	3,343	3,414	3,315	-0.8%	-2.9%
Wealth management	19,636	19,679	19,305	-1.7%	-1.9%
Total	**28,207**	**28,525**	**27,478**	**-2.6%**	**-3.7%**

Management and deposit fees received in first half 2016 were 8.3% down over the same half last year to €23.8 million.

GROSS COMMISSIONS RECEIVED

(million euros)

	2015-06	2016-06	Change (%)
Unit trust funds	10.6	9.9	-6.0%
Property funds	6.4	5.2	-18.8%
Pension funds	3.2	2.9	-8.9%
Wealth management	5.8	5.7	-0.5%
Total	**25.9**	**23.8**	**-8.3%**

Unit trust investment funds - Caixagest

The unit trust investment funds market was down 9.6% in total assets under management in first half 2016. Contributory factors were the instability in financial markets and interest rates in the money market which fell to historic lows. Caixagest managed funds, down by a net €487 million over December 2015, were not immune from this trend.

FUNDS UNDER MANAGEMENT

(million euros)

				Change 2016-06 vs 2015-06		Change 2016-06 vs 2015-12	
	2015-06	2015-12	2016-06	Total	(%)	Total	(%)
Treasury funds	2,125	2,287	1,930	-195	-9.2%	-357	-15.6%
Bond funds	340	400	367	27	7.9%	-33	-8.3%
Multi-assets funds	375	417	419	44	11.8%	2	0.5%
Share funds	377	409	395	18	4.9%	-14	-3.4%
Special investment funds	567	546	458	-109	-19.2%	-88	-16.1%
Protected capital funds	152	126	128	-23	-15.5%	2	1.3%
Total	**3,936**	**4,186**	**3,698**	**-238**	**-6.0%**	**-489**	**-11.7%**

Notwithstanding this environment, Caixagest has succeeded in growing its multiactive and equity funds, over the last twelve months, in line with the strategy defined by the company, as opposed to the other fund managers.

Caixagest managed 28 unit trust investment funds for an amount of €3,968 million at the end of June, having invested in diverse international financial markets. Gross commissions earned by unit trust investment funds in the first six months were down 6.0% year-on-year 2015 to €9.9 million.

Property funds – Fundger

The 25 property funds managed by Fundger totalled €1,160 million, at the end of June. The Fundimo fund posted a decrease in its net worth in first half 2016 owing to adjustments made to the valuations of several items of property.

The activity of closed-end funds continued to slow, owing to the fact that most of them have been allocated to development and property promotion.

PROPERTY FUNDS UNDER MANAGEMENT

(million euros)

				Change 2016-06 vs 2015-06		Change 2016-06 vs 2015-12	
	2015-06	2015-12	2016-06	Total	(%)	Total	(%)
Fundimo open-ended fund	628	598	562	-66	-10.5%	-36	-5.9%
Closed-end funds	664	648	598	-66	-9.9%	-50	-7.7%
Total	**1,292**	**1,246**	**1,160**	**-132**	**-10.2%**	**-86**	**-6.9%**

Gross commissions earned by property funds were down 18.8% over the same half 2015 to €5.2 million, owing to the drop in commissions from the Fundimo fund and the exit of a closed-end fund.

Pension funds - CGD Pensões

As a result of the high level of open pension fund redemptions, the net worth of the funds managed by CGD Pensões at the end of June 2016 was down 2.9% over the beginning of the year to €3,315 million.

FUNDS UNDER MANAGEMENT

(million euros)

				Change 2016-06 vs 2015-06		Change 2016-06 vs 2015-12	
	2015-06	2015-12	2016-06	Total	(%)	Total	(%)
Open-ended funds	537	525	447	-90	-16.8%	-78	-14.9%
Closed-end funds	2,806	2,889	2,868	62	2.2%	-21	-0.7%
Total	**3,343**	**3,414**	**3,315**	**-28**	**-0.8%**	**-99**	**-2.9%**

Commissions earned by pension funds up until the end of June were down 8.9% over first half 2015 to €2.9 million.

Wealth management - Caixagest

The value of wealth management portfolios (not including pension funds) was down 1.9% over the beginning of the year to €19,305 million, at the end of June, particularly on account of the institutionals segment. This was accompanied by the continued development of the individual customers portfolio management service, based on a proximity approach to CGD's branch office network, with the aim of finding new customers. The revenue stream of €5.7 million from the portfolio management service in the first half, was in line with the amount for first half 2015.

PORTFOLIOS UNDER MANAGEMENT

(million euros)

				Change 2016-06 vs 2015-06		Change 2016-06 vs 2015-12	
	2015-06	2015-12	2016-06	Total	(%)	Total	(%)
Insurance portfolios	13,047	13,007	12,857	-190	-1.5%	-149	-1.1%
Institutional	6,332	6,381	6,128	-204	-3.2%	-253	-4.0%
Individual and corporate customers	257	291	320	63	24.5%	29	10.1%
Total	**19,636**	**19,679**	**19,305**	**-331**	**-1.7%**	**-373**	**-1.9%**

The asset management area contributed €2.6 million to CGD Group's consolidated net income in 2016.

1.4.5. INTERNATIONAL AREA ACTIVITY

In continuing its international business initiatives and activities developed in 2015, across first half 2016, CGD continued to affirm its status as a financial group with a broad, diversified international platform.

These activities have made it possible to further increase knowledge and information sharing, translating into a more dynamic articulation and leveraging of international business, with a global increase in the number of new customers and inherent contribution of international business to CGD Group's consolidated net income.

Work in the corporate business segment continued to be carried out on initiatives and activities for integrating the international business developed in 2015, with the aim of maximising synergies between the domestic and international branch office networks.

Caixa, together with its foreign branches in Spain, France, Angola, Brazil, Mozambique, South Africa and China/Macau, therefore remained profoundly committed to maximising the synergies of its international platform for developing business with "internationalised" customers in the Group's markets as well as increasing its foreign trade operations.

The development of information systems adapted to business requirements and international business desks dynamics has allowed the growing systemisation of business opportunities, greater knowledge and information sharing, translating into a greater dynamic in the articulation and leverage of international business, comprising an overall increase in the number of new customers and the inherent growing contribution of international business to CGD Group's consolidated net income.

Caixa continued to improve the value proposal of its foreign trade products and services in first half 2016, via the functionalities supplied on the CaixaDireta Empresas platform, based on the improvement of the level of information on trade opportunities for consultation and the provision of advances on export remittances facility, *inter alia*.

Caixa also launched a new B2B intelligence service with selected information on external markets, with a description of the main opportunities by sectors, most relevant projects in progress, international tenders and Caixa Group's specific offer for such markets. Actions up to June involved Algeria, Colombia, Mexico, China/Macau, Chile, Peru, India, South Africa, France, US and Canada.

87 operations, including renewals of limits and new operations totalling €1,443 million were analysed in articulation with the Group's foreign business branches, in first half 2016, up by a year-on-year 42.6% in terms of volume and 43.5% by amount, with BCG Spain as the foreign branch having made the largest contribution to this increase, both by volume and amount of credit operations analysed and put up for a decision.

A significant collection of letters of intent in the sphere of financing import credit operations with the aim of backing customers' exports of Portuguese products and services was prepared and approved.

Disbursements under Portuguese export lines, both concessionary and commercial amounted to around €10 million.

Negotiations with various parties also continued to be held for new lines of credit for Portuguese exports, in addition to the activation of concessionary lines.

Caixa continued to focus on promoting and consolidating relationships through its branch office network and specific customer care/service models for the individual customers resident abroad segment in the form of Caixazul Internacional and Caixadirecta Internacional.

Caixa had a presence in 11 of the 12 main countries of destination of Portuguese emigration in 2014, and also provides a 24/7 dedicated banking telephone helpdesk.

CGD's individual customers resident abroad business across the said period was up, both in terms of resource-taking and the global lending operations aggregate, having made a favourable contribution to Caixa's net income.

This business area is going through a particularly challenging period owing to the wave of emigration being witnessed in Portugal, characterised by very young highly qualified people in search of opportunities or qualified workers who are relocating abroad via their corporate employers.

As regards the main activities across this period, reference should be made to the promotion of thematic campaigns targeted at this segment, taking advantage of the fact that many customers return to Portugal, namely in the Easter holiday period.

The Summer 2016 campaign which will run through to 31 August was also launched in first half 2016.

Caixa's 20th anniversary celebrations in Germany set the stage for initiatives designed to promote Portuguese culture while, at the same time, affording the opportunity to provide information and promote the presence of the Caixa brand with the Portuguese community in Germany.

Also targeted at ensuring proximity with customers resident abroad, CGD, organised several festive dates with the Portuguese community. They included "Portugal Day" with the sponsorship of various events in its representative offices in the different countries in which CGD Group has a presence.

In the banks segment and in line with the trend of the last few years, CGD's correspondent banking network continues to play an important role in meeting the business requirements of companies, particularly as regards the funding of foreign trade operations. This is a particularly relevant factor in terms of the strengthening of the internationalisation of the Portuguese economy in less traditional markets.

CGD Group's international area contributed an amount of €117.2 million in consolidated net income in first half 2016, up €72.5 million over the same half of the preceding year. Particular reference should be made to the France branch with net income of €55.3 million, BNU Macau, with €31.0 million BCG Spain with €10.5 million.

INTERNATIONAL AREA'S CONTRIBUTION TO CONSOLIDATED NET INCOME

(million euros)

	2015-06	2016-06	Change
BNU Macau	28.5	31.0	2.5
France Branch	18.0	55.3	37.3
Banco Caixa Geral (Spain)	15.6	10.5	-5.1
Banco Caixa Geral Angola	10.6	6.9	-3.7
Banco Comercial de Investimento (Mozambique)	8.6	6.7	-2.0
Other	-36.6	6.9	43.5
Total International	**44.7**	**117.2**	**72.5**

Net operating income before impairment of subsidiaries and branches abroad, on a consolidated basis, was up 1.2% by €2.4 million over the preceding year.

Also in the international area, loans and advances to customers, net of impairment, were up 3.8% by €522 million to €14.4 billion, whereas the €16.8 billion in resources taken from customers was up 4.8% by €742 million. Consolidated net assets in the international area were up by a year-on-year 2.8% to €22.6 billion.

CGD Group's main geographies

Spain

BCG continued to grow its business, in 2016, mainly with companies operating in the Iberian market and in other markets in which CGD Group has a significant presence, principally in Africa.

Complying with the restructuring programme agreed between the Group and the European competition authorities, which, as BCG has fully complied with the objectives defined for 2015, conditioning the bank's continuity as a CGD Group member, entered a second phase involving the consolidation of BCG as a profitable subsidiary and essential for consolidating the market share of companies owned by CGD in Portugal and to enable the Group to provide adequate backing for Portuguese companies present in the Spanish market.

BCG's credit portfolio grew 7% by €214 million, year-on-year, on the back of the 34% increase of €271 million in lending to companies, in spite of the fact that the Spanish market continues to witness a fall in its total volume of lending to companies and households. The credit portfolio at the end of the half year was in excess of €3,200 million, with a growing proportion of loans to companies and the Group's corporate customers in Portugal and Spain. This growth was accompanied by a similar increase in customer deposits which enabled the loans-to-deposits ratio to remain at 116%, complying with the new liquidity ratio requirements.

Continuing its efforts to contain costs, structural expenditure was down by more than 3% and, without benefiting from one off-gains, the cost-to-income ratio was 57%.

The cost of risk also fell as a reflection of low risk and the diversity of the bank's current credit portfolio, in which the overdue credit ratio which, at 3.7%, was already in line with the lowest level in Spanish banking, was now brought down to 3.1%, also making it possible to reduce the impact of impairment on half yearly costs.

The maintenance of negative Euribor rates across practically the whole of the half year had a penalising effect on the net interest income of all of the banks and BCG was no exception to the rule. Credit portfolio growth, however, permitted the €6.6 million drop in net interest income to be entirely ascribed to the effect of the fall of the market prices of income from the public debt portfolio and BCG's deposits with the Group. As a whole, these two income sources were down €9.5 million over first half 2015. Non-interest income, discounting the effect of the one-off gains, remained at the level of the first half of the preceding year.

Recurrent income before tax was €13.7 million in first half 2016, up 4% over first half 2015, with net income of €10.5 million. The annualised returns on capital employed (ROCE), at more than 9%, compared favourably with the rest of the sector.

BCG contributed €10.5 million to CGD Group's consolidated net income in first half 2016.

France

CGD France's total assets of €4,696 million in June 2016, were down over the same date 2015. A particular contributory factor was the reduction of cash and claims at credit institutions.

Loans and advances to customers (net), based on lending to companies, were up 14.7% to €3,894 million.

On the liabilities side, customer resources were down by a year-on-year 11%, as were credit institutions' resources and debt securities.

Net interest income was up by a year-on-year 9% owing to portfolio evolution and lower funding costs.

Non-interest income was up year-on-year owing to the contribution made by the slightly higher level of net commissions.

CGD France posted net income of €63.5 million in first half 2016, up €45.7 million year-on-year 2015, including capital gains of €43 million from a treasury operation. Excluding this amount, income before tax from CGD France's current operations amounted to €32.8 million, in which a contributory factor was the branch office network's income before tax of €15.2 million and current treasury activity with income before tax of €17.6 million.

France branch contributed €55.3 million to CGD' Group's consolidated net income in first half 2016, against €18.0 million for the same period 2015.

Macau

BNU Macau, first half year 2016 saw a high level of performance in terms of the growth of its business revenues with a year-on-year increase of 18.5%, notwithstanding the intensification of competition in the banking sector and its consequent impact on margins, deposit-taking and loans and advances to individual customers. Reference should also be made to the continued decrease in revenue from interbank investments.

Total assets were up by a year-on-year 20%, with the credit overdue for more than 90 days ratio down from 0.5% to 0.2%.

The loans-to-deposits ratio at the end of June 2016 was 52.1% against the preceding year's 60.7%.

As a consequence of liquidity management optimisation and an increase in the size of the credit portfolio, net interest income was up 14% by 46.1 million patacas in the first six months of 2016, in comparison to the same period of the preceding year.

Net commissions were down 1% by 0.747 million patacas across the period owing to the reduction of commissions income on credit operations, although credit card revenues were up 4.2%. Reference should be made to BNU's launch of new products and services in the first six months of the year, particularly its MGM "Affinity" credit card and the "BNU Life" smartphone app.

Total operating income was 1% up over the same period of the preceding year to 493.5 million patacas.

Structural costs were up 1%, with a reduction of the efficiency ratio during the period under analysis to 30.3%, in line with best international practice.

BNU Macau's contribution to CGD Group's consolidated net income in the first half totalled €31 million against €28.5 million for the same half 2015.

Mozambique

BCI Moçambique's balance sheet posted a 25.5% year-on-year increase in assets to 133,760 million meticais.

Largely deriving from an increase in lending to the corporate segment, the net credit portfolio grew by 24.4% to 79,696 million meticais. In turn, deposits taken from customers were 25,5% up year-on-year by 19,740 million to 97,100 meticais. The combination of such evolution produced a loans-to-deposits ratio of 82.2%, against 83.1% in June 2015.

The performance of net interest income, in local currency, in comparison to the preceding year, was highly positive owing to the evolution of interest on loans and advances to customers with a 38.9% growth of 1,330.5 million meticais.

Net commissions were up by 102.6 million meticais (+15%) over the same half 2015.

Reductions of other operating income (down 132.7 million meticais) and income from financial operations (down 115.4 million meticais) led to a 7.2% decline of 145.4 million meticais in non-interest income. However, given the previously referred to positive evolution, total operating income was up 13.8% by 551.1 million meticais over the same period last year to 4,554.7 million meticais.

The solvency ratio, calculated according to Basel II rules, showed an expressive improvement from 12.7% in December 2015 to 13.9% in June 2016.

BCI Moçambique's contribution to CGD Group's consolidated net income in the first half amounted to €6.7 million.

Angola

Banco Caixa Geral Angola, operating in a highly adverse environment, in first half 2016, took a series of steps which have enabled it to recover from the unfavourable results achieved in the first quarter of the year.

Reference should be made to the evolution of net credit, in terms of BCG Angola's balance sheet, which was up 36.6% to €505.2 million.

Performance in terms of the bank's net interest income, with a 9.5% increase of €4.0 million over the same period of the preceding year, was positive. However, the highly unfavourable evolution of income from financial operations had a penalising effect on total operating income, which was down 20.2% by €14.8 million over the end of first half 2015. This evolution had the effect of worsening the cost-to-income ratio to 44.7% (against 39.0% for the same half year 2015), although it is still one of the best in the market.

BCG Angola contributed €6.9 million to CGD Group's consolidated net income in first half 2016.

Reference should lastly be made to the fact that Banco Caixa Geral Angola was considered the best Angolan bank in terms of customer service by a study recently published by a specialised entity.

South Africa

As a sign of the dynamism of its commercial activity, at the end of June 2016, Mercantile Bank posted a 15.2% increase in its net loans and advances to customers over June 2015, leading to a 19.5% increase of total assets to 9,919 million rand. Customer resources were up by a year-on-year 24.2%.

Net interest income for 1st half 2016, positively influenced by the volume and price effects of loans and advance to customers, was up 23.4% over the same period last year to 236.6 million rand. Non-interest income was up 12.8% to 104.9 million rand.

Mercantile Bank contributed €4.6 million to CGD Group's consolidated net income.

Cape Verde

In first half 2016, Banco Comercial do Atlântico – BCA's net loan portfolio was up 2.1% over June 2015 to 44,720 million Cape Verde escudos, particularly owing to the 10% increase in loans and advances to companies. Loans and advances to individual customers were down 0.3%, owing to the drop in loans for mortgages and other purposes.

Customer resources were up 5.6% over June 2015 to 71,226 million Cape Verde escudos in June 2016. Sight and term deposits accounted for 38.1% and 60.5% of total customer resources respectively against 35.2% and 63.1%, respectively, at the end of June of the preceding year.

In first half 2016, the bank's operating income was practically nil at 0.6 million Cape Verde escudos, in comparison to 241.3 million Cape Verde escudos in June 2015. This drop particularly derived from a lower level of income from credit and decrease of foreign exchange income, in light of a marginal decline in operating costs.

Owing to the drop in operating income and sharp increase in provisions and impairment for the year, BCA contributed €419 thousand to CGD Group's consolidated net income in the first half.

Banco Interatlântico – BI's net loans and advances to customers portfolio at the end of June 2016 was up 9.6% year-on-year to 16,598 million Cape Verde escudos.

Customer resources were up 19.1% over June 2015 to 23,445 million Cape Verde escudos, with a 29.5% increase in sight deposits to 8,996 million Cape Verde escudos.

The bank's net interest income for the first six months of 2016, was down 3.8% over the same period last year to 237 million Cape Verde escudos particularly on account of the decline in average lending rates.

First half 2016 property-related impairment (payments in kind) was 43.7 million Cape Verde escudos.

Accordingly, on account of lower revenue and higher impairment, Banco Interatlântico made a negative contribution of €52 thousand to CGD Group's consolidated net income.

Brazil

Investments in credit institutions and BCG Brasil's credit portfolio at the end of June 2016, were up 32.9% and 32.5%, respectively, over June 2015. The gross credit portfolio was also up 2.2% over the same period of the preceding year to 825 million *reais*. However, owing to significantly higher impairment, the credit portfolio was down 1.2% to 773 million *reais*.

The 13.9% reduction in the bank's customer resources to 591 million *reais* was offset by a 58.1% increase in resources taken from credit institutions.

Net interest income was down 13.7% over first half 2015 to 50.3 million *reais*. Non-interest income was a negative 4.5 million particularly on account of the fact that the amount of the revaluation of assets and liabilities at fair value (128 million *reais*) was insufficient to offset the negative foreign exchange income of 138 million Brazilian reais, most of which related with the increase in foreign exchange futures in USD.

BCG Brasil's contribution of €1.2 million to CGD Group's consolidated net income in first half 2016 was up 69.3% over the same period of the preceding year.

East Timor

CGD's Timor branch benefited from large amounts of investment by the ZEESM (Special Social Economic Zones of the Market of East Timor) in first half 2016, which contributed towards a 71.7% increase in customer resources to USD 217.8 million and a positive impact in terms of net interest income.

The net credit portfolio was down 2.2% over the end of June 2015 to USD 27.9 million, owing to greater difficulty in promoting business. Reference should, however, be made to the evolution of mortgage lending, with a 7.5% portfolio increase over June 2015.

Owing to the increase in total operating income and lower provisions and impairment needs, on account of the improvement in the quality of the credit portfolio, CGD's Timor branch's contribution of €1.8 million to CGD Group's consolidated income in first half 2016, was up 49.3% over the same half 2015.

São Tomé e Príncipe

The first six months of 2016, in spite of the increase of its offer of new products at more attractive rates, witnessed a decline of the credit portfolio and increase of credit in default in Banco Internacional de São Tomé e Príncipe's balance sheet, partly on account of the fact that the economic environment affected the capacity of economic agents to meet their liabilities.

In operating terms, reference should be made to the stabilising of the amount of net-interest income, increase in non-interest income by way of net commissions and a lower level of impairment and provisions appropriations.

The bank's contribution of €167 thousand to CGD Group's consolidated net income in first half 2016 was up 9.8% over the same period 2015.

1.5. Results, Balance Sheet, Liquidity and Solvency

1.5.1. CONSOLIDATED ACTIVITY

1.5.1.1. RESULTS

At the end of the first half 2016, core operating income (sum of net interest income and commissions, net of operating costs), saw an increase of 19.1% in the period to €159.6 million, influenced by the good performance of net interest income and operating costs.

CGD Group's net interest income, in first half 2016, was up 5.5% by €29.8 million over the same half 2015 to €568.7 million.

As was the case across 2015, this half yearly growth in net interest income was a major beneficiary of the 17.5% reduction of €171.7 million in funding costs which surpassed the reduction also felt in interest on lending (down 9.3% by €141.8 million). The cost of the CoCo bonds in the first half was €40.4 million. Income from equity instruments was, in turn, down €13.5 million to €29.6 million.

Net commissions for the half year, totalled €230.1 million, with the 7.1% year-on-year decline reflecting the significant reduction of the amounts received (-6.5%) owing to strong competitive and regulatory pressure on commissions charges.

COMMISSIONS (NET) – CONTRIBUTION BY BUSINESS AREAS

(million euros)

			Change	
	2015-06	2016-06	Total	(%)
CGD Portugal	146.7	139.5	-7.2	-4.9%
International operations	69.4	62.3	-7.1	-10.3%
Investment banking	18.1	16.0	-2.1	-11.4%
Asset management	16.2	15.1	-1.1	-6.7%
Other	-2.7	-2.8	-0.1	-
Total	**247.7**	**230.1**	**-17.6**	**-7.1%**

Income from financial operations were negative at €47.4 million, influenced by high volatility experienced in international financial markets, including public debt, associated with the United Kingdom's referendum about remaining in the European Union.

The €26.4 million deficit on the 'other operating income' account heading in first half 2016 was affected by the amount of €25.9 million in respect of CGD's *ex ante* contribution to the Single Resolution Fund for 2016. The amount of the said contribution for 2015 was only paid in December.

CGD's total operating income for the half year was down €399.5 million over the same half 2015 to €754.7 million, having been strongly influenced by the negative change of €349.4 million in income from financial operations.

CGD's half yearly operating costs were down 2.0%, benefiting from the containment felt across all of its components, namely administrative expenditure (down 3.1%) and depreciation (down 7.6%). Employee costs were slightly down by 0.7%, notwithstanding the first half year provisions in the sphere of the *Horizonte Plan*.

OPERATING COSTS AND DEPRECIATION

(million euros)

	2015-06	2016-06	Change	
			Total	(%)
Employee costs	377.0	374.5	-2.5	-0.7%
Other administrative expenses	223.5	216.7	-6.8	-3.1%
Depreciation and amortisation	52.0	48.0	-3.9	-7.6%
Total	**652.5**	**639.3**	**-13.3**	**-2.0%**

With the elimination of the referred to provisioning effect, employee costs and operating costs would have been down 6.0% and 5.1%, respectively.

Notwithstanding the reduction of operating costs, the above referred to drop in total operating income led to a cost-to-income indicator of 82.5%.

EFFICIENCY RATIOS

(%)

	2015-06	2015-12	2016-06
Cost-to-income (consolidated operations) (1)	54.9%	66.6%	82.5%
Employee costs / Total Operating Income (1)	31.7%	39.3%	48.4%
Extern. supplies and serv. / net operat. income	19.4%	28.7%	28.7%
Operating costs / average net assets	1.3%	1.4%	1.3%

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

Net Operating Income before Impairments for first half 2016 was therefore €115.4 million.

NET OPERATING INCOME BEFORE IMPAIRMENTS CONTRIBUTION BY BUSINESS AREAS

(million euros)

	2015-06	2016-06	Change
Domestic commercial banking	243.4	-83.6	-326.9
International activity	203.0	205.3	2.4
Investment banking	28.3	-13.0	-41.3
Other	27.0	6.7	-20.3
Net Operating Income before Impairments	**501.6**	**115.4**	**-386.2**

Special reference should be made to international activity's contribution of €205.3 million to consolidated operating income. Particularly noteworthy was the performance of the France branch and BNU Macau with €77.1 million and €36.9 million, respectively.

There was a 2.1% increase of €6.7 million in provisions and impairment for the period to €328.4 million, with a cost of credit risk of 0.86%.

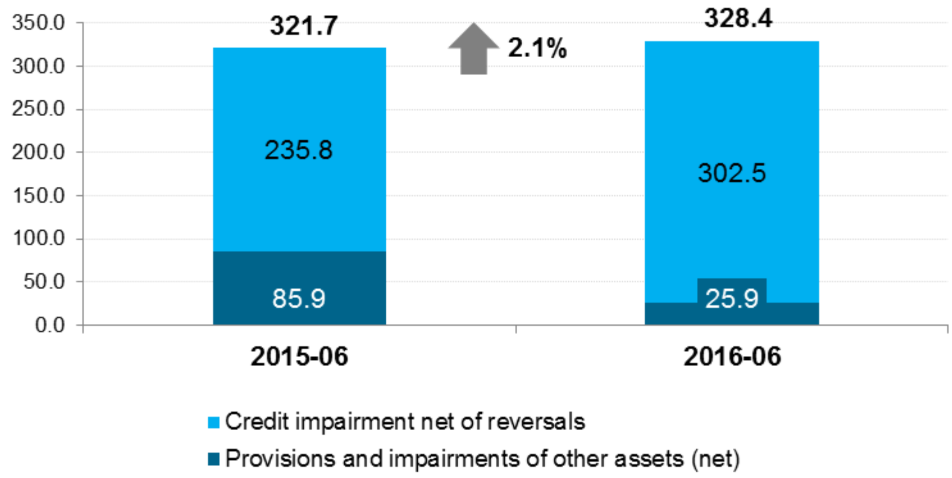
PROVISIONS AND IMPAIRMENT (P&L)

(million euros)

	2015-06	2016-06	Change Total	Change (%)
Provisions (net)	20.4	-17.4	-37.8	-185.6%
Credit impairment	235.8	302.5	66.8	28.3%
Impairments of other assets	65.6	43.3	-22.2	-33.9%
Provisions and impairments for period	**321.7**	**328.4**	**6.7**	**2.1%**

PROVISIONS AND IMPAIRMENT (P&L)

(million euros)



Income before tax and non-controlling interests and net income for the half year were €-193.1 million and €-205.2 million, respectively.

CONSOLIDATED INCOME STATEMENT

(thousand euros)

	2015-06	2016-06	Change Total	Change (%)
Interest and similar income	1,519,979	1,378,132	-141,848	-9.3%
Interest and similar costs	981,115	809,435	-171,681	-17.5%
Net interest income	538,864	568,697	29,833	5.5%
Income from equity instruments	43,188	29,640	-13,548	-31.4%
Net interest inc. incl. inc. from eq. investm.	**582,052**	**598,337**	**16,285**	**2.8%**
Income from services and commissions	311,869	291,489	-20,380	-6.5%
Costs of services and commissions	64,165	61,341	-2,824	-4.4%
Commissions (net)	247,703	230,148	-17,556	-7.1%
Income from financial operations	301,989	-47,418	-349,407	-
Other Operating Income	22,418	-26,407	-48,825	-
Non-interest income	**572,110**	**156,322**	**-415,788**	**-72.7%**
Total Operating Income	**1,154,163**	**754,660**	**-399,503**	**-34.6%**
Employee costs	377,023	374,528	-2,494	-0.7%
Other administrative expenses	223,536	216,700	-6,836	-3.1%
Depreciation and amortisation	51,984	48,041	-3,943	-7.6%
Operating costs and depreciation	652,543	639,270	-13,273	-2.0%
Net Operating Income before Impairments	**501,620**	**115,390**	**-386,230**	**-77.0%**
Provisions and impairments of other assets (net)	85,936	25,898	-60,037	-69.9%
Credit impairment net of reversals	235,762	302,522	66,760	28.3%
Provisions and impairments	**321,697**	**328,420**	**6,723**	**2.1%**
Income from subsidiaries held for sale	**-349**	**0**	**349**	**-**
Income from associated companies	**33,909**	**19,920**	**-13,989**	**-41.3%**
Net Inc. before tax and non-controlling interest	**213,483**	**-193,110**	**-406,593**	**-**
Tax	**119,605**	**-12,537**	**-132,142**	**-**
Current and deferred	88,739	-52,235	-140,974	-
Extraordinary contrib. on the banking sector	30,866	39,698	8,832	28.6%
Consolidated net income for period	**93,878**	**-180,573**	**-274,451**	-
of which:				
Non-controlling interest	46,817	24,670	-22,146	-47.3%
Net income attrib. to CGD shareholder	**47,061**	**-205,243**	**-252,305**	**-**

1.5.1.2. BALANCE SHEET

CGD Group's consolidated net assets of €99,355 million at the end of June 2016, were slightly down, both in comparison to the preceding year (by 0.9%) and December 2015 (by 1.5%).

CGD GROUP – CONSOLIDATED NET ASSETS

(million euros)

CGD'S GROUP	2015-06		2015-12		2016-06	
	Total	Structure	Total	Structure	Total	Structure
Caixa Geral de Depósitos (1)	71,284	71.1%	71,292	70.7%	70,093	70.5%
Banco Caixa Geral (Spain)	4,610	4.6%	4,591	4.5%	4,761	4.8%
Banco Nacional Ultramarino, SA (Macau)	4,499	4.5%	5,577	5.5%	5,694	5.7%
Caixa Banco de Investimento	1,536	1.5%	1,500	1.5%	1,465	1.5%
Caixa Leasing e Factoring	2,245	2.2%	2,380	2.4%	2,452	2.5%
Banco Comercial Investimento (Mozambique)	2,422	2.4%	2,323	2.3%	1,845	1.9%
Banco Comercial do Atlântico (Cape Verde)	689	0.7%	707	0.7%	732	0.7%
Mercantile Lisbon Bank Holdings (South Africa)	681	0.7%	562	0.6%	662	0.7%
BCG Angola	2,022	2.0%	1,943	1.9%	1,859	1.9%
Other companies (2)	10,251	10.2%	10,027	9.9%	9,793	9.9%
Consolidated net assets	**100,238**	**100.0%**	**100,901**	**100.0%**	**99,355**	**100.0%**

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

Total securities investments, including assets with repurchase agreements and trading derivatives, were up 3.5% by €689 million over the end of the preceding year to €20,640 million, owing to a good liquidity situation, in which CGD continued to pursue a strategy of greater diversification in terms of portfolio composition, across the half year.

SECURITIES INVESTEMENTS (CONSOLIDATED) (a)

(million euros)

	2015-06	2015-12	2016-06
Fin. assets at fair value through profit or loss	2,847	3,366	6,734
Available for sale financial assets	17,104	16,283	13,668
Investments held to maturity	0	0	238
Total	**19,951**	**19,649**	**20,640**

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

Loans and advances to customers (including credit with repurchase agreements) at the end of June amounted to €70,674 million (gross) and €65,284 million (net), comprising credit balance reductions of 1.6% and 2.0% respectively over the end of 2015. Notwithstanding the growth recorded in comparison to the same period of the preceding year, new loan operations entered into in first half 2016 were insufficient to offset portfolio maturities.

The credit more than 90 days overdue ratio of 7.4%, was identical to that of June of the preceding year. Its respective impairment coverage was 103.2% (against 99.1% in June 2015).

The credit at risk and restructured credit ratios, calculated in accordance with Bank of Portugal criteria, were 12.2% and 10.3%, respectively.

Credit at risk provisions and impairment coverage was 63.2%, and the level of coverage of credit at risk for individuals was 46.5% and 73.7% for corporate customers.

CREDIT QUALITY (CONSOLIDATED)

(million euros)

	2015-06	2015-12	2016-06
Total credit	**71.421**	**70.957**	**70.321**
Loans and adv. to customers (outstanding)	65.806	65.562	64.641
Overdue credit and interest	5.614	5.395	5.680
Of which: more than 90 days overdue	5.262	5.086	5.222
Credit impairment	**5.216**	**5.198**	**5.390**
Credit net of impairment	**66.205**	**65.759**	**64.931**
Ratios			
Non-performing credit ratio [a]	9.7%	9.3%	9.8%
Non-performing credit net / Total credit net [a]	2.6%	2.2%	2.3%
Credit at risk ratio [a]	12.4%	11.5%	12.2%
Credit at risk ratio net / Total credit net [a]	5.5%	4.5%	4.9%
Overdue credit / Total credit	7.9%	7.6%	8.1%
Cr. overdue for more than 90 days / Total cred.	7.4%	7.2%	7.4%
Accumulated impairm. / Non-performing cred.	75.2%	78.4%	78.5%
Accumulated impairm. / Credit at risk	59.1%	63.9%	63.2%
Accumulated impairment / Overdue credit	92.9%	96.3%	94.9%
Acc. imp. / Cr. overdue for more than 90 days	99.1%	102.2%	103.2%
Credit impairment (IS) / Total credit (average)	0.66%	0.78%	0.86%

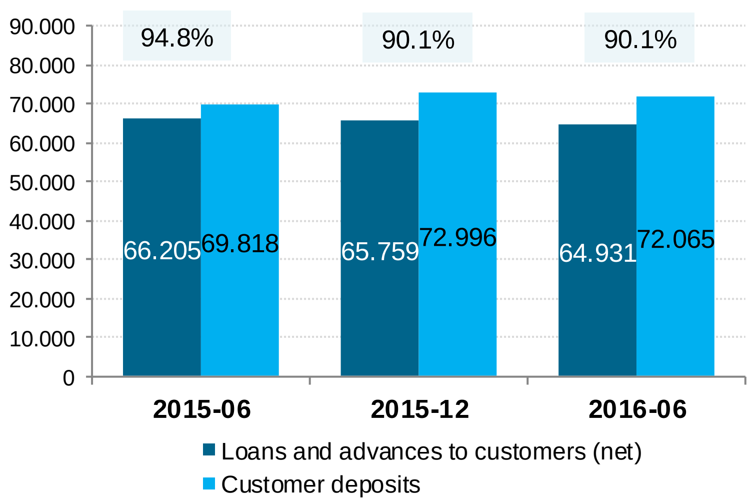
(a) Indicators calculated according to Bank of Portugal Instruction 23/2012.

Customer resources at the end of June were up 3.1% by €2,199 million to €72,442 million in comparison to the same date of the preceding year.

The loans-to-deposits ratio of 90.1% reflected CGD's strong resource-taking capacity, in addition to the, as yet, limited recovery in demand for credit in Portugal.

LOANS-TO-DEPOSITS RATIO

(million euros)



CONSOLIDATED BALANCE SHEET

(million euros)

				Change 2016-06 vs 2015-06		Change 2016-06 vs 2015-12	
Assets	2015-06	2015-12	2016-06	Total	(%)	Total	(%)
Cash and cash equivalents with central banks	1,903	2,880	1,503	-401	-21.1%	-1,377	-47.8%
Loans and advances to credit institutions	4,186	4,785	3,642	-544	-13.0%	-1,143	-23.9%
Loans and advances to customers	66,205	65,759	64,931	-1,274	-1.9%	-828	-1.3%
Securities investments	19,073	18,986	20,137	1,064	5.6%	1,150	6.1%
Assets with repurchase agreement	1,312	1,081	856	-457	-34.8%	-226	-20.9%
Non-current assets held for sale	838	830	749	-88	-10.6%	-81	-9.7%
Investm. in subsid. and associated companies	295	277	267	-28	-9.4%	-10	-3.8%
Intangible and tangible assets	818	754	707	-112	-13.7%	-48	-6.3%
Current tax assets	51	37	41	-10	-20.1%	4	9.7%
Deferred tax assets	1,461	1,474	1,559	98	6.7%	85	5.8%
Other assets	4,096	4,037	4,964	868	21.2%	927	23.0%
Total assets	**100,238**	**100,901**	**99,355**	**-883**	**-0.9%**	**-1,547**	**-1.5%**
Liabilities							
Central banks' and credit institutions' resources	6,019	5,433	5,769	-251	-4.2%	336	6.2%
Customer resources	70,242	73,426	72,442	2,199	3.1%	-984	-1.3%
Financial liabilities	1,794	1,739	2,262	468	26.1%	523	30.1%
Debt securities	8,170	6,700	6,117	-2,053	-25.1%	-583	-8.7%
Provisions	859	992	896	36	4.2%	-97	-9.8%
Subordinated liabilities	2,426	2,429	2,400	-26	-1.1%	-29	-1.2%
Other liabilities	4,337	3,998	3,726	-611	-14.1%	-273	-6.8%
Sub-total	**93,847**	**94,718**	**93,610**	**-237**	**-0.3%**	**-1,108**	**-1.2%**
Shareholders' equity	**6,391**	**6,184**	**5,745**	**-646**	**-10.1%**	**-439**	**-7.1%**
Total	**100,238**	**100,901**	**99,355**	**-883**	**-0.9%**	**-1,547**	**-1.5%**

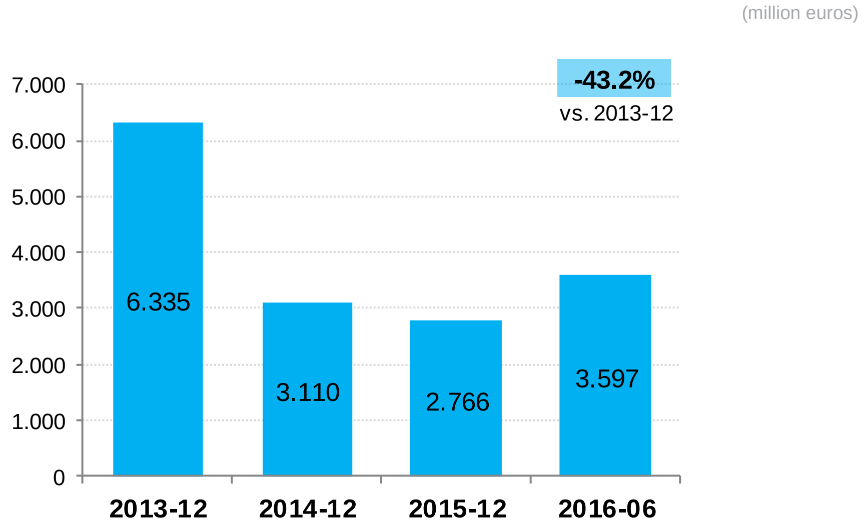
1.5.1.3. LIQUIDITY

During the course of first half 2016, keeping pace with the ECB's strengthening of its monetary *stimuli* measures across the period and taking into account the reduction of funding costs and liquidity management optimisation, CGD substituted the full amount of its TLTRO funding by the new TLTRO II. It also decided to increase the amount of its borrowings from the ECB to increase its capability to back the economy and Portuguese companies.

CGD's funding from the ECB therefore rose from €1,250 million at the end of 2015 to €2 billion at the end of June this year. Across the same period, there was also an increase in CGD's assets eligible for the ECB pool from €1,022 million to €10,898 million at the end of June 2016.

On a CGD Group level and exploiting the terms of long term funding operations, resources with the ECB were up €831 million over the end of 2015, to €3,597 million at the end of first half 2016. This increase was accompanied by an increase in the eligible assets portfolio allocated to the Eurosystem pool from €11,604 million in December last to €12,665 million at the end of June 2016.

ECB FUNDING (CONSOLIDATED)



The outstanding EMTM programme issuances balance continued to reduce, following the maturity of several issuances.

The LCR (liquidity coverage ratio) indicator, with a comfortable 193.5% (143.1% at the end of December 2015), was well above regulatory requirements.

Confirming CGD Group's comfortable liquidity situation, its NSFR (net stable funding ratio) at the end of June was 133.4% against 135.9% at the end of 2015.

1.5.1.4. SOLVENCY

The Group's shareholders' equity, at the end of June 2016, was down 7.1% by €439 million to €5,745 million, in comparison to the end of December 2015, influenced by the evolution of fair value reserves and other reserves and retained earnings.

SHAREHOLDERS' EQUITY

(million euros)

	2015-06	2015-12	2016-06
Share capital	5,900	5,900	5,900
Fair value reserves	201	259	111
Other reserves and retained earnings	-757	-691	-913
Non-controlling interests	1,000	887	852
Net income	47	-171	-205
Total	**6,391**	**6,184**	**5,745**

The phased-in and fully implemented Common Equity Tier 1 (CET 1) estimated ratios, calculated according to CRD IV /CRR rules were 10.0% and 9.2%, respectively in June 2016, complying with the regulatory requirements.

SOLVENCY RATIOS

(million euros)

	CRD IV / CRR Regulation	
	2015-12	2016-06
	Phased-in	
Own funds		
Common equity tier I (CET I)	6,551	6,009
Tier I	6,551	6,013
Total	7,410	6,736
Total weighted assets	**60,282**	**60,016**
Solvency ratios		
CET I	10.9%	10.0%
Tier I	10.9%	10.0%
Total	12.3%	11.2%
	Fully Implemented	
CET I ratio	10.0%	9.2%

The 10.9% to 10.0% evolution of the phased-in CET 1 ratio between 31 December 2015 and June 2016 derives from the combination effect of progression over time associated with the application of transitional dispositions leading to a reduction of 0.21% in the ratio and the effect of CGD's own consolidated activity, comprising negative net income (with an impact of -0.35% on the ratio) and several other effects (namely the negative foreign exchange effect associated with equity investments in subsidiaries abroad) with an effect of -0.30% on the ratio.

The fully implemented leverage ratio at the end of June 2016 was 5.2% against 5.7% at the end of 2015.

1.5.2. SEPARATE OPERATIONS

1.5.2.1. RESULTS

The separate activity of Caixa Geral de Depósitos generated a core operating income (sum of net interest income and commissions, net of operating costs) of 38.6 million euros in the first half of 2016, which meant an increase of 40.8 million over the same period last year.

Contributory factors to this favourable performance were, on the one hand, the €38.4 million increase in interest margin (up 13.4% over June 2015) and, on the other, operating costs which were down by a year-on-year €8.7 million (-1.9%).

Income from equity instruments was, in turn, down €17.6 million to €41.8 million. Net commissions earnings for the half, reflecting a year-on-year decrease of 3.7% were €164.7 million.

The high level of volatility felt in financial markets, including public debt, associated with the referendum in the United Kingdom on whether to leave the European Union were factors having an influence on the negative amount of €62.3 million in income from financial operations.

The "other operating income" account was 34.2 million below to the one made during the 1st half of 2015, affected by the already referred accounting for *ex ante* contribution of CGD for the resolution of the Single Fund for the year 2016, contribution during 2015 was only confirmed in December.

Given such evolution, total operating income from CGD's separate banking operations in the half year amounted to €457.6 million, down €499.3 million over the same half 2015.

The provisioning reinforcement checked in the first half in the sphere of the *Horizonte* plan in the amount of €20.0 million made a decisive contribution to the 1.4% increase in employee costs. Notwithstanding, total operating costs as a whole were down 1.9% given the 6.3% decrease in administrative expenditure and 5.3% decrease in depreciation. Without such provision, employee costs and operating costs would have reduced €16.4 million (-6.3%) and €28.7 million (-6.3%), respectively, compared to the same period of 2015.

Income before tax and net income for the half were therefore €321.4 million negative and €302.5 million negative respectively.

1.5.2.2. BALANCE SHEET

Net assets in respect of CGD's separate operations, at the end of June 2016, totalled €89,454 million, down 1.5% by €1,351 million over December 2015. In terms of the evolution of the different components, particular reference should be made to the reductions noted during the half in the cash and claims at central banks (down 65.7% by €1,165.3 million) and investments in credit institutions (down 11.5% by 570 million euros) compensated by the increase in the securities portfolio (4.0% by €823.6 million).

Loans and advances to customers of €53,629 million were down 1.4% by €741.5 million in the half year.

Total liabilities, amounting to €85,024 million, were 1.1% down by €924 million in the half year. Contributory factors particularly included the 1.1% reductions of €661 million in customer resources and debt securities which fell short of December 2015's amount by €571 million.

Shareholders' equity of €4,430 million at the end of June 2016, down 8.8% by €427 million over December last, reflected the unfavourable change in revaluation reserves and income for the period.

1.6. Main Risks and Uncertainties in 2nd half 2016

The global economy across the first half year continued its cyclical, albeit moderate upswing beginning some seven years previously. Its rate of expansion across the second half is likely to be more subdued, based on the start of a very positive year for Europe, an accelerating US economy in the second quarter and stabilising growth in the main emerging market economy countries.

Positive economic growth was based on the transition of diverse favourable aspects from the first to the second half of the year, in which reference should be made to the maintenance of energy prices, particularly oil, at relatively low levels, a fiscal policy guided by greater neutrality and the effects of the quantitative easing programmes implemented by diverse central banks.

In the transition between half years, global growth is, however, subject to various, mainly downside risks. These particularly include uncertainty over the impact of the vote in the United Kingdom in favour of leaving the European Union, which may translate into the postponement of consumption and investment decisions by British economic agents, thus affecting economic growth, both in the United Kingdom and that of its trading partners.

Notwithstanding signs of stabilisation in emerging market economy countries, consideration should continue to be given to the potential negative effects on the global economy of a possible cooling of activity in emerging economy regions, particularly in China. In this area, the reaction on a level of financial and particularly the foreign exchange markets, namely as regards the eventual occurrence of new periods of increased volatility and risk aversion, translating into capital outflows from such economies, will also be particularly important.

The evolution of oil prices will continue to be an important aspect to be monitored given the multiple effects it could have in the current context. On the one hand and also as regards diverse emerging market economy countries, signs of a certain recovery in the price of this commodity may represent an important development from a viewpoint of economic growth and the performance of their respective public and external accounts. On the other hand, for the developed economies which tend to be oil importers, price swings, owing to the extremely low level of inflation, currently signify a fundamental element in the formation of expectations regarding the future evolution, firstly of inflation and, consequently, monetary policy.

It is precisely in this latter domain that reference should be made to the continued uncertainty over the actions of the US Fed. Following the rate increase announced in December 2015, and as opposed to financial market estimates, this year, to-date has not witnessed any change in the level of interest rates in the US, owing to factors deriving from both the performance of the local economy and elements of uncertainty and disturbance abroad. The improvement of US indicators, including labour statistics and the greater stability of the global economy and international markets, give rise, however, to the finding of new solutions. In addition to the uncertainty over any change, reference should also be made to the risks attached to such a decision, both from a viewpoint of its impacts on the US domestic economy as on the reaction of the financial and foreign exchange markets. In the US, reference should also be made to the holding of legislative and presidential elections in early November.

Several constraints and challenges remain in the Euro Area in spite of the more robust economic growth noted at the start of the year. In addition to the already referred to negative impact related with the uncertainties triggered by the result of the June referendum in the United Kingdom, reference should be made to the economic performance of the rest of the world and particularly in emerging market economy countries and geopolitical type issues, such as the intensification of extremist activities in Europe, or the holding of the constitutional referendum in Italy.

The framework of moderate growth, with its mainly downside risks and very low inflation will, in turn, help to keep the European Central Bank at the centre of the attention of investors and diverse economic agents, owing to the possibility that it may, in the event of the materialisation of several negative risks, strengthen the expansionary nature of monetary policy in the Euro Area. Any decision herein may come in various shapes, depending on the respective instruments chosen by the monetary authority, which creates a factor of uncertainty regarding the potential impacts, both on the economy and financial sector, owing to greater incidence e.g. on a level of interest rates or the configuration of the quantitative easing programme.

Activity and confidence indicators, in Portugal, remained practically unchanged in the first half year. In spite of the positive performance of consumption, the performance of fixed investment was less dynamic, with exports having reflected an evolution of the global economy which has suffered across the course of the year from a decline in growth expectations. A close eye should therefore be kept on the level of any improvement of external prospects and reacceleration of demand for Portuguese exports in the second half, and, in terms of domestic demand, the performance of fixed investment, in addition to the evolution of the international financial markets and the financing costs of domestic economic agents.

1.7. Group Ratings

CGD's short and long term ratings from the diverse international rating agencies were reaffirmed in 1st half 2016.

Accordingly, Standard & Poor's, on 21 March and Fitch Ratings, on 12 May, reaffirmed their long and short term ratings on CGD of 'BB-' and 'B', respectively, with a positive *outlook* from the former and a stable *outlook* from the latter.

On 6 June 2016, Moody's placed the Bank's B1 ratings on deposits and long term senior debt on "*review for downgrade*". Other CGD issuances, in addition to the BCA (Baseline Credit Assessment) were placed under "*review with direction uncertain*".

RATINGS

RATING	CGD			Portugal		
	Short Term	Long Term	Date (last assessment)	Short Term	Long Term	Date (last assessment)
Standard & Poor's	B	BB-	2016-07	B	BB+	2016-03
FitchRatings	B	BB-	2016-05	B	BB+	2016-03
Moody's	N/P	B1	2016-06	N/P	Ba1	2014-07
DBRS	R-2 (mid)	BBB (low)	2015-11	R-2 (mid)	BBB (low)	2016-04

On 29 July 2016, Standard & Poor's once again reaffirmed its long and short term ratings on CGD of 'BB-' and 'B', respectively, with *outlook* remaining positive.

1.8. Statements of the Board of Directors

1.8.1. STATEMENT OF CONFORMITY OF THE PRESENTATION OF FINANCIAL INFORMATION

Under the terms of sub-paragraph c) of no. 1 of article 246 of the Securities Market Code, we declare that the condensed financial statements for 1st half 2016, have, to the best of our knowledge, been produced in conformity with the applicable accounting standards and provide a true and appropriate image of the assets and liabilities, financial situation and results of Caixa Geral de Depósitos, SA and the companies included in its consolidation perimeter and that the board of directors' interim report gives an accurate account of the important events occurring in the respective period and the impact of the respective financial statements and contains a description of the main risks and uncertainties for the next six months.

Lisbon, 30 August 2016

Board of Directors

Chairman

Álvaro José Barrigas do Nascimento

Vice-Chairman

José Agostinho Martins de Matos

Members

João Nuno de Oliveira Jorge Palma

José Pedro Cabral dos Santos

Ana Cristina de Sousa Leal

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

Pedro Miguel Ribeiro de Almeida Fontes Falcão

1.8.2. STATEMENT OF THE AUDITING OF THE ACCOUNTS

Under no. 3 of article 8 of the Securities Code, we declare that the financial information for 1st half 2016 relating to Caixa Geral de Depósitos, SA and the companies included in its consolidation perimeter have not been audited.

Lisbon, 30 August 2016

Board of Directors

Chairman

Álvaro José Barrigas do Nascimento

Vice-Chairman

José Agostinho Martins de Matos

Members

João Nuno de Oliveira Jorge Palma

José Pedro Cabral dos Santos

Ana Cristina de Sousa Leal

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

Pedro Miguel Ribeiro de Almeida Fontes Falcão

1.9. Bonds held by members of the Board of Directors

(ARTICLE 447 OF THE COMMERCIAL COMPANIES CODE)

Bondholders Members of the Board of Directors:	Security	Number of bonds at 30/06/2016
João Nuno Palma	Subordinated bonds CGD – 2009/2019 – Anniversary	50

1.10. Information on CGD's Shareholders

(ARTICLE 448 OF THE COMMERCIAL COMPANIES CODE)

Shareholders	Share Capital at 30/06/2016	% Equity Stake at 30/06/2016
Portuguese State	€ 5,900,000,000	100%

1.11. Separate and Consolidated Financial Statements

CAIXA GERAL DE DEPÓSITOS, S.A.

BALANCE SHEET (SEPARATE)

(euros)

ASSETS	30-06-2016 Amounts before impairment, amortisation and depreciation	30-06-2016 Provisions, impairment and amortisation and depreciation	30-06-2016 Net assets	31-12-2015 Net assets (restated)	01-01-2015 Net assets (restated)
Cash and cash equivalents at central banks	608,523,898	-	608,523,898	1,773,856,681	1,201,671,351
Cash balances at other credit institutions	133,655,505	-	133,655,505	449,401,347	419,994,761
Financial assets held for trading	6,063,588,579	-	6,063,588,579	2,578,228,584	2,225,763,404
Other financial assets at fair value through profit or loss	549,680,461	-	549,680,461	570,118,126	584,021,929
Available-for-sale financial assets	14,995,869,312	(436,258,371)	14,559,610,941	17,200,895,138	17,878,654,218
Financial assets with repurchase agreement	493,124,757	-	493,124,757	770,710,862	1,094,405,815
Loans and advances to credit institutions	4,388,431,583	(7,125,000)	4,381,306,583	4,951,961,110	3,645,595,429
Loans and advances to customers	58,571,183,937	(4,942,215,788)	53,628,968,149	54,370,468,556	56,153,688,961
Hedging derivatives	16,040,206	-	16,040,206	46,468,319	80,307,888
Non-current assets held for sale	515,579,531	(121,645,650)	393,933,881	386,812,900	377,740,213
Investment properties	2,700,623	-	2,700,623	3,000,623	2,950,623
Other tangible assets	1,237,533,367	(903,149,584)	334,383,783	347,940,082	378,349,512
Intangible assets	695,496,279	(617,218,491)	78,277,788	81,038,423	85,527,243
Investments in associates, subsidiaries and joint ventures	4,450,186,568	(658,855,015)	3,791,331,553	3,765,078,021	3,321,219,760
Current tax assets	20,648,544	-	20,648,544	15,637,964	22,763,497
Deferred tax assets	1,366,208,818	-	1,366,208,818	1,262,862,974	1,265,465,201
Other assets	3,293,365,890	(261,619,487)	3,031,746,403	2,230,566,950	2,734,443,529
Total Assets	97,401,817,858	(7,948,087,386)	89,453,730,472	90,805,046,660	91,472,563,334

LIABILITIES AND EQUITY	30-06-2016	31-12-2015 (restated)	01-01-2015 (restated)
Resources of central banks	2,086,644,352	1,342,753,278	1,606,621,698
Financial liabilities held for trading	2,241,877,965	1,706,524,417	2,171,879,513
Resources of other credit institutions	3,751,833,812	4,364,064,438	4,413,264,954
Customer resources and other loans	61,288,687,059	61,950,120,128	61,761,688,826
Debt securities	6,114,893,167	6,686,130,948	7,120,411,742
Financial liabilities associated with transferred assets	4,220,600,551	4,347,759,072	4,567,390,845
Hedging derivatives	7,616,617	15,290,889	20,040,095
Provisions	780,689,176	845,094,727	702,679,577
Current tax liabilities	10,573,153	8,038,132	2,378,843
Deferred tax liabilities	87,063,648	120,471,381	149,803,876
Other subordinated liabilities	2,576,977,983	2,604,404,329	2,606,273,352
Other liabilities	1,856,180,794	1,957,061,319	1,692,318,357
Total Liabilities	85,023,638,277	85,947,713,058	86,814,751,678
Share capital	5,900,000,000	5,900,000,000	5,900,000,000
Revaluation reserves	237,138,221	368,024,607	473,928,811
Other reserves and retained earnings	(1,404,506,311)	(1,586,403,483)	(1,716,117,155)
Net income for the period	(302,539,715)	175,712,478	-
Total Equity	4,430,092,195	4,857,333,602	4,657,811,656
Total Liabilities and Equity	89,453,730,472	90,805,046,660	91,472,563,334

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

Chairman: Álvaro José Barrigas do Nascimento

Deputy-Chairman: José Agostinho Martins de Matos

Members: João Nuno de Oliveira Jorge Palma

José Pedro Cabral dos Santos

Ana Cristina de Sousa Leal

Pedro Miguel Valente Pires Bela Pimentel

José Luís Mexia Fraústo Crespo de Carvalho

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Daniel Abel Monteiro Palhares Traça

Pedro Miguel Ribeiro de Almeida Fontes Falcão

CAIXA GERAL DE DEPÓSITOS, S.A.

INCOME STATEMENT (SEPARATE)

(euros)

	30-06-2016	30-06-2015 (restated)
Interest and similar income	1,014,228,247	1,137,830,699
Interest and similar costs	(689,279,614)	(851,292,067)
NET INTEREST INCOME	324,948,633	286,538,632
Income from equity instruments	41,823,620	59,429,673
Income from services and commissions	205,467,665	213,893,524
Costs of services and commissions	(40,749,100)	(42,835,666)
Net results of assets and liabilities measured at fair value through profit or loss	(139,857,708)	131,797,676
Net gain on available-for-sale financial assets	75,270,254	115,716,116
Net foreign exchange revaluation gain	2,316,657	1,675,301
Net gain on the sale of other assets	(10,368,660)	157,768,976
Other operating income	(1,231,486)	32,971,983
TOTAL OPERATING INCOME	457,619,875	956,956,215
Employee costs	(264,092,329)	(260,546,442)
Other administrative costs	(154,685,345)	(165,157,542)
Depreciation and amortisation	(32,267,819)	(34,089,124)
Provisions net of reversals	12,886,318	(26,746,089)
Impairment of credit net of reversals	(292,671,416)	(214,336,221)
Impairment of other financial assets net of reversals	(34,043,233)	(35,184,336)
Impairment of other assets net of reversals	(14,189,138)	(9,639,991)
INCOME BEFORE TAX	(321,443,087)	211,256,470
Income tax		
Current	(77,893,722)	(71,229,318)
Deferred	96,797,094	(7,421,779)
	18,903,372	(78,651,097)
NET INCOME FOR THE PERIOD	(302,539,715)	132,605,373
Average number of ordinary shares outstanding	1,180,000,000	1,180,000,000
Earnings per share (in Euros)	(0.26)	0.11

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

Chairman: Álvaro José Barrigas do Nascimento

Deputy-Chairman: José Agostinho Martins de Matos

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Pedro Miguel Ribeiro de Almeida Fontes Falcão

CAIXA GERAL DE DEPÓSITOS, S.A.

STATEMENT OF COMPREHENSIVE INCOME (SEPARATE)

(thousand euros)

	30-06-2016	30-06-2015 (restated)
Balances subject to reclassification to profit or loss		
Adjustments to fair value of available-for-sale financial assets		
Gains / (losses) arising during the period	(143,280)	(122,007)
Adjustments of fair value reserves reclassified to net income		
Impairment recognized in the period	36,420	35,471
Disposal of available-for-sale financial assets	(75,270)	(115,716)
Tax effect	51,244	54,651
Currency changes in Branches	1,521	(6,188)
Other	(2,518)	74
Subtotal	(131,883)	(153,716)
Balances not subject to reclassification to profit or loss		
Benefits to employees - actuarial gains and losses		
Gains / (losses) arising during the period	(8,493)	-
Tax effect	15,674	36,731
Subtotal	7,181	36,731
Total comprehensive net income for the period recognised in reserves	(124,702)	(116,984)
Net income for the period	(302,540)	132,605
Total comprehensive net income for the period	(427,241)	15,621

CAIXA GERAL DE DEPÓSITOS, S.A.

CASH FLOW STATEMENTS (SEPARATE)

(thousand euros)

	30-06-2016	30-06-2015
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	1,267,276	1,408,260
Interest, commissions and similar costs paid	(615,629)	(867,798)
Recovery of principal and interest	7,729	7,241
Payments to employees and suppliers	(376,266)	(405,609)
Payments and contributions to pensions funds and other benefits	(49,605)	(37,206)
Other results	1,608	31,651
	235,113	136,538
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	1,062,124	(477,106)
Assets held for trade and other assets at fair value through profit or loss	(3,080,800)	1,009
Other assets	(843,003)	286,005
	(2,861,679)	(190,092)
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	134,940	(179,411)
Customer resources	(600,806)	(930,114)
Other liabilities	(191,265)	373,755
	(657,131)	(735,771)
Net cash from operating activities before taxation	(3,283,698)	(789,325)
Income tax	(52,569)	(31,277)
Net cash from operating activities	(3,336,267)	(820,602)
INVESTING ACTIVITIES		
Capital gains from subsidiary and associated companies	38,099	42,313
Capital gains from available-for-sale financial assets	3,724	20,845
Acquisition of investments in subsidiary and associated companies, net of disposals	(8,641)	-
Acquisition of available-for-sale financial assets, net of disposals	2,581,537	(445,653)
Acquisition of tangible and intangible assets, net of disposals	(18,462)	(14,054)
Net cash from investing activities	2,596,257	(396,548)
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(64,133)	(64,989)
Interest on debt securities	(135,482)	(103,783)
Issue of subordinated liabilities, net of repayments	(21,000)	-
Issue of debt securities, net of repayments	(520,173)	1,003,471
Net cash from financing activities	(740,788)	834,699
Increase (decrease) in cash and cash equivalents	(1,480,798)	(382,452)
Cash and cash equivalents at beginning of period	2,223,258	1,621,666
Effects of the exchange rate change on cash and cash equivalents	(281)	2,082
Net change of cash and cash equivalents	(1,480,798)	(382,452)
Cash and cash equivalents at end of period	**742,179**	**1,241,296**

CAIXA GERAL DE DEPÓSITOS, S.A.

STATEMENT OF CHANGES IN EQUITY (SEPARATE)

(thousand euros)

	Share capital	Revaluation reserves				Other reserves and retained earnings				Net income for the period	Total
		Fair value reserves	Reserves for deferred tax	Fixed assets	Total	Legal reserve	Other reserves	Retained earnings	Total		
Balances at December 31, 2014	5,900,000	500,349	(136,846)	110,425	473,929	862,906	(128,709)	(2,191,364)	(1,457,166)	(1,139,320)	3,777,443
Effects of the change in the accounting policy (Notice 5/2015)	-	-	-	-	-	-	-	435,014	435,014	445,356	880,369
Proforma Balances at December 31, 2014	5,900,000	500,349	(136,846)	110,425	473,929	862,906	(128,709)	(1,756,350)	(1,022,152)	(693,965)	4,657,812
Appropriation of net income for 2014:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	-	(693,965)	(693,965)	693,965	-
Other entries directly recorded in equity:											
Measurement gain / (losses) on available-for-sale financial assets	-	(202,252)	54,651	-	(147,602)	-	-	-	-	-	(147,602)
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	36,731	-	36,731	-	36,731
Currency changes in Branches	-	-	-	-	-	-	(6,188)	-	(6,188)	-	(6,188)
Other	-	-	-	-	-	-	74	-	74	-	74
Total gains and losses for the period recognised in equity	-	(202,252)	54,651	-	(147,602)	-	30,617	-	30,617	-	(116,984)
Reclassifications between reserves and retained earnings	-	-	-	-	-	-	(5,211)	5,211	-	-	
Net income for the period	-	-	-	-	-	-	-	-	-	132,605	132,605
Balances at June 30, 2015	5,900,000	298,097	(82,195)	110,425	326,327	862,906	(103,302)	(2,445,104)	(1,685,500)	132,605	4,673,433
Balances at December 31, 2015	5,900,000	354,576	(96,977)	110,425	368,025	862,906	(6,395)	(3,330,202)	(2,473,691)	12,211	3,806,544
Effects of the change in the accounting policy (Notice 5/2015)	-	-	-	-	-	-	-	887,288	887,288	163,502	1,050,790
Proforma Balances at December 31, 2015	5,900,000	354,576	(96,977)	110,425	368024.95	862,906	(6,395)	(2,442,915)	(1,586,403)	175,712	4,857,334
Appropriation of net income for 2015:											
Transfer to reserves and retained earnings	-	-	-	-	-	2,442	-	173,270	175,712	(175,712)	-
Other entries directly recorded in equity:											
Measurement gain / (losses) on available-for-sale financial assets	-	(182,131)	51,244		(130,886)	-	-	-	-	-	(130,886)
Employee benefits - actuarial gains and losses	-	-	-	-	-	-	7,181	-	7,181	-	7,181
Currency changes in Branches	-	-	-	-	-	-	1,521	-	1,521	-	1,521
Other	-	-	-	-	-	-	(2,518)	-	(2,518)	-	(2,518)
Total gains and losses for the period recognised in equity	-	(182,131)	51,244	-	(130,886)	-	6,185	-	6,185	-	(124,702)
Reclassifications between reserves and retained earnings	-	-	-	-	-	-	(17,219)	17,219	-	-	-
Net income for the period	-	-	-	-	-	-	-	-	-	(302,540)	(302,540)
Balances at June 30, 2016	5,900,000	172,445	(45,732)	110,425	237,139	865,348	(17,429)	(2,252,426)	(1,404,506)	(302,540)	4,430,092

CAIXA GERAL DE DEPÓSITOS, S.A.

CONSOLIDATED BALANCE SHEET

(euros)

ASSETS	Notes	30-06-2016 Amounts before impairment, amortisation and depreciation	30-06-2016 Impairment, amortisation and depreciation	30-06-2016 Net assets	31-12-2015 Net assets	LIABILITIES AND EQUITY	Notes	30-06-2016	31-12-2015
Cash and cash equivalents at central banks	4	1,502,663,534	-	1,502,663,534	2,879,644,947	Resources of central banks and other credit institutions	18	5,768,602,139	5,433,070,365
Cash balances at other credit institutions	5	440,187,408	-	440,187,408	773,163,078	Customer resources and other loans	19	72,441,812,789	73,426,264,596
Loans and advances to credit institutions	6	3,208,909,712	(7,125,000)	3,201,784,712	4,011,514,933	Debt securities	20	6,116,872,366	6,700,080,595
		5,151,760,654	(7,125,000)	5,144,635,654	7,664,322,958			78,558,685,155	80,126,345,191
Financial assets at fair value through profit or loss	7	6,734,196,087	-	6,734,196,087	3,365,876,836	Financial liabilities at fair value through profit or loss	10	2,261,906,367	1,738,596,859
Available-for-sale financial assets	8	13,548,654,971	(384,052,987)	13,164,601,984	15,620,441,746	Hedging derivatives	10	3,611,453	10,811,589
Financial assets with repurchase agreement	9	856,558,472	(967,164)	855,591,308	1,081,165,720	Provisions for employee benefits	21	613,387,880	642,958,345
Hedging derivatives	10	16,040,206	-	16,040,206	46,468,319	Provisions for other risks	21	282,203,904	349,505,535
Held-to-maturity investments	11	237,850,099	-	237,850,099	-	Current tax liabilities	16	47,015,693	15,863,740
		21,393,299,835	(385,020,151)	21,008,279,684	20,113,952,621	Deferred tax liabilities	16	131,876,803	253,224,010
Loans and advances to customers	12	70,320,935,435	(5,389,846,180)	64,931,089,255	65,759,032,656	Other subordinated liabilities	22	2,399,524,631	2,428,925,499
Non-current assets held for sale	13	1,117,642,557	(368,154,255)	749,488,302	830,401,601	Other liabilities	23	3,543,103,280	3,718,456,505
Investment properties	14	1,183,949,927	-	1,183,949,927	1,125,044,372	Total liabilities		93,609,917,305	94,717,757,638
Other tangible assets		1,637,688,959	(1,065,104,122)	572,584,837	619,369,853	Share capital	24	5,900,000,000	5,900,000,000
Intangible assets		846,659,124	(712,644,699)	134,014,425	135,031,733	Fair value reserves	25	111,263,855	258,815,935
Investments in associates and jointly controlled entities	15	267,051,232	-	267,051,232	277,495,750	Other reserves and retained earnings	25	(913,315,494)	(690,701,792)
Current tax assets	16	40,721,576	-	40,721,576	37,126,344	Net income attributable to the shareholder of CGD	25	(205,243,415)	(171,452,959)
Deferred tax assets	16	1,558,678,791	-	1,558,678,791	1,473,917,513	Equity attributable to the shareholder of CGD		4,892,704,946	5,296,661,184
Other assets	17	4,079,720,176	(315,276,854)	3,764,443,322	2,865,771,882	Non-controlling interests	26	852,314,754	887,048,461
						Total equity		5,745,019,700	6,183,709,645
Total assets		107,598,108,266	(8,243,171,261)	99,354,937,005	100,901,467,283	**Total liabilities and equity**		99,354,937,005	100,901,467,283

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

Chairman: Álvaro José Barrigas do Nascimento

Deputy-Chairman: José Agostinho Martins de Matos

Members: João Nuno de Oliveira Jorge Palma

José Pedro Cabral dos Santos

Ana Cristina de Sousa Leal

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Pedro Miguel Ribeiro de Almeida Fontes Falcão

CAIXA GERAL DE DEPÓSITOS, S.A.

CONSOLIDATED INCOME STATEMENTS

(euros)

	Notes	30-06-2016	30-06-2015
Interest and similar income	27	1,378,131,831	1,519,979,367
Interest and similar expenses	27	(809,434,788)	(981,115,362)
Income from equity instruments	28	29,640,442	43,188,356
NET INTEREST INCOME		598,337,485	582,052,361
Income from services rendered and commissions	29	291,488,557	311,868,555
Cost of services and commissions	29	(61,341,007)	(64,165,255)
Results from financial operations	30	(47,418,090)	301,989,104
Other operating income	31	(26,407,198)	22,418,086
TOTAL OPERATING INCOME		754,659,747	1,154,162,851
Employee costs	32	(374,528,492)	(377,022,656)
Other administrative costs	33	(216,700,005)	(223,536,035)
Depreciation and amortisation		(48,041,407)	(51,984,466)
Provisions net of reversals	21	17,425,172	(20,367,842)
Loan impairment net of reversals and recoveries	34	(302,521,553)	(235,761,650)
Other assets impairment net of reversals and recoveries	34	(43,323,647)	(65,567,958)
Results of subsidiaries held for sale	-	-	(348,696)
Results of associates and jointly controlled entities		19,920,279	33,909,310
INCOME BEFORE TAX AND NON CONTROLLING INTERESTS		(193,109,906)	213,482,858
Income tax			
Current	18	(105,280,644)	(106,867,146)
Deferred	18	117,817,617	(12,737,955)
		12,536,973	(119,605,101)
CONSOLIDATED NET INCOME FOR THE PERIOD, of which:		(180,572,933)	93,877,757
Non-controlling interests	26	(24,670,482)	(46,816,662)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD		(205,243,415)	47,061,095
Average number of ordinary shares outstanding	24	1,180,000,000	1,180,000,000
Earnings per share (in Euros)		(0.17)	0.04

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

Chairman: Álvaro José Barrigas do Nascimento

Deputy-Chairman: José Agostinho Martins de Matos

Members: João Nuno de Oliveira Jorge Palma

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CAIXA GERAL DE DEPÓSITOS, S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousand euros)

	30-06-2016	30-06-2015
Balances subject to reclassification to profit or loss		
Adjustments to fair value of available-for-sale financial assets		
Gains / (losses) arising during the period	(182,044)	(191,707)
Adjustments of fair value reserves reclassified to net income		
Impairment recognized in the period	36,420	34,255
Disposal of available-for-sale financial assets	(75,270)	(131,671)
Tax effect	45,838	78,884
Foreign exchange difference		
Gains / (losses) arising during the period	(69,539)	(4,853)
Adjustments of exchange reserves reclassification to results		
Impairment recognized in the period for available-for-sale financial assets		
- Investment units in foreign currency	7	(67)
Tax effect	1,172	(2,498)
Other	(3,810)	16,976
	(247,227)	(200,683)
Balances not subject to reclassification to profit or loss		
Employee benefits - actuarial gains and losses		
Gains / (losses) arising during the period	(8,493)	-
Tax effect	15,674	36,731
	7,181	36,731
Total comprehensive net income for the period recognised in reserves	(240,047)	(163,951)
Net income for the period	(180,573)	93,878
TOTAL COMPREHENSIVE NET INCOME FOR THE PERIOD, of which:	(420,619)	(70,073)
Non-controlling interests	18,588	(29,586)
TOTAL COMPREHENSIVE NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	(402,031)	(99,659)

CAIXA GERAL DE DEPÓSITOS, S.A.

CONSOLIDATED CASH FLOW STATEMENTS

(thousand euros)

	30-06-2016	30-06-2015
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	1,709,659	1,899,255
Interest, commissions and similar expenses paid	(764,031)	(1,026,092)
Recovery of principal and interests	10,131	11,919
Payments to employees and suppliers	(564,545)	(585,445)
Payments and contributions to pension funds and other benefits	(49,605)	(39,493)
Other results	17,862	71,013
	359,471	331,156
(Increases) decreases in operating assets		
Loans and advances to credit institutions and customers	1,354,504	(623,420)
Assets held for trade and other assets at fair value through profit or loss	(2,969,788)	44,975
Other assets	(1,077,176)	384,153
	(2,692,459)	(194,292)
Increases (decreases) in operating liabilities		
Resources of central banks and other credit institutions	337,706	28,315
Customer resources	(929,614)	(729,241)
Other liabilities	(230,654)	444,754
	(822,561)	(256,172)
Net cash from operating activities before taxation	(3,155,549)	(119,308)
Income tax	(101,925)	(78,333)
Net cash from operating activities	(3,257,474)	(197,641)
INVESTING ACTIVITIES		
Dividends received from equity instruments	29,640	43,188
Acquisition of investments in subsidiary and associated companies, net of disposals	(8,614)	(21,868)
Acquisition of available-for-sale financial assets, net of disposals	2,457,162	(807,898)
Acquisition of tangible and intangible assets and investment property, net of disposals	(39,720)	(62,462)
Net cash from investing activities	2,438,469	(849,039)
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(64,405)	(65,163)
Interest on debt securities	(137,389)	(104,922)
Issue of subordinated liabilities, net of repayments	(21,449)	(2,835)
Issue of debt securities, net of repayments	(527,647)	985,305
Net cash from financing activities	(750,889)	812,385
Increase (decrease) in cash and cash equivalents	(1,569,894)	(234,295)
Cash and cash equivalents at the beginning of the period	3,652,808	2,996,326
Foreign exchange differences in cash and cash equivalents	(140,063)	(43,299)
Net change of cash and cash equivalents	(1,569,894)	(234,295)
Cash and cash equivalents at the end of the period	1,942,851	2,718,732

CAIXA GERAL DE DEPÓSITOS, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousand euros)

	Share capital	Fair value reserve	Other reserves and retained earnings: Other reserves	Other reserves and retained earnings: Retained earnings	Other reserves and retained earnings: Total	Net income for the period	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	-	(210,943)	3,245	-	3,245	-	(207,698)	(2,542)	(210,240)
Employee benefits - actuarial gains and losses	-	-	36,731	-	36,731	-	36,731	-	36,731
Foreign currency differences in subsidiaries and branches	-	-	15,833	-	15,833	-	15,833	(23,251)	(7,419)
Other	-	-	8,414	-	8,414	-	8,414	8,562	16,976
Total gains and losses for the period recognised in equity	-	(210,943)	64,223	-	64,223	-	(146,720)	(17,231)	(163,951)
Written-put over non controlling interests - Partang	-	-	(35,014)	-	(35,014)	-	(35,014)	-	(35,014)
Investments carried out by non-controlling interests	-	-	-	-	-	-	-	22,290	22,290
Dividends paid on preference shares and other dividends paid to non-controlling interests	-	-	-	-	-	-	-	(18,899)	(18,899)
Reclassifications between reserves and retained earnings	-	-	(66,342)	66,342	-	-	-	-	-
Net income for the period	-	-	-	-	-	47,061	47,061	46,817	93,878
Balances at June 30, 2015	5,900,000	200,867	2,568,701	(3,325,473)	(756,773)	47,061	5,391,155	999,908	6,391,063
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	-	-	(344,723)	173,270	(171,453)	171,453	-	-	-
Other entries directly recorded in equity:									
Gain/(losses) on available-for-sale financial assets	-	(147,552)	(25,560)	-	(25,560)	-	(173,112)	(1,944)	(175,056)
Employee benefits - actuarial gains and losses	-	-	7,181	-	7,181	-	7,181	-	7,181
Foreign currency differences in subsidiaries and branches	-	-	(29,838)	-	(29,838)	-	(29,838)	(38,523)	(68,361)
Other	-	-	(1,018)	-	(1,018)	-	(1,018)	(2,792)	(3,810)
Total gains and losses for the period recognised in equity	-	(147,552)	(49,236)	-	(49,236)	-	(196,788)	(43,259)	(240,047)
Written-put over non-controlling interests - Partang	-	-	(1,925)	-	(1,925)	-	(1,925)	-	(1,925)
Investments carried out by non-controlling interests	-	-		-	-	-	-	(2,212)	(2,212)
Dividends paid on preference shares and other dividends paid to non-controlling interests	-	-		-	-	-	-	(13,933)	(13,933)
Reclassifications between reserves and retained earnings	-	-	(939,712)	939,712	-	-	-	-	-
Net income for the period	-	-	-	-	-	(205,243)	(205,243)	24,670	(180,573)
Balances at June 30, 2016	5,900,000	111,264	1,365,035	(2,278,351)	(913,315)	(205,243)	4,892,705	852,315	5,745,020

2. NOTES ON THE ACCOUNTS

2.1. Notes to the Consolidated Financial Statements

(Amounts expressed in thousand euros – unless otherwise indicated)

1. INTRODUCTORY NOTE

Caixa Geral de Depósitos, S.A., (Caixa or CGD), founded in 1876, is an exclusively state-owned public liability limited company. Caixa became a state-owned company on 1 September 1993 under decree law 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 June 30, 2016, CGD had a nationwide network of 731 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, in which it has majority shareholdings. These companies comprise Caixa Geral de Depósitos group (group) and operate in various sectors such as banking, investment banking, brokerage, venture capital, the property area, 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 June 30, 2016, were approved by the board of directors at August 30, 2016.

The European Commission approved CGD's restructuring plan, as submitted by the Portuguese state, in July 2013, as part of its respective recapitalisation process.

The recapitalisation was required in the context of the new regulatory requirements imposed by the European Banking Authority (EBA) which resulted in the need for additional capital of €1,650 million (€750 million in the form of a capital increase and €900 million in core tier 1 equity instruments (note 22), subscribed for in June 2012 by its state shareholder but considered by the European Commission to be state aid.

CGD's approved restructuring plan focuses on the institution's role in backing companies and individual customers in Portugal and was based on three main operating areas which reinforce the strategy which is already being implemented:

- Deleveraging of CGD group's balance sheet with the disposal of its insurance arm and non-strategic investments (already done), in addition to its run-down of non-core assets;

- Improvement of operational efficiency, continuing its endeavours, already in progress, to reduce operating costs by optimising the number of branches and employees and renegotiating service agreements;

- Restructuring of activity and streamlining of CGD's branch office network in Spain with the objective of ensuring its long term feasibility and autonomy from CGD in funding terms, in addition to ensuring a positive contribution to group income. This restructuring operation, involving the streamlining of its branch office network and optimisation of services and processes, resulted in a downsizing of employee numbers and the concentration of CGD's non-core assets in its Spain branch which was given responsibility for the respective run-off.

The first phase of the implementation of the plan for Spain was completed in December 2015, with the defined KPIs having been fully complied with.

CGD and CGD group undertook:

a) Not to make any equity investments or acquire any collection of assets comprising the performance of an activity, in excess of certain limits. This commitment, however, does not apply in certain situations, such as acquisitions in the sphere of CGD's current activity related with the management of loans to customers in distress;

b) Not to implement aggressive commercial strategies;

c) To reduce proprietary trading activities to the minimum required by the treasury function;

d) Not to make reference to state aid or any advantages therefrom deriving for advertising purposes;

e) Not to pay any dividends, coupons or interest to holders of preference shares or subordinated debt, when such payments do not derive from a contractual or legal obligation. Such payments are, however, permitted if it can be shown that any failure to make such payments may prejudice the redemption of the core tier 1 capital instruments issued by CGD and subscribed for by the state in June 2012;

f) To invest €30 million *per annum* in a fund to invest in the equity of Portuguese SMEs and mid-caps, under the recapitalisation plan agreed with the Portuguese state and in Portuguese mid-caps. Investment in excess of the said amount must be approved in advance by the European Commission;

g) To continue to expand its operational risk monitoring policy and implement prudent, safe commercial policies geared to sustainability;

h) To appoint a monitoring trustee, responsible for overseeing the implementation and execution of the measures contained in the restructuring plan;

i) Not to set up new business units in geographies in which CGD group was not previously present;

j) To comply with all regulations and legal requirements on remuneration policies.

2. ACCOUNTING POLICIES

2.1. Presentation bases

The consolidated financial statements, at June 30, 2016, were prepared on the basis of the international financial reporting standards (IFRS), as adopted in the European Union, under European Council and Parliament regulation (EC) 1606/2002 of July 19 and decree law 35/2005 of February 17.

These financial statements are set out in conformity with the requirements of IAS 34 – “interim financial reporting” but do not include all of the information required for the preparation of the annual financial statements.

The accounting policies described in this note have been consistently applied across all of the periods set out in the financial statements.

2.2. 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.

As required by 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).

The accounts of CGD’s subsidiaries were consolidated by the integral consolidation method in which significant transactions and balances between the consolidated companies have been eliminated. Consolidation adjustments are also made, when applicable, to ensure the consistent application of the group’s accounting principles.

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

Consolidated profit is based on CGD’s and its subsidiaries’ aggregate net income in proportion to their effective stakes, after consolidation adjustments, i.e. the elimination of dividends received and capital gains and losses made on transactions between companies included in the consolidation perimeter.

2.3. Business combinations and goodwill

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

Goodwill is the positive difference, between the cost of a subsidiary’s acquisition and the fair value attributable to the acquisition of its 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 the identifiable assets, liabilities and contingent liabilities acquired in the transaction exceeds the acquisition cost, the excess should be recognised as income in profit and loss for the year.

The acquisition of non-controlling interests after control over a subsidiary has been achieved is recognised as an operation with shareholders and no additional goodwill is recognised. The difference between the value attributed to non-controlling interests and the respective acquisition cost, on the transaction date, is directly recognised as a charge to reserves. 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 and its respective recoverable value is based on future cash flow estimates at discount rates considered by the group to be appropriate. Impairment losses associated with goodwill are recognised in profit and loss for the period and cannot be reversed.

Up to January 1, 2004, as permitted by the accounting policies defined by the Bank of Portugal, goodwill was fully deducted from equity in the year of the acquisition of the subsidiaries. As permitted under IFRS 1, as the group did not make any changes to this procedure, goodwill, generated on operations, up to January 1, 2004, continued to be deducted from reserves.

Accounting of written put options

Liabilities resulting from put options written over 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.

2.4. Investments in associates and jointly controlled enterprises

Associated companies are entities over which the group wields significant influence, but whose management it does not effectively control. Significant influence is presumed to exist whenever the group has a direct or indirect equity stake or voting rights of 20%, unless it can clearly be 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 IAS 28 requirements, a significant influence by the group usually comprises one of the following:

. 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;

. The occurrence of material transactions between associate and group;

. The existence of interchange between members of management;

. The supply of essential technical information.

There are also situations in which the group, in conjunction 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 enterprises 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' equity (including its results). The equity accounting method is applied up to the time when the accumulated losses incurred by the associate or jointly controlled entity and 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 provision to be set up on 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 respective carrying amount, whose full balance sheet amount is subject to annual impairment tests.

Unrealised gains or losses on transactions with associated companies and jointly controlled entities are eliminated to the extent of the group's effective stake in the said entities.

2.5. 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 area in which they operate and 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 in Caixa's and its subsidiaries' separate financial statements on the basis of the reference exchange rates in force on the transaction dates.

Monetary assets and liabilities 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 rate.

Exchange rate gains and losses arising on translation are recognised in profit and loss for the period, except for those arising on non-monetary financial instruments recognised at fair value, such as shares classified as available-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, translation differences are recognised in "Other reserves" in shareholders' equity and their respective balance is 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 its subsidiaries' financial statements when expressed in foreign currency up to December 31, 2003 in "Other reserves". Accordingly in the case of the disposal of subsidiaries or associates after the said date, only exchange rate gains/losses originating from January 1, 2004 will be reclassified to profit and loss.

2.6. Financial instruments

a) Financial assets

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 the remaining categories, such costs are added to the asset’s book value. Upon initial recognition, they are classified in one of the following IAS 39 categories:

i) Financial assets at fair value through profit or loss

This category includes:

- Financial assets held for trading, essentially comprising securities acquired to realise gains 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 limited to situations whose 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 occur as a result of measuring related assets and liabilities or an inconsistency in the recognition of gains and losses thereon;
  - groups of managed financial assets, financial liabilities, or both, 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 recognised in this category, unless:
    - The embedded derivatives do not significantly modify the cash flows which would otherwise have been produced under the agreement;
    - 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 and the gains and losses generated by their subsequent measurement are recognised in profit and loss for the period in “Income from financial operations”. Interest is recognised in the appropriate “Interest and similar income” accounts.

ii) 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 loans), 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 interest 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. Interest is recognised by the effective interest rate method, which enables amortised cost to be calculated and interest to be split up over the period of the operations. The effective interest rate is the rate used to discount the estimated future cash flows associated with the financial instrument, enabling the present value to be matched to the value of the financial instrument on the initial recognition date.

iii) 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. It therefore also includes equity instruments held under the group’s venture capital operations, without associated options;
- 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 on an active market whose fair value cannot be reliably measured, which continue to be recognised at cost. Revaluation gains and losses are recognised directly in “Fair value reserves” in shareholder’s equity. At the time of sale or if impairment is declared, accumulated fair value gains or losses are transferred to income or costs for the period 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 weighted acquisition cost.

Interest on debt instruments classified in this category is calculated by the effective interest rate method and recognised in “Interest and similar income” in profit and loss.

Dividends on equity instruments classified 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 1, 2008 was accordingly July 1, 2008. Reclassifications after this date had an impact as from the reference date of the referred to transfer between the different categories of financial instruments.

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.

A financial instrument's fair value is the amount at which a financial asset or liability may be sold or settled between independent, knowledgeable parties in arm's length transactions.

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

- The closing price, at the balance sheet date, for instruments traded in active markets;
- Measurement methods and techniques used for debt instruments not traded in active markets (including unlisted securities or securities with low liquidity) include the following:
  - 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.
- Unit trust investment funds not traded in active markets are measured on the basis of their last available NAV (net asset value).
- The measurement of unlisted equity instruments allocated to venture capital activity is based on the following:
  - Prices of materially relevant transactions entered into by independent entities over the last six months;
  - Multiples of comparable companies in terms of activity, size and profitability;
  - Discounted cash flows, whose discount rates are tailored to the risk attached to the assets held.

The 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 measurement will also fall within a range of measurements resulting from the above referred to 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 by the effective interest rate method.

Whenever an estimate of payments or collections associated with financial instruments measured at amortised cost is revised, the respective book value is adjusted to reflect the revised cash flows. The new amortised cost is measured by calculating the present value of future cash flows discounted at the financial instrument's initial effective interest rate. The adjustment of the amortised cost is recognised in profit and loss.

b) Financial liabilities

Financial liabilities are recognised on their agreement dates, 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 fair value, in addition to the short selling of fixed and variable-income securities. These liabilities are recognised at fair value. Gains or losses resulting from their subsequent measurement 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 services or purchase of assets, recognised in "Other liabilities".

These financial liabilities are measured at amortised cost. Any interest thereon is recognised in accordance with 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 stock market fluctuations.

Derivatives are recognised at their fair value on their agreement dates. They are also recognised in off-balance sheet account headings at their respective notional value.

Derivatives are subsequently measured at their respective fair value. Fair value is assessed:

- On prices obtained in active markets (e.g. futures trading in organised markets);
- On models incorporating measurement techniques accepted in the market, including discounted cash flows and options measurement models.

The assessment of the fair value of derivatives also incorporates specific adjustments to reflect own credit risk, based on a market discount curve which is considered to reflect the associated risk profile. The group simultaneously adopts a similar methodology to reflect counterparty credit risks on derivatives with positive fair value.

Embedded derivatives

Derivatives embedded in other financial instruments are separated out from the host agreement 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 agreement as defined in IAS 39; and
- The total amount of the 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 measure the derivatives embedded in deposits and debt instruments, i.e. instruments whose returns are not in the form of interest (e.g. when indexed to share prices or indices, exchange rates, *inter alia*). At the time of separation, the derivative is recognised at its respective fair value, with the initial amount of the host agreement comprising the difference between the total value of the combined agreement and the derivative's initial revaluation. Therefore, no income is recognised on the operation's initial recognition.

Hedge derivatives

These derivatives are contracted for to hedge the group's exposure to the risks inherent to its activity. Classification as a hedge derivative and the use of hedge accounting rules, as described below, are contingent upon compliance with IAS 39 requirements.

At June 30, 2016 and December 31, 2015, the group only hedged its exposure to changes in the fair value of financial instruments recognised in its balance sheet and referred to as "Fair value hedges".

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

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

Monthly hedge effectiveness tests are performed and documented by comparing the change in fair value of the hedging instrument and hedged item (part attributable to the hedged risk). To enable the use of hedge accounting, under IAS 39, the ratio should fall 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 and their results are recognised daily in income and costs for the period. If the hedge is shown 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 by 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 a decision is taken to revoke the designation, are then 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 account headings, respectively.

Measurements of hedged items are posted to the balance sheet account headings 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.

- Assets or liabilities hedge derivatives recognised at fair value through profit or loss, thus rendering hedge accounting unnecessary;
- Risk hedge 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, the results of whose revaluations are recognised daily 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 performs impairment tests on its financial assets at amortised cost, i.e. “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:

- A breach of contractual clauses such as interest or principal in arrears;
- A record of defaults in the financial system;
- Existence of credit or credit restructuring negotiations;
- Difficulties in terms of the capacity of partners and management, notably when leading partners or key employees leave the company or in the event of disputes between partners;
- A debtor's or debt issuing entity's significant financial difficulties;
- The strong probability of a debtor's or debt issuing entity's bankruptcy;
- The worsening of a debtor's competitive position;
- A track record of collections suggesting that the nominal value will not be fully recovered.

Whenever signs of impairment on separately assessed assets are identified, any impairment loss comprises the difference between the present value of expected future cash flows (recoverable value), discounted at the asset's effective original interest rate and book value at the time of analysis.

Assets which are not included in a specific analysis are included in a collective impairment analysis and classified in like-for-like groups with similar risk characteristics (based on counterparty and credit type) based on the identification of the above referred to signs of impairment. Future cash flows are based on historical information on defaults on 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 estimated cash flows receivable on each operation at the balance sheet date.

The amount of impairment is recognised in costs in "Credit impairment, net of reversals and recoveries" and "Impairment of other assets net of reversals and recoveries" 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/down its non-recoverable credit using the respective accumulated impairment following a specific analysis by the structural bodies responsible for overseeing and recovering credit and the approval of the board of directors of the various bodies involved. Any recoveries of written-off/down credit are recognised as a deduction from the impairment losses balance in "Credit impairment net of reversals and recoveries" in profit and loss.

In accordance with the policies in force within the group, interest on overdue credit without a real guarantee is written-off up to three months from an operation's due date or first overdue instalment. Unrecognised interest on the above referred to credit is only recognised in the year in which it is charged.

Interest on overdue credit on mortgage loans or other real guarantees is not written-off/down when 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 2.6. a), available-for-sale financial assets are recognised at fair value with changes to fair value being recognised in the “Fair value reserve” equity account heading.

Whenever there is objective evidence of impairment, the 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 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, recognised in profit and loss for the period, is always considered to exist on any additional capital losses.

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, in this case, is the best estimate of the future cash flows receivable on the asset, discounted at a rate which adequately reflects the risk attached to holding the asset.

The amount of the impairment loss is recognised directly in profit and loss for the period. Impairment losses on such assets cannot be reversed.

2.7. 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 as well as groups of assets for disposal, either by sale or other aggregate means, in a single transaction in addition to all liabilities directly associated with such assets, which may be transferred in the operation (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 by sale and not their continued use. The following requirements must be met for an asset (or group of assets and liabilities) to be classified under this account heading:

- 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 heading.

Assets recognised in this account heading 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 heading at their bid price.

These assets are not depreciated. The value of property received in kind for credit recovery purposes is periodically assessed. Impairment losses are recognised when the amount of the valuation, net of the estimated costs to be incurred on the sale, is less than their book value.

Auctioned property is written-off from assets on sale and the respective gains or losses thereon recognised in "Other operating income".

2.8. Investment properties

Investment properties are properties held by the group with the objective of obtaining income from rentals and/or appreciation in their value.

Investment properties are not depreciated and are recognised at fair value by appraisers. Fair value changes are recognised in "Other operating income" in profit and loss.

2.9. Other tangible assets

Other tangible assets are recognised at their acquisition cost, revalued under the applicable legal dispositions and net of 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 expenses".

Up to January 1, 2004, Caixa and several of its subsidiaries 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 result, 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 companies 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 over the assets' estimated useful lives, comprising the periods in which the assets are expected to be available for use, i.e.

	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 heading and depreciated over an average period of 10 years.

Depreciation is recognised as a cost for the period.

Tests to identify signs of impairment on other tangible assets are periodically performed. 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 makes an annual assessment of the adequacy of its tangible assets' useful lives.

2.10. Finance leases

Finance lease operations are recognised as follows:

<u>As lessee</u>

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

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

<u>As lessor</u>

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

2.11. Intangible assets

This account heading essentially comprises the cost of acquiring, developing or preparing software used to further the group's activities. In cases in which the requirements of IAS 38 – "Intangible assets" are met, the direct internal costs incurred on 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 amortisation and impairment losses.

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

Software maintenance costs are recognised as a cost for the period in which they are incurred.

2.12. Income tax

Current tax

CGD is subject to the fiscal regime set out in the IRC (corporate income tax) code and, starting 2012, was taxed under the special tax regime for corporate groupings of article 69 *et seq.* of the respective code. The group perimeter covered by the referred to tax regime, of which CGD is the dominant entity, comprises all companies with headquarters and 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 stake of at least 75%, for a period of more than a year and when the equity stake gives it more than 50% of the voting rights.

The group's taxable profit is calculated on the algebraic sum of the taxable profit and losses made by each of the companies in the perimeter. Branch accounts are accordingly included in the respective 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 net income may also be subject to local taxes in the countries/territories in which they are established. Local taxes are deductible from the group's IRC tax bill as a tax credit under double taxation agreements and article 91 of the respective code.

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

Adjustments to accounting income

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

  Under Article 66 of the IRC code, the profit made by non-resident companies benefiting from a clearly more favourable tax regime is allocated to Caixa, in proportion to its equity stake and notwithstanding its appropriation, provided that Caixa has a direct or indirect equity stake of at least 25% or at least 10% if 50% of the non-resident company is either directly or indirectly owned by resident partners.

  A company is considered to benefit from a clearly more favourable regime (i) when it is resident in a territory listed in ministerial order 292/2011 of November 8, or (ii) when it is not subject to local 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 that would have been payable if the company were resident in Portugal.

In these cases, the profit is included in Caixa's taxable income for the period in which the end of the non-resident company's tax period is included and corresponds to the net profit earned by it, based on Caixa's share of the equity. The amount of the profit included is deductible from the taxable profit for the year in which the referred to profits may eventually be distributed to Caixa.

- *Provisions and impairment on credit*

Caixa considered the effect of the following standards in assessing its taxable profit for 2015:

- The dispositions of no. 2 of article 28-A of the IRC code under which (i) the provisions for general credit risks (as defined by the Bank of Portugal's official notice 3/95) from January 1, 2013, and (ii) country-risk provisions with reference to January 1, 2015, are not tax deductible;

- The dispositions of article 28-C of the IRC code and regulatory decree 19/2015 of September 30, under which provisions for specific credit risk in the case of loans collateralised by real rights over property are not tax deductible;

During the course of first half 2016, based on the application of the Bank of Portugal's official notice 5/2015 which revoked official notices 1/2005 and 3/95 which were also issued by the Bank of Portugal, Caixa started to prepare its financial statements on its separate activity in accordance with the dispositions of the international financial reporting standards as adopted at any time under European Union regulation, considering IAS 39 requirements on provisions for credit and other amounts receivable from January 1, of the referred to year.

- *Employee costs*

CGD has considered its employee costs, processed and recognised in the accounts, including, *inter alia*, the costs associated with pensions liabilities and other post-employment benefits to be tax deductible, up to the limit of the contributions effectively paid into the pension fund. This procedure is in line with the respective 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 periods, and in line with article 43 of the IRC code, are tax deductible.

Also herein and as a result of the change in accounting policy on the recognition of actuarial gains and losses 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 recognised in full as a charge to reserves. As the component of €60,837 thousand relating to pensions liabilities complied with the requirements of article 183 of law 64-B/2011 of December 30 approving the state budget law for 2012, the negative equity changes originated in 2011, which were not considered for tax purposes, in the period, will be recognised as a deduction from taxable profit, in equal parts, in the ten years starting on or after January 1, 2012.

- *Settlement results*

  According to article 92 of the IRC code, amended by the state budget law for 2011, taxable income, net of deductions for international double taxation and tax benefits, may not be less than 90% of the amount which would have been assessed if the taxpayer (i) had not enjoyed tax benefits, (ii) had not made supplementary contributions to pension funds and the like to cover retirement pension liabilities.

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

  CGD did not adjust its assessment of taxable income for the six months ended June 30, 2016 and for the year 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 consists of the impact on tax recoverable/payable in future periods resulting from temporary deductible or taxable differences between the book value of assets and liabilities and their fiscal basis, used to assess taxable profit.

Deferred tax liabilities are normally recognised for all temporary taxable differences, whereas 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 is questionable on account of other situations, including issues regarding the interpretation of current tax legislation.

Notwithstanding, deferred taxes on temporary differences originating from the initial recognition of assets and liabilities in transactions which do not affect accounting income or taxable profit are not recognised.

The main situations originating temporary differences on a CGD level are temporary non-tax deductible provisions and impairment.

Deferred taxes are calculated at the tax rates expected to be in force on the temporary differences' reversal date, comprising the full 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 in which the originating transactions have been recognised in other shareholders' equity accounts. The corresponding tax, in these situations, is also recognised as a charge to equity.

2.13. Provisions and contingent liabilities

A provision is set up whenever a present (legal or constructive) obligation resulting from past events is likely to entail a future outflow of resources and when the amount thereof may be reliably assessed. The amount of the provision comprises the best estimate of the amount of the liability to be paid at the balance sheet date.

A contingent liability exists when the future outflow of resources is unlikely. 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.

2.14. Employee benefits

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

Pension and healthcare liabilities

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

Healthcare for CGD's (headquarters) active and retired employees is also provided by Caixa Geral de Depósitos's social services department 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. Total liabilities are calculated annually by specialised actuaries, using the unit credit projected method and adequate actuarial presuppositions. 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.

Gains and losses on differences between the actuarial and financial presuppositions used and the effective amounts of liabilities and expected pension fund yields, as well as on changes in actuarial presuppositions are recognised as a charge to "Other reserves".

In the case of defined contribution plans, the group does not usually assume any liability other than its annual contributions and no additional costs are accordingly recognised.

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

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 non-active status of employees with whom it has agreed to suspend their labour agreement. This provision is also recognised as a charge to "Employee costs" in profit and loss.

<u>Other long term benefits</u>

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

Liabilities for such benefits are also based on actuarial calculations. Actuarial gains and losses are recognised in full as a charge to profit and loss for the period, under the dispositions of IAS 19 for the type of benefits identified.

<u>Short term benefits</u>

Short term benefits, including employees' productivity bonuses, are recognised on an accrual basis in "Employee costs".

2.15. Commissions

As referred to in note 2.6., 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, by the effective interest rate method, in "Interest and similar income".

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

2.16. 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 of dividends and/or redemptions 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.

2.17. 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, at their nominal value.

2.18. Cash and cash equivalents

For the preparation of its cash flow statements, the group considers "Cash and cash equivalents" as the "Cash and claims at central banks" and "Claims at other credit institutions" total.

2.19. Critical accounting estimates and more relevant judgmental issues 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 are the estimates with the greatest impact in the group's consolidated financial statements.

Calculation of impairment losses on loans and other amounts receivable

The calculation of impairment losses on loans is based on the methodology defined in note 2.6. d). Impairment on separately analysed assets, is, accordingly, based on a specific assessment made by Caixa, based on its knowledge of a customer's circumstance and guarantees associated with the operations in question.

The assessment of impairment on a collective basis is based on historical parameters for comparable types of operations, considering default and recovery estimates.

Caixa considers that 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 such assets' market value are recognised as a charge to the "Fair value reserve". Whenever there are objective signs of impairment, accumulated capital losses recognised in the "Fair value reserve" should be transferred to costs for the period.

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 2.6. d)). As a general rule, impairment is always assessed whenever it is considered that the amount invested is unlikely to be fully recovered based on the size of the referred to capital loss.

In the case of debt instruments classified in this category, the 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 an issuing entity's financial difficulties, defaults on other financial liabilities or a significant downgrade of the issuing entity's rating.

Measurement of financial instruments not traded in active markets

Under IAS 39, the group measures all financial instruments at fair value, except for those recognised at amortised cost. The measurement models and techniques described in note 2.6. are used to measure the value of financial instruments not traded in liquid markets. The measurements obtained comprise the best estimate of the fair value of the referred to instruments at the balance sheet date. To ensure an adequate level of segregation between functions, the measurement of these financial instruments is the responsibility of a body which is independent from the trading function.

Employee benefits

As referred to in note 2.14. above, the group's liabilities for its employees' post-employment and other long term benefits are assessed on an actuarial basis. The actuarial appraisals incorporate, *inter alia,* financial and actuarial presuppositions on mortality, disability, salary and pension growth, respective asset yields and discount rates. The presuppositions 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 2.3. above, the group performs impairment tests on balance sheet goodwill at least once a year. These tests are based on the estimated future cash flows on each unit, discounted at appropriate rates.

The projections include a broad range of assumptions on the evolution of the units' future activities, which may or not occur. Such assumptions, however, reflect the group's best estimate at the balance sheet date.

Assessment of income tax

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 some 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 its 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 is based on expectations of future taxable profit enabling the use thereof. Deferred tax generated by the carry-back of tax losses is only recognised if it is concluded that they may be reversed during the periods lawfully defined for the purpose. The assessment is naturally contingent upon the existence of the presuppositions considered.

3. GROUP COMPANIES AND TRANSACTIONS IN PERIOD

The group's structure in terms of its main subsidiaries, by sectors of activity and the respective financial data taken from their separate statutory financial accounts, unless otherwise expressly indicated, is summarised below:

Activity / Entity	Head office	30-06-2016			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%	27,053	9,349	25,057	7,353
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	88,580	4,745	108,602	36,205
Caixa Desenvolvimento, SGPS, S.A.	Lisbon	99.72%	321	(42)	363	(73)
Caixa Seguros e Saúde, SGPS, S.A.	Lisbon	100.00%	1,202,702	10,554	1,224,661	49,460
Parbanca, SGPS, S.A.	Madeira	100.00%	41,698	6,668	67,947	19,164
Parcaixa SGPS, S.A.	Lisbon	51.00%	1,018,339	8,491	1,009,518	57,624
Partang, SGPS, S.A.	Lisbon	100.00%	147,762	8,442	146,701	29,374
Wolfpart, SGPS, S.A.	Lisbon	100.00%	20,902	3,517	18,937	(21,823)
Banking						
Banco Caixa Geral, S.A.	Vigo	99.79%	457,760	10,124	459,750	25,222
Banco Comercial do Atlântico, S.A.	Praia	57.91%	44,622	1,284	44,174	3,345
Banco Comercial e de Investimentos, S.A.R.L.	Maputo	52.13%	176,966	12,804	211,815	39,547
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	92,858	2,286	72,576	(8,405)
Banco Interatlântico, S.A.R.L.	Praia	70.00%	15,776	29	15,830	104
Banco Nacional Ultramarino, S.A. (Macau)	Macau	100.00%	708,910	31,211	720,997	57,598
Caixa - Banco de Investimento, S.A. (b)	Lisbon	99.72%	325,568	2,629	321,399	7,057
CGD - North America Finance	Delaware	100.00%	-	-	1	-
CGD Investimentos CVC, S.A.	São Paulo	99.86%	851	289	432	(3,387)
Mercantile Bank Holdings, Ltd. (b)	Johannesburg	100.00%	124,139	4,585	119,190	10,379
Banco Caixa Geral Angola, S.A.	Luanda	51.00%	241,348	25,522	272,159	84,728
Specialised Credit						
Caixa Leasing e Factoring - Instituição Financeira de Crédito, S.A.	Lisbon	51.00%	120,840	13,447	107,393	24,256
Promoleasing - Sociedade de Locação Financeira, S.A.	Praia	57.91%	297	4	298	7
Asset Management						
Caixagest - Técnicas de Gestão de Fundos, S.A.	Lisbon	100.00%	26,933	731	32,642	6,439
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	7,071	868	6,703	2,070
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisbon	100.00%	3,200	1,000	4,700	2,500
Venture Capital						
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	45.30%	3,254	62	3,201	(40)
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	99.72%	26,381	1,528	24,853	4,508
Real Estate						
Imobci, Lda.	Maputo	45.21%	67	(216)	340	18
Imocaixa - Gestão Imobiliária, S.A.	Lisbon	100.00%	5,869	(949)	6,818	(1,978)
Caixa Imobiliário, S.A.	Lisbon	100.00%	23,783	3,645	20,138	(22,552)
Inmobiliaria Caixa Geral S.A.U.	Madrid	100.00%	(65,180)	(3,655)	(61,524)	(9,560)
Cibergradual, Investimento Imobiliário, S.A.	Lisbon	100.00%	(57,728)	(747)	(56,981)	(6,516)
Other Financial Entities						
CGD Finance	Cayman	100.00%	2,560	(10)	2,569	1
Caixa Geral Finance (c)	Cayman	0.00%	111,215	(4)	111,219	-

(a) Equity includes net income for the period.

(b) Data taken from consolidated financial statements.

(c) Share capital comprises 1 000 ordinary shares of EUR 1 and 110 728 non-voting preference shares of EUR 1 000 each (110 728 preference shares in 31-12-2015).

Activity / Entity	Head office	30-06-2016 % Effective participating interest	30-06-2016 Equity (a)	30-06-2016 Net income	31-12-2015 Equity (a)	31-12-2015 Net income
Other Companies						
Caixanet - Telemática e Comunicações, S.A.	Lisbon	80.00%	1,849	15	1,842	37
Caixatec, Tecnologias de Comunicação, S.A.	Lisbon	100.00%	(1,879)	(422)	(1,349)	(231)
HPP International - Luxembourg, S.A.R.L.	Luxembourg	100.00%	-	-	(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%	238,041	6,552	231,488	(4,015)
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	20,009	(789)	20,798	2,791
Fundo de Capital de Risco Caixa Fundos	Lisbon	100.00%	69,949	(702)	60,650	1,510
Fundo de Capital de Risco Caixa Crescimento	Lisbon	100.00%	36,814	1,250	35,564	26
Fundo de Capital de Risco Caixa Tech Trsf Accelerator Ventures	Lisbon	100.00%	3,073	(123)	3,196	(104)
Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	Lisbon	100.00%	113,968	(473)	114,441	(557)
Fundo Especial de Investimento Aberto Estratégias Alternativas	Lisbon	73.65%	12,475	(456)	13,118	(129)
Caixa Imobiliário - Fundo de Investimento Fechado de Arrendamento Habitacional	Lisbon	100.00%	41,837	(258)	42,095	(1,857)
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	41.17%	113,624	1,733	137,036	19,698
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Lisbon	40.53%	215,940	5,169	273,115	18,346
Caixagest Infra-Estruturas - Fundo Especial de Investimento	Lisbon	22.51%	100,285	6,472	106,401	16,832
Beirafundo - Fundo de Investimento Imobiliário Fechado	Lisbon	95.88%	(1,242)	(1,437)	195	(5,672)
Cidades de Portugal - Fundo de Investimento fechado de Arrendamento Habitacional	Lisbon	100.00%	30,347	645	29,703	(1,212)
Caixa Reabilita - Fundo Especial de Investimento Imobiliário	Lisbon	100.00%	4,974	68	4,906	(374)
Fundolis - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	56,774	(476)	57,250	(2,069)
Fundimo - Fundo de Investimento Imobiliário Aberto	Lisbon	57.87%	562,267	(10,996)	597,781	2,421
Fundo especial de investimento - Obrigacoes Rendimento Nacional	Lisbon	26.11%	98,599	1,705	97,166	1,956
Fundiestamo - Fundo de Investimento Imobiliário Fechado	Lisbon	77.92%	146,212	1,003	145,209	4,750
Fundo Especial de Investimento Imobiliário Fechado - Iberia	Lisbon	100.00%	82,750	(688)	23,461	(1,352)

(a) Equity includes net income for the period.

Information on group subsidiaries' principal movements in the six months' period ended June 30, 2016 and in 2015 is given below:

Banco Comercial e de Investimentos, S.A.

In first half 2015, Banco Comercial e de Investimentos, S.A.'s general meeting of shareholders approved 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. Caixa group's equity investment in this operation was made through Parbanca, SGPS, S.A., which has a 51% equity stake in BCI, having subscribed 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).

In March 2016, Banco Comercial e de Investimentos, S.A.'s general meeting of shareholders approved the company's acquisition of shares which had been subscribed for but not paid up by the shareholder Insitec in the 2015 share capital increase, with the referred to shares now being treasury shares.

Ibéria - Fundo Especial de Investimento Imobiliário

On January 8, 2016, the investors meeting approved a capital increase of €59,977 thousand for Fundo Especial de Investimento Imobiliário, to be paid up in kind. This operation comprised the transfer of several properties owned by Caixa Imobiliário, S.A. to

Ibéria - Fundo Especial de Investimento Imobiliário as payment in kind for the capital subscribed for in this operation.

Fundo de Capital de Risco Caixa Crescimento

This Fundo de Capital de Risco Caixa Crescimento (Caixa Crescimento venture fund) was formed on June 28, 2013. Its corporate object is to operate 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 increase funding for the structuring requirements of their operating cycle.

An increase in fund 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 capital increase made in 2015, also for the amount of €30,000 thousand and also subscribed for by CGD.

An amount of €35,700 thousand of the Fund's total capital had been paid up, at June 30, 2016 and at December 31, 2015.

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 deriving from the domestic and international science-technology system.

An amount of €3,300 thousand of the fund's total capital had been paid up, at June 30, 2016 and December 31, 2015.

Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional – Caixa Arrendamento (FIIAH – Caixa Arrendamento)

CGD acquired the non-controlling interest of 8.83% in FIIAH - Caixa Arrendamento from Fidelidade - Companhia de Seguros, S.A, in 2015, for the amount of €10,278 thousand. This transaction was complemented by the acquisition of the residual equity stakes of 3.09% and 0.23%, from the Império Bonança and FIIF - Fundicapital funds, respectively. These operations provided Caixa with full control over the fund’s equity capital.

Fundo de Capital de Risco Grupo CGD

Formed in 1995, CGD group’s venture capital fund has a 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.

In complying with the resolutions of its shareholders Caixa Geral de Depósitos, S.A. and Caixa Participações, SGPS, S.A., at a general meeting of shareholders held on December 31, 2014, the process for the dissolution and liquidation of Gerbanca, SGPS, S.A. was completed in first half 2015.

The company's net assets, essentially comprising its equity stake in Caixa - Banco de Investimento, S.A, were distributed 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 held in March 2015.

Caixa Imobiliário, S.A.

The conversion of partners' loans of €158,200 thousand into supplementary capital payments to increase the company's equity was approved at the general meeting held in March 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 offer for sale took place on October 15, 2014 with 16,860 shares having been sold to workers. The remaining shares making up 5% of the equity of Fidelidade – Companhia de Seguros, S.A., were acquired by Fosun group on January 8, 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).

Banco Caixa Geral Angola, S.A.

On July 8, 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 the 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.

A promissory sales agreement for 100% of the equity capital of the company LCS - Linha de Cuidados de Saúde, S.A. was entered into between Caixa Seguros e Saúde, SGPS, S.A.; Optimus - Comunicações, S.A. (NOS Comunicações, S.A.) and Teleperformance Portugal, S.A. on September 27, 2013. Following the issuance of the required regulatory authorisation the operation for an amount of €5 thousand, took place during the month of July 2015 with the group having recognised a capital loss of €1,610 thousand on the said date.

4. CASH AND CLAIMS AT CENTRAL BANKS

This account heading comprises the following:

	30-06-2016	31-12-2015
Cash	660,414	720,949
Demand deposits in central banks	842,245	2,158,642
	1,502,659	2,879,591
Interest on demand deposits in central banks	5	54
	1,502,664	2,879,645

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

The funds deposited with central banks by Caixa and group banks at June 30, 2016 and December 31, 2015, complied with the minimum limits defined by the regulations in force in the countries in which they operate.

5. CLAIMS AT OTHER CREDIT INSTITUTIONS

This account heading comprises the following:

	30-06-2016	31-12-2015
Cheques for collection		
- Portugal	52,990	59,753
- Abroad	22,239	23,120
	75,229	82,873
Demand deposits		
- Portugal	163,202	159,039
- Abroad	201,375	528,725
	364,577	687,763
Accrued interest	381	2,527
	440,187	773,163

Cheques pending settlement comprise the cheques of customers of other banks sent for clearing. These amounts are collected in the first few days of the subsequent period.

6. INVESTMENTS IN CREDIT INSTITUTIONS

This account heading comprises the following:

	30-06-2016	31-12-2015
Term deposits		
- Portugal	78,720	129,762
- Abroad	1,203,217	1,938,720
Loans		
- Portugal	315	321
- Abroad	125,811	172,786
Other applications		
- Portugal	26,331	59,312
- Abroad	1,490,026	1,593,770
Purchase operations with resale agreement	282,470	125,540
Overdue loans and interest	7,152	7,158
	3,214,041	4,027,370
Adjustments to assets under hedging operations	(3,998)	(4,473)
Accrued interest	1,319	2,341
Deferred income	(2,453)	(2,327)
	3,208,910	4,022,909
Impairment (Note 34)	(7,125)	(11,394)
	3,201,785	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 was backed by the Portuguese state up to its maturity in March 2015. Caixa also, herein, issued a current account line of credit up to a limit of €300,000 thousand, maturing in March 2016, whose possibility of use is conditioned by the amount of the deposits of the former BPN's customers.

During the course of the disposal process on the bank, the ownership of the vehicles Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. (holding a collection of assets transferred from BPN as a result of the implementation 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 sphere of the Portuguese state. The nominal amount of these issuances at June 30, 2016 and December 31, 2015, totalled €2,097,771 thousand (note 6). The remaining loans were settled in full at the said dates.

The state also assumed liabilities for the commercial paper programme subscribed for by Caixa for the amount of €1,000,000 thousand, owing to the transfer of the contractual position between BPN and Parvalorem (note 12). Therefore, starting March 30, 2012, the referred to company became this commercial paper programme’s issuing entity.

The corporate vehicles are repaying the debt to CGD under the terms agreed between the Portuguese state, European Central Bank, International Monetary Fund and European Union. As provided for in the referred to settlement plan, any amounts received from the recovery of assets held by the corporate vehicles shall be set against these loan settlements.

At June 30, 2016 and December 31, 2015, the accumulated impairment balance on investments in credit institutions included €7,125 thousand and 11,392 thousand, respectively, for exposures to banks headquartered in the Republic of Iceland.

At June 30, 2016 and December 31, 2015, the "Purchase operations with repurchase agreements" account heading referred to agreements 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 with the purchase price continuing to be recognised as a loan to credit institutions, measured at its 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 price which is assessed on the specifications agreed between the counterparties, usually in the form of surety deposits.

Information on the impairment of investments in credit institutions for the half years ended June 30, 2016 and 2015, is set out in note 34.

7. FINANCIAL ASSETS HELD FOR TRADING AND OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

These account headings comprise the following:

	30-06-2016			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	3,259	-	3,259	11,127	-	11,127
. Treasury bills	1,684,664	-	1,684,664	-	-	-
. Bonds of other public						
Foreign	2,370,842	-	2,370,842	897,040	-	897,040
- Other issuers:						
. Bonds and other securities:						
Issued by residents	815	-	815	3,260	5,014	8,274
Issued by non-residents	7,120	3,322	10,443	13,876	1,667	15,543
	4,066,700	3,322	4,070,023	925,303	6,681	931,984
Equity instruments						
Residents	2,808	69,728	72,536	472	71,803	72,275
Non-residents	25,406	98,026	123,432	44,111	98,766	142,878
	28,214	167,754	195,968	44,583	170,570	215,153
Other financial instruments						
- Trust fund units						
Residents	-	89,807	89,807	-	175,428	175,428
Non-residents	-	464,304	464,304	-	464,043	464,043
- Other						
Non-residents	-	-	-	15	-	15
	-	554,110	554,110	15	639,471	639,486
Derivatives with positive fair value (Note 10)						
- Swaps	1,511,313	-	1,511,313	1,330,986	-	1,330,986
- Futures and other forward operations	27,312	-	27,312	13,614	-	13,614
- Options - shares and currency	67,830	-	67,830	57,639	-	57,639
- Caps and floors	307,347	-	307,347	176,985	-	176,985
- Other	293	-	293	30	-	30
	1,914,095	-	1,914,095	1,579,254	-	1,579,254
	6,009,010	725,186	6,734,196	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 June 30, 2016 and December 31, 2015, included investment units in unit trust and property investment funds managed by group entities for the amounts of €28,816 thousand and €102,698 thousand, respectively, including property investments funds for the amount of €9,916 thousand, at December 31, 2015.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account heading comprises the following:

	30-06-2016	31-12-2015
Debt instruments		
- Public debt	5,815,887	8,637,184
- Other public issuers	1,641,001	1,619,286
- International financial organisations	199,496	-
- Other issuers	4,135,404	3,923,359
	11,791,788	14,179,830
Equity instruments		
- Measured at fair value	262,223	255,483
- Measured at historical cost	180,763	182,653
	442,986	438,136
Other instruments	1,313,881	1,363,175
	13,548,655	15,981,141
Impairment (Note 34)		
- Equity instruments	(112,518)	(112,532)
- Debt instruments	(784)	(1,029)
- Other instruments	(270,751)	(247,138)
	(384,053)	(360,699)
	13,164,602	15,620,442

"Debt instruments – public debt" at June 30, 2016 and December 31, 2015 included securities allocated to covered bond issuances with a balance sheet carrying amount of €137,640 thousand and €144,294 thousand, respectively (note 20)

"Debt instruments – issued by other entities" at June 30, 2016 and December 31, 2015 included €2,239,193 thousand and €2,276,990 thousand respectively, for bonds issued by Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. as part of the liquidity re-organisation support operations for BPN (note 6). These bonds are backed by a Portuguese state guarantee**.**

"Other instruments" and "Impairment - other instruments", at June 30, 2016, included €870,995 thousand and €190,335 thousand (€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 transfers of financial assets (loans and advances to customers).

Following their transfer (to the company itself or other companies held by the corporate vehicle in which CGD has a stake), the referred to assets 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. It should be noted that the corporate vehicles in which CGD has a non-controlling interest continue to enjoy management autonomy. To ensure the neutrality of operations, at the time of performance, impairment for the estimated losses on the transferred assets was declared on the amount of the investment in the respective corporate vehicles. Following initial recognition, these positions reflect the revaluation of such companies' assets.

The group's exposure, at June 30, 2016 and December 31, 2015, was as follows:

	30-06-2016			
	Securities acquiried on asset transfer operations			
	Value before impairment	Accumulated impairment	Net	Fair value reserve
Fundo Imobiliário Aquarius	196,461	(36,750)	159,710	4,593
Fundo Recuperação, FCR	180,000	(51,820)	128,180	-
Flit-Ptrel SICAV	117,317	(10,536)	106,781	9,986
Discovery Portugal Real Estate Fund	127,542	(25,121)	102,421	23,565
OXI Capital, SCR	81,324	(3,329)	77,996	1,992
Fundo Recuperação Turismo, FCR	53,267	(13,597)	39,670	7,500
Fundo Imobiliário Vega	44,950	(13,663)	31,287	-
Vallis Construction Sector	63,567	(34,030)	29,537	-
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	6,567	(1,490)	5,077	184
	870,995	(190,335)	680,659	47,821

	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

To complement the investments in these vehicles, Caixa also made shareholders' loans and accessory capital payments for certain operations, recognised in "Other assets", with a fully provisioned balance sheet carrying amount of €51,352 thousand and €50,834 thousand, at June 30, 2016 and December 31, 2015, respectively.

The balance on the amount of these securities in comparison to net impairment on the assets transferred during the course of first half 2016 and in 2015, amounted to €43,692 thousand and €44,067 thousand, respectively, recognised in "Provisions for other risks and liabilities".

Net balance sheet impairment on investment units in unit trust and property investment funds managed by group entities and recognised in the available-for-sale financial assets portfolio at June 30, 2016, totalled €8,700 thousand and €23,602 thousand, respectively (€8,115 thousand and €25,193 thousand, respectively, at December 31, 2015). Impairment of "Other instruments", at June 30, 2016 and December 31, 2015, included

€6,662 thousand and €5,071 thousand, respectively, for property investment funds managed by group companies with a prolonged decline in market value at below cost.

At June 30, 2016 and December 31, 2015, equity instruments included the following investments:

	30-06-2016						
	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	-	68,720	68,720	-	68,720	26,297	11.12
Inapa - Investimentos, Participações e Gestão, S.A.	-	22,333	22,333	-	22,333	(4,467)	16.84
Galp Energia, SGPS, S.A.	-	13,319	13,319	-	13,319	744	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)	13,077	-	13,077	-	13,077	11,572	-
VISA Inc Classe C (série US92826C7974)	10,198	-	10,198	-	10,198	-	-
Foreign entities' shares	1,784	-	1,784	-	1,784	657	
Other	-	34,797	34,797	(6,580)	28,217	8,769	
	77,936	184,287	262,223	(104,575)	157,648	43,571	
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	20,072	2,919	22,991	(6,765)	16,226	-	
	177,133	3,630	180,763	(7,943)	172,820	-	
	255,069	187,917	442,986	(112,518)	330,468	43,571	

	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, S.A.	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);
- The securities held by the remaining entities were allocated to "Banking activity".

Information on the composition of impairment of equity instruments recognised by the group as a charge to profit and loss for the half years ended June 30, 2016 and 2015, is set out below (note 34):

	30-06-2016	30-06-2015
Finpro, SGPS, S.A.	-	4,635
Other	32	18
	32	4,652

The fair value reserve for available-for-sale financial assets, at June 30, 2016 and December 31, 2015, comprised the following:

	30-06-2016	31-12-2015
Fair value reserve (Note 25)		
(gross amount before non-controlling interests)		
Debt instruments	355	163,632
Equity instruments	43,571	48,347
Other instruments	97,674	118,783
	141,599	330,762
Deferred tax reserve	(46,608)	(91,358)
	94,991	239,404
Balance attributable to non-controlling interests	3,579	1,646
	98,570	241,050

The main equity instruments movements in available-for-sale financial assets in the period ended June 30, 2016 and in 2015, were as follows:

Finangeste, S.A.

Caixa made capital losses of €931 thousand (note 30) on its sale of 247,375 Finangeste shares for a total amount of €1,582 thousand in June 2015.

VISA Europe Limited and VISA Incorporated Class C

Deriving from the process of reorganising its Visa network operations and after obtaining the necessary approvals from the relevant regulators, Visa Inc's proposal for the acquisition of Visa Europe was successfully completed in June 2016. Caixa made capital gains of €38,941 thousand on this operation, arising from the transfer of the ownership of its equity investment in Visa Europe with a nominal value of €10 (note 30).

The assessment of the capital gains on the operation included the valuation of the various components incorporated in the agreed procedure for settling the transaction, which included: (i) a cash payment on the date of the close of the sale (ii) a deferred cash payment on the date of the sale's third anniversary, and (iii) the delivery of 9,608 convertible preference shares (Class C).

The referred to preference shares' balance sheet carrying amount, at June 30, 2016, totalled €10,198 thousand.

Reclassification of securities

Caixa Geral de Depósitos

In 2008 and across first half 2010, under the terms of the October 2008 amendments to IAS 39, as described in greater detail in note 2.6. 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.

Caixa's reclassifications, arising from the instability and volatility of financial markets, particularly in 2010, as regards the evolution of credit markets which were heavily influenced by the destabilisation of the funding of Eurozone countries' sovereign debt, changed Caixa's outlook on the sale of these assets which was no longer expected to take place 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 impact of the reclassification of the referred to securities in profit and loss and fair value reserves was as follows:

Securities reclassified in 2008

	Financial assets at fair value as a charge to revaluation reserves	Financial assets at amortised cost
Book value at reclassification date	1,001,797	n.a
Book value at 31-12-2008	873,101	n.a
Book value at 31-12-2009	560,350	n.a
Book value at 31-12-2010	336,275	n.a
Book value at 31-12-2011	261,035	n.a
Book value at 31-12-2012	156,972	n.a
Book value at 31-12-2013	138,888	n.a
Book value at 31-12-2014	165,911	n.a
Book value at 31-12-2015	139,266	n.a
Book value at 30-06-2016	72,757	n.a
Fair value of securities reclassified at 30-06-2016	72,757	n.a
Fair value reserve of securities reclassified at 30-06-2016	8,716	n.a

Gains / (losses) associated with the change of the fair value of securities between 31-12-2008 and 31-12-2009		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	6,315	n.a
Impairment for the year	(6,673)	n.a
Other gains and losses recognised as a charge to net income	(60,758)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2009 and 31-12-2010		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	57,186	n.a
Impairment for the year	(52,234)	n.a
Other gains and losses recognised as a charge to net income	(2,247)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2010 and 31-12-2011		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	(17,620)	n.a
Other gains and losses recognised as a charge to net income	(487)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2011 and 31-12-2012		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	14,112	n.a
Impairment for the year	(3,210)	n.a
Other gains and losses recognised as a charge to net income	7,457	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2012 and 31-12-2013		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	5,907	n.a
Impairment for the year	(3,580)	n.a
Other gains and losses recognised as a charge to net income	(671)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2013 and 31-12-2014		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	31,767	n.a
Impairment for the year	-	n.a
Other gains and losses recognised as a charge to net income	-	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2014 and 31-12-2015		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	4,433	n.a
Impairment for the year	-	n.a
Other gains and losses recognised as a charge to net income	9,293	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2015 and 30-06-2016		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	(18,780)	n.a
Impairment for the period	-	n.a
Other gains and losses recognised as a charge to net income	18,674	n.a

Securities reclassified in 2010

	Financial assets at fair value as a charge to revaluation reserves	Financial assets at amortised cost
Book value at reclassification date	1,414,007	503,466
Book value at 31-12-2010	1,039,972	504,393
Book value at 31-12-2011	483,799	495,037
Book value at 31-12-2012	342,668	477,515
Book value at 31-12-2013	170,473	444,652
Book value at 31-12-2014	2,993	374,652
Book value at 31-12-2015	160	-
Book value at 30-06-2016	154	-
Fair value of securities reclassified at 30-06-2016	154	-
Fair value reserve of securities reclassified at 30-06-2016	(97)	n.a
Gains / (losses) associated with the change in securities fair value between reclassification date and 31-12-2010		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	(36,589)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2010 and 31-12-2011		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	(47,894)	n.a
Other gains and losses recognised as a charge to net income	(1,234)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2011 and 31-12-2012		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	70,581	n.a
Other gains and losses recognised as a charge to net income	604	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2012 and 31-12-2013		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	7,898	n.a
Other gains and losses recognised as a charge to net income	2,564	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2013 and 31-12-2014		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	6,270	n.a
Other gains and losses recognised as a charge to net income	20,310	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2014 and 31-12-2015		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	(360)	n.a
Other gains and losses recognised as a charge to net income	268	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2015 e 30-06-2016		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	(3)	n.a
Other gains and losses recognised as a charge to net income	-	n.a

The amounts set out in the table do not include the fiscal effect.

"Gains/ (losses) recognised as a charge to profit and loss" include proceeds from the disposal of securities after the reclassification date and foreign exchange revaluation and exclude income and interest and commissions costs.

The amounts of securities reclassified in 2008 as financial assets at fair value as a charge to reserves include investment units in funds which were latterly included in the consolidation perimeter. Information on this asset, at June 30, 2016 and December 31, 2015, is set out below:

	30-06-2016	31-12-2015
Financial assets at fair value as a charge to revaluation reserves		
Book value	11,044	52,600
Fair value of securities reclassified	11,044	52,600
Fair value reserve of securities reclassified	3,431	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	(5,936)	4,321
Other gains and losses recognised as a charge to net income	7,297	-

9. FINANCIAL ASSETS WITH REPURCHASE AGREEMENTS

The following is a breakdown of financial assets with repurchase agreements, at June 30, 2016 and December 31, 2015:

	30-06-2016	31-12-2015
At fair value through revaluation reserves		
Debt instruments		
- From public issuers:		
. Portuguese debt securities	364,069	290,317
. Foreign debt securities	4,662	4,651
- From other issuers:		
. Bonds and other securities:		
Residents	116,335	120,686
Non-residents	18,825	246,646
	503,892	662,300
At fair value through revaluation reserves		
Debt instruments		
Residents	352,666	418,866
	352,666	418,866
Impairment (Note 34)	(967)	-
	855,591	1,081,166

The group entered into operations for the sale of financial assets with purchase agreements at a future date at a pre-established price with financial institutions and customers in the six months ended June 30, 2016 and in 2015.

Financial instruments loaned 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 agreement.

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

10. DERIVATIVES

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 stock market 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 monitoring of the respective income.

At June 30, 2016 and December 31, 2015, these operations were measured in accordance with the criteria described in note 2.6. c). A breakdown of the operations' notional and book values at the said dates is given below:

	30-06-2016							
	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				2,533	(4,132)	-	-	(1,599)
Purchase	1,189,244	-	1,189,244					
Sale	1,236,349	-	1,236,349					
NDF's (Non Deliverable Forward)				13,800	(3,082)	-	-	10,718
Purchase	144,210	-	144,210					
Sale	127,328	-	127,328					
FRA (forward rate agreements)	60,000	-	60,000	111	-	-	-	111
Swaps								
Currency swaps				6,988	(16,005)			(9,017)
Purchase	1,431,750	-	1,431,750					
Sale	1,440,634	-	1,440,634					
Shares and indexes				33	-	-	-	33
Purchase	2,041	-	2,041					
Sale	2,041	-	2,041					
Interest rate swaps and cross currency interest rate swaps				1,504,270	(1,843,111)	16,040	(3,611)	(326,412)
Purchase	59,011,149	163,652	59,174,801					
Sale	58,899,581	160,771	59,060,352					
Credit default swaps				23	(170)	-	-	(147)
Purchase	72,059	-	72,059					
Sale	70,037	-	70,037					
Futures								
Currency				-	-	-	-	-
Long positions	136,361	-	136,361					
Short positions	67,630	-	67,630					
Interest rate				87	(118)	-	-	(31)
Long positions	413,379	-	413,379					
Short positions	2,937,393	-	2,937,393					
Shares and indexes				382	(147)	-	-	235
Long positions	7,834	-	7,834					
Short positions	15,257	-	15,257					
Other			-	10,398	(3,870)	-	-	6,528
Long positions	289,242		289,242					
Short positions	670,357		670,357					
Options								
Currency				2,031	(2,227)	-	-	(196)
Purchase	128,636	-	128,636					
Sale	70,603	-	70,603					
Shares and indexes				65,602	(68,613)	-	-	(3,011)
Purchase	915,463	-	915,463					
Sale	800,058	-	800,058					
Shares and indexes				197	(305)	-	-	(108)
Purchase	53,600	-	53,600					
Sale	904	-	904					
Interest rates (Caps & Floors)				307,347	(318,587)	-	-	(11,240)
Purchase	2,417,678	-	2,417,678					
Sale	2,666,801	-	2,666,801					
Other	-	-	-	293	(420)	-	-	(127)
	135,277,619	324,423	135,602,042	1,914,095	(2,260,787)	16,040	(3,611)	(334,263)

	31-12-2015							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading (Note 7)	Liabilities held for trading	Hedging derivatives		Total
						Assets	Liabilities	
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)

At June 30, 2016, the “liabilities held for trading” account also included €1,120 thousand in respect of liabilities deriving from 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 June 30, 2016 and December 31, 2015", included operations collateralised by surety accounts with the aim of hedging the fair value of lending and borrowing exposures between Caixa and diverse financial institutions. The balances deposited by the referred to financial institutions with Caixa and by Caixa with the said financial institutions on the said dates are recognised in "Other liabilities - resources - surety account" (note 23) and "Other assets - debtors and other assets - other debtors" accounts (note 17), respectively.

11. HELD-TO-MATURITY INVESTMENTS

The composition of the balances of investments to be held to maturity at June 30, 2016, was as follows:

	30-06-2016
Debt instruments	
Other public issuers	233,619
Other issuers	
Other non-residents	4,231
	237,850

The debt instruments recognised in this category fundamentally refer to the sovereign debt instruments of Banco Caixa Geral Angola's portfolio.

12. LOANS AND ADVANCES TO CUSTOMERS

This account heading comprises the following:

	30-06-2016	31-12-2015
Domestic and foreign loans		
Loans	46,905,674	47,701,256
Current account loans	2,591,380	2,523,881
Other loans	6,070,002	6,038,376
Other loans and amounts receivable - securitised		
. Commercial Paper	2,748,663	2,767,128
. Other	2,060,328	1,948,366
Property leasing operations	1,176,669	1,179,946
Discounts and other loans secured by bills	928,211	1,267,535
Equipment leasing operations	760,005	736,179
Factoring	918,217	840,682
Overdrafts	359,471	397,602
	64,518,621	65,400,951
Adjustment to assets under hedging operations	-	95
Accrued interest	207,448	241,548
Deferred income, commissions and other cost and income associated with amortised cost	(84,979)	(80,788)
	64,641,090	65,561,806
Overdue loans and interest	5,679,846	5,394,933
	70,320,935	70,956,739
Impairment (Note 34)	(5,389,846)	(5,197,706)
	64,931,089	65,759,033

"Domestic credit – other loans" at June 30, 2016 and December 31, 2015, included €64,866 thousand and €67,625 thousand, respectively, relating to CGD's mortgage and personal loans for employees.

The "Other loans and amounts receivable – securitised – commercial paper" account heading, at June 30, 2016 and December 31, 2015, included liabilities deriving from the commercial paper programme subscribed for by Caixa with BPN for the amount of €1,000,000 thousand, formalised by the transfer of the contractual position between the bank and Parvalorem (note 6).

The “Loans” account heading, at June 30, 2016 and December 31, 2015, includes mortgage loans issued by Caixa in the sphere of securitisation operations. Information on these loan movements, for the half ended June 30, 2016, is as follows:

	Nostrum Mortgages nº2
Balances at 31-12-2015	4,265,537
Payments	(110,758)
Repurchase	(6,282)
Other	(13,119)
Balances at 30-06-2016	4,135,378

As all of the liabilities associated with this operation are held by the group, they are eliminated in the preparation of the consolidated financial statements.

The “Loans” account heading, at June 30, 2016 and December 31, 2015, includes mortgage loans allocated to the issuance of covered bonds with a book value of €9,956,026 thousand and €10,478,994 thousand, respectively.

The assets pool collateralising the referred to issuances, at June 30, 2016 and December 31, 2015, also included debt securities with a book value of €137,640 thousand and €144,294 thousand, at the said dates, respectively (note 8).

Information on the seniority structure of “Overdue loans and interest” at June 30, 2016 and December 31, 2015, is set out below:

	30-06-2016	31-12-2015
Up to three months	457,444	308,758
Three to six months	179,256	125,146
Six months to one year	188,945	226,858
One to three years	1,236,440	1,353,364
Over three years	3,617,760	3,380,807
	5,679,846	5,394,933

13. NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE

The non-current assets held-for-sale balances account heading, at June 30, 2016 and December 31, 2015, comprised the following:

	30-06-2016	31-12-2015
ASSETS		
Property and equipment	1,117,643	1,241,911
Impairment - property and equipment (Note 34)	(368,154)	(411,509)
	749,488	830,402

14. INVESTMENT PROPERTIES

The investment properties owned by the group at June 30, 2016 and December 31, 2015, are recognised at their fair value. Gains and losses on the revaluation of these properties are recognised as a charge to "Other operating income" (note 2.8.) in profit and loss.

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 geography of properties, with the objective of assessing the best price on disposal under normal market conditions. Fair value is assessed by individual appraisers who should use at least two of the following methods:

- Market comparison method: This method estimates 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: This method estimates a property's value by capitalising the annual amount of rents or annual operating income generated by the activity being performed in the property. When, over time, changes in income are more significant than generally expected in the market, the DCF (discounted cash flows) technique is used. The income method is applied in the case of an effective rental of the property, when the property is for rent, when the rental market for the type of property being valued is active or when the property is to be exploited economically;
- Cost method: This estimates the value of the property on the basis of the amount which would currently be needed to obtain alternative property, as a replica of the original or with an equivalent use, adjusted for obsolescence. It is obtained from the sum of the acquisition cost of the land and construction costs, including charges, depreciation in accordance with a property's present physical, functional, environmental and economic conditions plus commercialisation costs and a developer's margin/risk. This is the principal method used when no market information is available on transactions of similar property and there is no potential income associated with the property.
- The availability of relevant data and its relative subjectivity may affect the choice of the valuation method/techniques. The choice, in each case, should be particularly based on those which maximise the use of relevant observable variables.

The most relevant variables considered for each of the above referred to valuation methods are as follows:

(i) Market comparison method

- the presumed sales price per sqm or presumed sales price per unit (when what is relevant is not the area but rather the use given to the property: e.g. car parks). In liquid markets, these variables are provided by directly or indirectly observable data in the transaction market, although they may need to be adjusted (harmonised) depending on the specific characteristics of the property being valued.

(ii) Income method

Capitalisation technique

- 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 rental 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.

- variables which contribute towards the assessment of operating income generated by the property. These variables may vary in line with the type of property and are generally assessed on 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, which is 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 segment, with an identical risk and identical evolution of rents.

Discounted cash flow technique

Diverse variables may contribute to the estimated cash flows based on the type of property. This technique is reliant on current expectations of changes in the values and times of the occurrence of future cash flows. It is usually necessary to include a risk adjustment factor based on the uncertainty of this type of measurement.

- discount rate, considered to be the value of money over time, associated with a risk-free interest rate and the price to be paid on the inherent uncertainty of cash flows (risk premium).

(iii) <u>Cost method</u>

- the construction cost per sqm variable 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.

In compliance with the requirements of IFRS 13, the following table sets out information on the group's investment properties, at June 30, 2016 and December 31, 2015, classified by type, development status as regards their preparation for use and current occupancy, considering the methodologies used to measure fair value:

			30-06-2016			
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Shoping center	Concluded	Rented	83,277	Income capitalisation method	Discount rate	[7,0%]
			16,871	Income capitalisation method	Estimated rental value per m2 (area less than 250 m2)	5
			100,148			
Offices	Concluded	Rented	10,491	Income capitalisation method	Estimated rental value per m2	5-7,5
			122,071	Market comparable method / Income capitalisation method	Estimated rental value per m2	4-15,5
			223,920	Market comparable method	Estimated sale value per m2	417,97-2345,94
			95,294	Market comparable method	Estimated sale value per m2	2000,29-3785,37
		Capitalisation / sale	967	Market comparable method / Income capitalisation method	Estimated rental value per m2 / Estimated rental value per m2	720-1670 / 2,9-10,3
			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
			471,402			
Housing	Concluded	Rented	144	Income capitalisation method	Estimated rental value per m2	4,2
			34,042	Income capitalisation method / Market comparable method	Estimated rental value per m2	1025 - 1100
			100	Income capitalisation method / Market comparable method / Costh method	Estimated rental value per m2	2
		Capitalisation / sale	82,705	Income capitalisation method / Market comparable method	Estimated rental value per m2	0,4-4,8
					Estimated sale value per m2	190-2210
			37,797	Income capitalisation method / Market comparable method	Estimated rental value per m2	4,0-13,3
	Under construction	Capitalisation / sale	25,098	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[500-625] [1400-1875]
			179,887			
Stores	Concluded	Rented	704	Market comparable method	Estimated sale value per m2	400-1700
			1,358	Income capitalisation method	Estimated rental value per m2	2,5-7,5
			76,131	Income capitalisation method / Market comparable method	Estimated sale value per m2	[352-17664]
		Capitalisation / sale	5,595	Income capitalisation method / Market comparable method	Estimated rental value per m2	0,4-25
	Under construction	Capitalisation / sale	2,848	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	350-550 800-1600
			86,635			
Parking	Concluded	Rented	1,862	Income capitalisation method	Estimated rental monthly amount	5-7,5
			22,439	Market comparable method	Value of sales per parking	4800-16600
			32,425	Market comparable method	Value of sales per parking	16082-47919
			2,321	Market comparable method / Income capitalisation method	Value of sales per parking	100-130
		Capitalisation / sale	2,897	Income capitalisation method / Market comparable method	Estimated rental monthly amount	6-166
	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
			63,354			
Land	n.a.	Capitalisation / sale	54,067	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2 / housing	1050-1200
			6,516	Income capitalisation method	Estimated rental value per m2	5-7,5
			220	Market comparable method / Table of expropriations	Estimated value of the land per m2	5
			290	Replacement cost method / Market capitalisation method	Estimated value of the land per m2 of construction	70-140
			2,109	Income capitalisation method / Market comparable method	Estimated rental value per m2	1,3-30
			63,203			
Warehouses	Concluded	Rented	117,826	Market comparable method	Estimated rental value per m2	303-974
			4,193	Market comparable method	Estimated rental value per m2	1449-3218
			25,573	Income capitalisation method	Discount rate / potential rental	8% / 7,5€ por m2
		Capitalisation / sale	1,833	Income capitalisation method / Market comparable method	Estimated rental value per m2	1,1-4,9
			149,424			
			1,114,054			
Other			69,896			
			1,183,950			

			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 / Costh 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 /	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 defined by IFRS 13.

15. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTERPRISES

The composition of this account heading, at June 30, 2016 and December 31, 2015, is set out below:

	30-06-2016		31-12-2015	
	Effective participating interest (%)	Book Value	Effective participating interest (%)	Book Value
Jointly controlled entities				
Locarent, S.A.	50.00	14,156	50.00	12,707
Esegur, S.A.	50.00	7,347	50.00	7,139
		21,503		19,846
Associated companies				
Fidelidade – Companhia de Seguros, S.A	15.00	189,632	15.00	204,208
Fidelidade Assistence Consolidated (a)	20.00	6,224	20.00	6,037
Multicare - Seguros de Saúde, S.A.	20.00	12,542	20.00	12,014
SIBS - Sociedade Interbancária de Serviços, S.A.	21.60	28,420	21.60	22,607
Banco Internacional de São Tomé e Príncipe, S.A.	27.00	3,366	27.00	3,403
Prado - Cartolinas da Lousã, S.A.	-	-	38.15	3,835
Other		5,365		5,546
		245,549		257,650
		267,051		277,496

(a) Ex-Cares - Companhia de Seguros, S.A.

Information on the statutory financial data (unaudited financial statements) of the main associated companies and jointly controlled entities, at June 30, 2016 and December 31, 2015, is set out below:

Business sector / Entity	Registered office	30-06-2016				
		Assets	Liabilities	Equity (a)	Net income	Total income
Banking						
Banco Internacional de São Tomé e Príncipe	São Tomé	90,373	77,900	12,473	619	4,368
Property						
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	347,940	501,121	(153,181)	(9,238)	9,284
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	15,116,268	13,339,971	1,742,268	70,711	919,798
Fidelidade Assistence Consolidated (c)	Lisbon	68,840	38,722	29,058	101	20,868
Multicare - Seguros de Saúde, S.A.	Lisbon	148,794	88,914	59,880	1,372	107,460
Other						
Esegur, S.A.	Lisbon	38,239	23,545	14,694	459	22,734
Locarent, S.A.	Lisbon	234,777	206,466	28,311	2,897	35,587
Companhia de Papel do Prado, S.A.	Tomar	4,430	1,062	3,368	(2)	-
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	195,832	64,251	131,581	32,798	114,657

(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.

During the course of first half 2016, 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.

16. INCOME TAX

Tax assets and liabilities balances, on income, at June 30, 2016 and December 31, 2015, were as follows:

	30-06-2016	31-12-2015
Current tax assets		
Income tax recoverable	26,717	25,805
Other	14,005	11,321
	40,722	37,126
Current tax liabilities		
Income tax payable	37,813	(4,184)
Other	9,203	20,048
	47,016	15,864
	(6,294)	21,263
Deferred tax assets		
Temporary differences	1,220,013	1,232,298
Reported tax losses	338,666	241,620
	1,558,679	1,473,918
Deferred tax liabilities	131,877	253,224
	1,426,802	1,220,694

Deferred tax movements, for the half years ended June 30, 2016 and 2015, were as follows:

	Balance at 31-12-2015	Change in		Other	Balance at 30-06-2016
		Equity	Profit or loss		
Impairment losses on credit	790,487	-	(2,145)	4,963	793,305
Employee benefits	199,145	(12,127)	4,309	(191)	191,136
Impairment and adjustments to property and tangible and intangible assets	34,072	261	(3,376)	(2,405)	28,552
Measurement of available-for-sale assets	(75,447)	48,313	-	121	(27,013)
Impairment and other value changes in equity stakes and other securities	(10,637)	-	20,485	-	9,848
Other provisions and impairment not tax deductible	38,191	-	(3,161)	49,639	84,669
Tax loss carry forward	241,620	-	97,416	(370)	338,666
Other	3,263	-	4,289	89	7,641
	1,220,694	36,446	117,818	51,846	1,426,802

	Balance at 31-12-2014	Change in		Other	Balance at 30-06-2015
		Equity	Profit or loss		
Impairment losses on credit	669,206	-	(70,272)		598,934
Employee benefits	183,080	(832)	(2)	109	182,355
Impairment and adjustments to property and tangible and intangible assets	25,173	336	(6,440)	(7)	19,062
Measurement of available-for-sale assets	(126,699)	76,358	-	295	(50,046)
Impairment and other value changes in equity stakes and other securities	(54,394)	-	(41,663)	(3,479)	(99,536)
Other provisions and impairment not tax deductible	33,986	-	-	(1,193)	32,793
Tax loss carry forward	337,947	-	111,343	-	449,290
Other	(13,479)		(5,704)	7,873	(11,309)
	1,054,819	75,862	(12,738)	3,597	1,121,540

Caixa Geral de Depósitos and Caixa - Banco de Investimento applied 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 period of application of the amendments to the regime brought in by law 23/2016, excluded the expenses and negative equity changes accounted for in the taxation period starting on or after January 1, 2016, in addition to the deferred tax therewith associated. The expenses and negative equity changes accounted for after the regime entered into force (January 1, 2016) in addition to the eligible deferred tax recognised in the accounts at December 31, 2014, are therefore included.

Deferred tax assets which are the result of the non-deduction of expenses and negative equity changes with impairment losses on loans and with post employment or long term benefits for employees are converted into tax credit when the taxpayers recognise negative net income in the respective tax period or in the event of liquidation based on voluntary dissolution or a legal ruling declaring insolvency. In a conversion scenario resulting from negative net income, the amount of the tax credit to be attributed will be based on the proportion between the negative net income for the period and the taxpayers' total equity (assessed before the deduction of this result), applied to the eligible deferred tax balance. When the conversion is the result of a liquidation or insolvency or when the taxpayers have negative equity, the full amount of the deferred tax assets is converted.

In the conversion of the tax credit (other than on liquidation or insolvency) a special reserve should be set up for the amount of the respective credit plus 10% together with the issuance of securities with conversion rights to be attributed to the state, which, in the case of Caixa Geral de Depósitos is also its sole shareholder. The consequence of exercising the conversion right is to increase the taxpayers' share capital based on the incorporation of the special reserve and issuance of new ordinary shares for free delivery to the state. On the date of issuance of the conversion rights, shareholders have the potestative right to their acquisition in proportion to their respective holding.

Deriving from the application of this regime, no fiscal losses were reported at the close of 2015.

Information on the composition of the 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	
Impairment losses on credit	1,037,628
Employee benefits	182,632
	1,220,260

The group changed its accounting policy on the recognition of actuarial gains and losses on pension plans and other post-employment benefits in 2011. Accordingly, actuarial gains and losses arising from the revaluation of pensions and healthcare liabilities and expected pension fund yields were fully recognised as a charge to a shareholders' equity account. Up to 2010 these gains and losses were processed by the corridor method.

The amount of tax associated with the contributed component of the actuarial deviations originated after the date on which the accounting policy was changed, considered deductible under the terms of the eligible limits of numbers 2 and 3 of article 43 of the IRC code, or those realised under number 8 of the referred to article are posted to an equity account as a basis for the recognition of the originating liabilities.

Information on the costs of tax on profit recognised in profit and loss, in addition to the fiscal burden measured by the relationship between the appropriation for tax on profit and net profit for the period before tax, is set out below:

	30-06-2016	30-06-2015
Current tax		
For the period	65,720	79,169
Extraordinary contribution on the banking sector	39,698	30,866
Prior year adjustments (net)	(138)	(3,167)
	105,281	106,867
Deferred tax	(117,818)	12,738
Total	(12,537)	119,605
Consolidated income before tax and non-controlling interests	(193,110)	213,483
Tax charge	6.49%	56.03%

In the half years ended June 30, 2016 and in 2015, the composition of “Adjustments for past years” was as follows:

	30-06-2016	30-06-2015
Insufficiency / (excess) of estimated tax for 2015 and 2014	(524)	(3,063)
Adjustments to previous years taxable income	395	-
Other	(9)	(104)
	(138)	(3,167)

Information on the reconciliation between the nominal and effective tax rate for the half years ended June 30, 2016 and 2015 is set out below:

	2016-06-30		30-06-2015	
	Rate	Tax	Rate	Tax
Income before income tax		(193,110)		213,483
Tax at the nominal rate	27.35%	(52,816)	27.35%	58,388
Investments recorded in accordance with the equity method	2.82%	(5,448)	(4.30%)	(9,179)
Impact of companies with tax rates different from the nominal rate in Portugal	(3.88%)	7,492	(2.28%)	(4,860)
Definitive difference to be added:				
Non deductible provisions	(1.73%)	3,341	3.67%	7,844
Other	(1.22%)	2,350	2.41%	5,150
Other permanent differences to be deducted	0.12%	(233)	(0.16%)	(348)
Impairment on available-for-sale financial assets, net of write-offs	14.71%	(28,408)	0.24%	515
Annulment of tax losses (not recoverable)	(0.55%)	1,059	1.96%	4,178
Differential of tax rate on tax losses carry forward (*)	(10.90%)	21,046	11.89%	25,380
Autonomous taxation	(0.58%)	1,124	0.66%	1,418
Contribution on the banking sector	(20.56%)	39,698	14.46%	30,866
Other	(2.09%)	4,042	1.34%	2,854
	3.50%	(6,752)	57.24%	122,205
Tax adjustments relative to prior years				
Insufficiency / (excess) of tax estimate, net of deferred tax	2.99%	(5,776)	(1.17%)	(2,496)
Other	0.00%	(9)	(0.05%)	(104)
	3.00%	(5,785)	(1.22%)	(2,600)
	6.49%	(12,537)	56.03%	119,605

(*) The computation of deferred taxes relating to tax losses carry forward is based on a regulatory tax rate of 21% and does not include State or Municipal subcharges.

CGD's nominal tax rate, for the six months ended June 30, 2016 and 2015, considering the state surcharge applicable to its activity, 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 change in the wording of article 87-A of the IRC code under law 2-2014 of January 16 (IRC reform law) whose number 1 provides for the application of the following rates on taxable profit classified in the following tax 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 on its carry-back of tax losses in 2013 during the course of second half 2015 for the amount of €124,651 thousand, owing to its consideration of the remoteness of their recoverability up to the end of the respective regulatory period (end of 2018). As a result of this cancellation, the whole of the deferred tax assets balance, at December 31, 2015, associated with the carry-back of tax losses which continues to be recognised in Caixa's financial statements referred to 2014.

According to the changes pursuant to the law reforming the IRC code, the period for reporting the carry-back of tax losses for tax periods starting after January 1, 2014 was extended to 12 years. This period was reduced to 5 years for taxation periods starting on or after January 1, 2017, under the dispositions of law 7-A/2016 of March 30 (approving the state budget for 2016).

The deductibility of the carry-back of tax losses is limited to 70% of the taxable profit assessed in the taxation period in which they are used.

Deriving from the dispositions of article 141 of the state budget law for 2011 (law 55-A/2010 of December 31,), which introduced a new contribution regime applicable to the banking sector, the group recognised costs of €39,698 thousand and €30,866 thousand for the half years ended June 30, 2016 and 2015, respectively, in respect of the total costs of this tax in the respective tax periods. The tax, regulated under the terms of ministerial order 121/2011 of March 30, is levied on the amount of the liabilities of credit institutions headquartered on Portuguese territory, net of own and complementary funds therein included and the deposits covered by the deposit guarantee fund as well as the notional amount of derivatives other than hedge derivatives. The tax is also payable by the subsidiaries of credit institutions headquartered outside Portuguese territory as well as by 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 of former years (2012 to 2015 in the case of most entities headquartered in Portugal, with Caixa Geral de Depósitos having been inspected in 2011 and 2013). Caixa's board of directors considers, however, that any adjustments for the above referred to years will not be significant in terms of the consolidated financial statements.

17. OTHER ASSETS

This account heading comprises the following:

	30-06-2016	31-12-2015
Other assets		
Debt certificates of the Territory of Macau	817,597	770,810
Other	9,729	9,727
Debtors and other investments		
Central and local government	14,678	7,840
Shareholders' loans	213,900	213,041
Debtors - futures contracts	51,256	41,335
Amount receivable from the sale of EDP	481,456	481,456
Other debtors	1,660,664	1,175,835
Grants receivable from		
The State	20,597	22,237
Other entities	11,965	11,633
Amount receivable from the sale of assets received as settlement of defaulting loans	543	18,168
Other	136,544	107,740
Commitments with pension and other employee benefits	-	13,423
Income receivable	35,865	41,071
Deferred costs		
Rent	5,732	5,103
Other	40,361	20,509
Deferred income	(3,367)	(4,674)
Operations pending settlement	573,362	176,278
Stock exchange operations	8,840	-
	4,079,720	3,111,532
Impairment (Note 34)	(315,277)	(245,760)
	3,764,443	2,865,772

Information on impairment movements on debtors and other assets for the half years ended June 30, 2016 and in 2015 is set out in note 34.

The amount receivable on the EDP disposal, at June 30, 2016 and December 31, 2015, derives from CGD's disposal of an equity stake in the company to Parpública.

The "Debtors and other assets – other debtors" account heading at June 30, 2016 and December 31, 2015, included €1,124,714 thousand and €720,361 thousand, respectively, for surety accounts in several financial institutions. The referred to sureties derive from liquidity-providing operations collateralised by financial assets and from "Interest rate swaps" (IRS) with these entities (note 10).

The "Debtors and other assets – other debtors" account heading, at June 30, 2016 and December 31, 2015, included €50,282 thousand in respect of a Caixa surety deposit with the tax authorities as part of the proceedings for the suspension of the fiscal execution of a tax settlement, referred to in greater detail in note 21.

The "Debtors and other assets – other debtors" account heading, at June 30, 2016, included €4,574 thousand on a surety set up as a result of contributions to the European single resolution fund in the form of an irrevocable commitment (note 31).

Under the agreement to issue notes entered into between Banco Nacional Ultramarino, S.A. (Macau) and the Territory of Macau, the bank provides the Territory with convertible currency corresponding to the counter value of notes in circulation, receiving in return, a debt certificate for an equivalent amount to cover the liability resulting from the currency issuance (note 23). The amounts to be provided to the Territory by BNU are reconciled on a monthly basis, in the first fifteen days of each month, based on the preceding month's average daily balance. The debt certificate of the Macau government, at June 30, 2016 and December 31, 2015, totalled €817,597 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 in the form of a permanent non-interest-bearing deposit.

Shareholders' loans, at June 30, 2016 and December 31, 2015, comprised the following:

	30-06-2016	31-12-2015
Locarent - Companhia Portuguesa de Aluguer de Viaturas, S.A.	86,000	86,000
Moretextile, SGPS, S.A.	36,571	36,123
A. Silva & Silva - Imobiliário & Serviços, S.A.	28,977	28,977
Sagesecur - Estudo, Desenvolvimento e Participações em Projetos, S.A.	12,863	12,863
PP3E - Projetos e Participações em Empreendimentos de Energia Elétrica, S.A.	10,200	10,200
Other	39,289	38,878
	213,900	213,041

The details of shareholders' loans to Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A., at June 30, 2016 and December 31, 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 1, May, August and November of each year. An addendum to the loan extending the maturity up to June 30, 2018 was signed in first half 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 1, April 1, July 1 and October 1 each year. In second half 2015, 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.

Under the terms of the financial restructuring agreement for the Coelima, JMA - José Machado de Almeida and AAF – António Almeida & Filhos textiles groups Caixa made shareholders' loans of €31,182 thousand to Moretextile, SGPS, S.A. Interest at the 6 month Euribor rate plus a spread of 2.5% is charged on these shareholders' loans which are repayable in full (principal and interest) in a lump sum on 13 May 2018, which term is renewable for an additional period of five years. The repayment of these shareholders' loans is subordinated to payment of the overdue and unpaid loans of other creditors by Moretextil and its associates. Caixa recognised impairment on unrealised capital losses for the amount of €36,751 thousand on this asset of which €448 thousand in first half 2016.

This account heading also included an assignment of credit rights over 19.5% of the shareholders' loans made to Sagesecur by Parpública to Parcaixa, at June 30, 2016 and December 31, 2015, in the sphere of the payment of the entity's share capital, at the date of its formation.

18. CREDIT INSTITUTIONS' AND CENTRAL BANKS' RESOURCES

This account heading comprises the following:

	30-06-2016	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	1,597,220	1,515,574
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	677	278
Of foreign credit institutions	85,839	90,334
Sales operations with repurchase agreement	6,287	-
Other resources	1,565	1,554
Interest payable	696	2,637
	3,692,284	2,860,377
Resources of other credit institutions		
Deposits and other resources		
Of domestic credit institutions	577,449	668,123
Of foreign credit institutions	879,415	950,046
Interbank money market resources	14,500	14,300
Immediate short term resources		
Of domestic credit institutions	122,386	192,891
Of foreign credit institutions	2,549	56,566
Loans		
Of foreign credit institutions	22,019	18,572
Resources of international financial entities	100,697	79,652
Sale operations with repurchase agreement	351,816	587,298
Adjustments to liabilities under hedging operations	(3,998)	(4,473)
Interest payable	10,741	11,271
Charges with deferred cost	(1,255)	(1,551)
	2,076,319	2,572,694
	5,768,602	5,433,070

The “Central banks’ resources – resources – European Central Bank” account heading at June 30, 2016 and December 31, 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 21) in off-balance sheet account headings.

The “Sales operations with repurchase agreements” account heading, at June 30, 2016 and December 31, 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 an interest expense and deferred over the contract's lifetime.

The referred to operations were contracted for under GMRAs (global master repurchase agreements) or bilateral liquidity injection agreements, which provide mechanisms to strengthen the collateral associated with these transactions based on the evolution of respective market value, assessed in accordance with the specifications agreed between the counterparties, usually comprising surety deposits.

19. CUSTOMERS' RESOURCES AND OTHER LOANS

This account heading comprises the following:

	30-06-2016	31-12-2015
Savings deposits	2,174,039	2,004,439
Other debts		
Repayable on demand	25,063,609	25,185,826
Term		
Deposits	43,018,121	44,034,310
Mandatory deposits	293,282	299,577
Other resources:		
Cheques and orders payable	94,180	86,270
Loans	120,030	188,534
Operations with repurchase agreement	161,495	117,004
Other	1,303,090	1,241,509
	44,990,198	45,967,205
	70,053,807	71,153,031
Interest payable	227,590	253,757
Deferred costs net of deferred income	(11,687)	(13,807)
Commissions associated with amortised cost (deferred)	(3,951)	(3,834)
Adjustments to liabilities under hedging operations	2,014	32,679
	213,966	268,794
	72,441,813	73,426,265

20. DEBT SECURITIES

This account heading comprises the following:

	30-06-2016	31-12-2015
Bonds in circulation:		
Bonds issued under the EMTN Programme		
- Remuneration indexed to interest rates	40,000	40,000
- Fixed interest rate	351,315	638,483
- Remuneration indexed to exchange rates	160,421	201,416
	551,736	879,899
Covered bonds	5,340,160	5,484,982
Other cash bonds		
- Remuneration indexed to interest rates	21,119	42,430
	21,119	42,430
	5,913,015	6,407,311
Other		
Issues under the Euro Commercial Paper and Certificates of Deposit Programme		
- Commercial Paper	70,000	110,500
Securities issued under securitisation operations		
- Other collateralized emissions	14,593	11,915
	84,593	122,415
Adjustments to liabilities under hedging operations	26,409	29,396
Deferred costs net of income	(12,834)	(16,022)
Interest payable	105,689	156,981
	6,116,872	6,700,081

The breakdown of the debt securities account heading, at June 30, 2016 and December 31, 2015, is net of the accumulated repurchased debt balances, broken down as follows:

	30-06-2016	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 and London branches) is entitled to issue certificates of deposit (CD) and notes with a maximum maturity of five years and one 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) US commercial paper

Under this programme, CGD North America Finance LLC is entitled to issue notes for up to a total amount of USD 2 billion. The notes have a maximum maturity of 1 year and a minimum amount of USD 250,000. The notes may be issued at a discount or at par. All issuances are guaranteed by CGD.

(iii) Euro medium term notes (EMTN)

CGD group, through CGD (either directly or through its France and London branches) and CGD Finance, is entitled to issue debt securities under this programme for a maximum amount of €15 billion. France branch guarantees all CGD Finance issues.

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.

(iv) Covered bonds

CGD set up a programme for the direct issuance of covered bonds up to a current maximum amount of €15,000,000 thousand 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 regulations applicable to issuances of this type of instruments, 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 a maximum term 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 available to bondholders, 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 the central governments or regional and local authorities of one of the European Union member states and loans with an express and legally binding guarantee of such entities. Mortgage loans cannot exceed 80% of the mortgaged assets given as collateral in respect of 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, 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 the 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 June 30, 2016 and December 31, 2015, totalled €6,851,450 thousand and €7,001,450 thousand, respectively, with the following characteristics:

DESIGNATION	Nominal		Date of issue	Date of redemption	Interest payment	Remuneration	Interest rate at 30-06-2016	Interest rate at 31-12-2015
	30-06-2016	31-12-2015						
Hipotecárias Série 1 2006/2016 1st tranche	1,256,450	1,256,450	06-12-2006	06-12-2016	Annually, on 6 December	Fixed rate	3.875%	3.875%
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%	0.000%	0.000%
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%	-	0.000%
Hipotecárias Série 1 2006/2016 2nd tranche	150,000	150,000	09-09-2008	06-12-2016	Annually, on 6 December	Fixed rate	3.875%	3.875%
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 Serie 9 15/09/2016	175,000	175,000	08-10-2009	15-09-2016	Half yearly, on 15 March and 15 September	6 month Euribor rate + 0.575%	0.444%	0.612%
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%	0.499%	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 2013/2019	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%
	6,851,450	7,001,450						

(*) Issue fully repurchased by CGD. These securities are collaterising liquidity providing operations with the European Central Bank

The assets pool used to back the issues includes mortgage loans made in Portugal with a book value of €9,956,026 thousand and €10,478,994 thousand, at June 30, 2016 and December 31, 2015, respectively (note 12).

The assets pool used to collateralise the covered bonds, at June 30, 2016 and December 31, 2015, also comprised debt securities, with a book value of €137,640 and €144,294 thousand respectively (note 8).

Moody's and Fitch ratings on these covered bonds, at June 30, 2016, were A3 and BBB, respectively.

Details on bond issuances, by type of interest and period to maturity, in the financial statements, at June 30, 2016 and December 31, 2015, were as follows:

	30-06-2016					
	Type of asset or underlying index used to calculate the remuneration			Covered bonds	Other bonds	Total
	Exchange rate	Interest rate	Sub total			
Up to one year	50,000	161,911	211,911	1,581,450	-	1,793,361
One to five years	67,254	140,636	207,890	2,492,301	21,119	2,721,310
Five to ten years	19,152	78,768	97,920	1,246,409	-	1,344,329
Over ten years	24,015	10,000	34,015	20,000	-	54,015
	160,421	391,315	551,736	5,340,160	21,119	5,913,015

	31-12-2015					
	Type of asset or underlying index used to calculate the remuneration			Covered bonds	Other bonds	Total
	Exchange rate	Interest rate	Sub 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.

The following debt securities were either issued or redeemed in the half years ended June 30, 2016 and 2015:

	Balance at 31-12-2015	Issues	Payments	Exchange differences	Other	Balance at 30-06-2016
Bonds issued under the EMTN programme	879,899	-	(299,121)	3,958	(33,000)	551,736
Covered bonds	5,484,982	-	(150,000)	-	5,178	5,340,160
Other cash bonds	42,430	-	(18,096)	(3,215)	-	21,119
Commercial paper issued under ECP and CCP programme	110,500	10,000	(50,500)	-	-	70,000
Securities issued under securitisation operations	11,915	-	-	2,678	-	14,593
	6,529,726	10,000	(517,717)	3,421	(27,822)	5,997,608

	Balance at 31-12-2014	Issues	Payments	Exchange differences	Other	Balance at 30-06-2015
Bonds issued under the EMTN programme	2,251,257	-	(122,165)	4,649	136,915	2,270,656
Covered bonds	4,484,986	1,000,000	-	-	(112)	5,484,874
Other cash bonds	60,247	-	(11,535)	7,357	-	56,069
Commercial paper issued under ECP and CCP programme	100,738	68,375	(58,038)	-	-	111,075
Securities issued under securitisation operations	93,466	-	(35,340)	416	-	58,542
	6,990,694	1,068,375	(227,078)	12,422	136,803	7,981,216

21. PROVISIONS AND CONTINGENT LIABILITIES

Provisions

Movements in provisions for employee benefits and for other risks, for the half years ended June 30, 2016 and in 2015, were as follows:

	Balance at 31-12-2015	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 30-06-2016
Provision for employee benefits	642,958	637	(18,338)	(894)	(10,976)	613,388
Provision for litigation	15,740	(24)	-	1,051	181	16,947
Provision for guarantees and other commitments	156,006	(2,703)	-	643	(40,888)	113,058
Provision for other risks and charges	177,760	(15,336)	(3,752)	(1,213)	(5,261)	152,199
	349,506	(18,062)	(3,752)	481	(45,968)	282,204
	992,464	(17,425)	(22,089)	(414)	(56,944)	895,592

	Balance at 31-12-2014	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 30-06-2015
Provision for employee benefits	572,386	1,981	(12,888)	(455)	12,370	573,395
Provision for litigation	15,928	(93)	(5)	(444)	430	15,815
Provision for guarantees and other commitments	150,300	3,629	-	96	942	154,966
Provision for other risks and charges	103,044	14,851	(2,896)	(165)	184	115,019
	269,272	18,387	(2,901)	(514)	1,556	285,800
	841,658	20,368	(15,789)	(969)	13,926	859,195

"Provisions for employee benefits costs", in first half 2016, included an increase of €20,000 thousand recognised in employee costs (note 32), resulting from the *Horizonte* early retirement plan.

Provisions for other risks and liabilities cover contingencies arising from the group’s activity.

Provisions for legal contingencies comprise the group’s best estimate of any amounts to be spent on their resolution, based on estimates provided by the legal department and its attendant lawyers.

Contingent liabilities and commitments

Contingent liabilities associated with banking activity are recognised in off-balance sheet account headings, as follows:

	30-06-2016	31-12-2015
Contingent liabilities		
Assets given as collateral	16,984,504	14,421,170
Guarantees and sureties	3,799,055	3,793,082
Open documentary credits	361,550	502,154
Stand by letters of credit	74,368	57,816
	21,219,477	18,774,223
Commitments		
Revocable commitments	8,709,394	8,690,214
Securities subscription	1,703,304	1,654,834
Irrevocable lines of credit	1,170,729	1,273,964
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	155,553	155,553
Term operations	90,363	100,500
Investor Compensation System	37,729	37,693
Other irrevocable commitments	79,167	2,230
Forward deposit agreements		
To be created	-	85,618
	11,946,240	12,000,606
Deposit and custody of securities	40,470,954	40,103,407

Asset-backed guarantees are as follows:

	30-06-2016	31-12-2015
Debt Instruments		
Consigned resources		
EIB - European Investment Bank	1,087,500	943,500
Council of Europe Development Bank	31,000	10,000
Bank of Portugal (*)	13,848,160	13,116,015
Agência de Gestão da Tesouraria e da Dívida Pública - IGCP, E.P.E.	162,407	133,272
Deposit Guarantee Fund	185,240	175,240
Royal Bank of Scotland	15,000	15,000
Investor Compensation System (futures)	21,000	21,000
Euronext	6,500	6,500
Other Assets		
Other	199,013	643
	15,555,820	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 June 30, 2016 and December 31, 2015, refer to debt instruments classified as assets held for trading, available-for-sale financial assets, loans and advances to customers and debt securities account headings. The market value of debt instruments given as collateral, at June 30, 2016 and December 31, 2015, was €15,628,941 thousand and €14,962,937 thousand, respectively.

The market value of securities collateralising the group's term liabilities for annual contributions to the deposit guarantee fund and the investors' indemnity system was €213,150 thousand and €205,290 thousand, at June 30, 2016 and December 31, 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 posted as a cost. Commitments assumed since 1996 total €155,553 thousand. At June 30, 2016 and 2015, the group recognised liabilities of €2,425 thousand and €4,945 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.

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 authorities during the said year on the component allocated to the gains on the liquidation of Caixa Brasil.

In April 2015, Caixa was notified of the contents of the ruling of the southern central administrative court of Lisbon which, in the second instance, decided to revoke the ruling decreed in the first instance by the Lisbon tax court. Caixa decided to contest the court's ruling and appealed for a revision thereof in first half 2016. As a result of the allegations made, the southern supreme administrative court recognised the legitimacy of the appeal's assumptions which awaits the decision of the supreme administrative court.

Notwithstanding Caixa's board of directors' conviction regarding the conformity of the adopted procedures and having already taken the steps permitted by law to contest the ruling, in light of the developments occurring in the meantime, a resolution was passed on the adequacy of setting up a provision, at June 30, 2015, for the amount of €27,370 thousand (€26,878 thousand at December 31, 2015) to provide for the contingencies inherent to this process.

As a result of these fiscal executive actions deriving from the referred to past adjustments, during the course of 2010, Caixa took out a surety deposit as a guarantee in respect of the suspension of the tax settlement procedure. The referred to surety deposit for the amount of €50,282 thousand, has been recognised in "Other assets – debtors and other assets – other debtors" (note 17).

On June 3, 2015, CGD in addition to fourteen other credit institutions, 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 said credit institutions, the initial period was extended on more than one occasion and has still not expired. CGD has prepared a full defence to comply with the initial period which expired on November 17, 2015.

CGD's defence is based on its understanding that there are no *de facto* or legal presuppositions 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.

The resolution fund was created under decree law 31-A/2012 of February 10. It is funded by resources arising from the payment of the contributions owed by the institutions participating in the fund and the banking sector contribution. Whenever such resources are shown to be insufficient to meet liabilities a provision is set up for the use of other financing means, namely: (i) special contributions from credit institutions; and (ii) amounts deriving from loans.

<u>Application of a resolution measure to Banco Espírito Santo, S.A.</u>

The board of trustees of the Bank of Portugal decided, on August 3, 2014, to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), transferring most of its activity and assets 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 realised by the sole shareholder under the terms of the legislation in force. Considering that the resolution fund did not have the necessary resources for the said operation on the referred to date, the capital was subscribed for in the form 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 provided 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 announced the approval of a series of decisions to complete the resolution measure applied to BES. The Bank of Portugal decided to return to BES the liability for the non-subordinated bonds issued by it for institutional investors. The nominal amount of the bonds returned to BES was €1,941 million with a balance sheet carrying amount of €1,985 million. The bonds were initially issued by BES and specifically sold to qualified investors. 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 on the resolution fund's equity investment in Novo Banco was relaunched in January 2016 and is currently in progress.

In July 2016, deriving from the conclusion of the independent assessment process on the level of recoverability of the credit in each category of BES creditors, in a hypothetical

August 2014 liquidation scenario, as an alternative to the application of the resolution measure, the Bank of Portugal clarified that, in the event of it being verified, at the time of the finalisation of the liquidation of BES, that creditors whose credit has not been transferred to Novo Banco, would lose more than in this scenario, then they should be compensated for the difference by the resolution fund.

Application of a 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 European institutions which rendered the voluntary sale of Banif unviable, led to the disposal being made in the context of a resolution measure.

Most of the assets which were not sold were transferred to the Oitante, S.A. (Oitante) assets 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 with a counter guarantee from 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 agreed between the Portuguese authorities, European instances and Banco Santander Totta.

Up to the date of the board of directors' approval of the accounts, CGD did not have information enabling it to estimate, with a reasonable level of accuracy, if there will be any resolution fund deficit, following these processes and, if applicable, the way in which it will be financed.

Therefore, it is not possible, at the present, to assess any impact of this situation on CGD's financial statements, as any costs to be borne are contingent upon the conclusion of the referred to processes and the decisions made by the ministry of finance, in accordance with its legal remit.

According to the information currently available: (i) the resolution fund is unlikely to propose the creation of a special contribution to finance the above referred to resolution measures and the possibility of any special contribution fund appears to be remote, and (ii) any resolution fund deficits are likely to be financed by periodic contributions under article 9 of decree law 24/2013 of February 19, which stipulates that the periodic contributions to the resolution fund should be paid by the institutions therein participating and which are active on the last day of the month of April of the year to which the periodic contribution refers.

22. OTHER SUBORDINATED LIABILITIES

This account heading comprises the following:

	30-06-2016	31-12-2015
Bonds	2,384,037	2,385,982
Loans	209	21,209
	2,384,246	2,407,191
Interest payable	30,931	40,575
Deferred income net of charges	(15,635)	(18,880)
Adjustment to liabilities under hedging operations	(18)	39
	2,399,525	2,428,925

At 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 28 June 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;
- Materially relevant non-compliance with the recapitalisation plan;
- CGD's failure to repurchase the full amount of the hybrid financial instruments up to the end 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.

The following is a summary of the conditions attached to the main issuances:

Issuer	Bonds	Currency	Value of issue	Book value at 30-06-2016	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 December.	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	536.750	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	368.527	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 30-06-2016	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 30-06-2016	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	767	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	20.220	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	2.850	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 30-06-2016	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 30-06-2016	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	1.345	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	4.254	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
Banco Comercial e de Investimentos	Subordinated loan BPI	USD	3.704	3.359	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.

23. OTHER LIABILITIES

This account heading comprises the following:

	30-06-2016	31-12-2015
Creditors		
Consigned resources	851,642	870,069
Suppliers of finance leasing assets	5,098	10,342
Other suppliers	27,360	63,059
Resources - collateral account	145,950	135,100
Resources - subscription account	66,198	68,668
Resources - secured account	12,298	2,264
Other creditors:		
Creditors for factoring ceded	32,126	88,079
Caixa Geral de Aposentações	13,231	5,127
CGD's Pension Fund	40,967	360
Creditors for futures contracts	23,380	15,161
Other	786,913	878,528
Other liabilities:		
Notes in circulation - Macau (Note 17)	838,486	790,046
Withholding taxes	48,507	43,058
Social Security contributions	14,023	11,313
Other taxes payable	8,238	5,585
Collections on behalf of third parties	103	490
Other	3,031	2,872
Accrued costs	215,882	213,803
Deferred income	67,747	61,550
Liabilities pending settlement	341,926	297,374
Stock exchange operations	-	155,609
	3,543,103	3,718,457

The “Resources – collateral account” account heading at June 30, 2016 and December 31, 2015, included €141,009 thousand and €133,198 thousand respectively, relating to interest rates swap (IRS) contracts deposits made in CGD by several financial institutions.

At June 30, 2016 and December 31, 2015, the "Miscellaneous creditors - other" account included €583,984 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.

24. CAPITAL

At June 30, 2016 and December 31, 2015, CGD's share capital was totally held by the Portuguese state, as follows:

	30-06-2016	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

25. RESERVES, RETAINED EARNINGS AND RESULTS ATTRIBUTABLE TO THE SHAREHOLDER CGD

The composition of reserves and retained earnings, at June 30, 2016 and December 31, 2015, was as follows:

	30-06-2016	31-12-2015
Fair value reserve, net of deferred tax		
Available-for-sale financial assets (Note 8)	98,570	241,050
Assets with repurchase agreement	12,694	17,766
	111,264	258,816
Other reserves and retained earnings		
- Legal reserve - CGD	865,348	862,906
- Other reserves	499,687	1,837,725
- Retained earnings	(2,278,351)	(3,391,333)
	(913,315)	(690,702)
Net income attributable to the shareholder of CGD	(205,243)	(171,453)
	(1,007,295)	(603,339)

According to CGD's articles of association, a minimum 20% of its annual profit must be transferred to the legal reserve each year. This reserve may only be used to cover accumulated losses or to increase capital.

"Other reserves and retained earnings" at June 30, 2016 and December 31, 2015, include CGD's legal reserves for the amount of €865,348 thousand and the legal reserves, free reserves and legal revaluation reserves of its subsidiaries and associated companies. The legal revaluation reserves may only be used to cover accumulated losses or increase capital. In the case of CGD, the reserves which were not distributable for this reason 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' financial statements expressed in foreign currency, is included in "Other reserves".

The net contribution to CGD's consolidated profit made by branches and subsidiaries, at June 30, 2016 and 2015, was as follows:

	30-06-2016	30-06-2015
Caixa Geral de Depósitos, S.A.		
Caixa Geral de Depósitos	(327,549)	(66,710)
France Branch	55,296	17,988
London Branch	2,486	3,361
New York Branch	1,850	2,156
East Timor Branch	1,818	1,218
Spain Branch	(1,136)	(29,927)
Luxembourg Branch	(911)	(806)
Cayman Branch	579	(11,185)
Macau Branch	143	236
Zhuhai Branch	(38)	(91)
	(267,462)	(83,763)

	30-06-2016	30-06-2015
Contribution to net income		
Subsidiaries:		
Banco Nacional Ultramarino, S.A. (Macau)	30,972	28,453
Caixa – Banco de Investimento, S.A. (a)	(24,231)	3,082
Caixa Seguros e Saúde, SGPS, S.A. (a)	10,675	27,748
Banco Caixa Geral, S.A.	10,489	15,611
Fundimo - Fundo de Investimento Imobiliário Aberto	(7,227)	5,128
Banco Caixa Geral Angola, S.A.	6,912	10,637
Caixa Leasing e Factoring – Instituição Financeira de Crédito, S.A.	6,858	2,931
Banco Comercial e de Investimentos, S.A.R.L.	6,675	8,642
Mercantile Bank Holdings, Ltd.	4,585	4,840
Inmobiliaria Caixa Geral, S.A.U.	(3,655)	(4,493)
Parcaixa, SGPS, S.A. (a)	3,619	2,539
Fundo de Capital de Risco – Grupo CGD - Caixa Capital	2,575	2,888
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	2,095	11,273
Caixa Imobiliário, S.A.	2,020	(7,793)
Caixagest Infra-Estruturas - Fundo Especial de Investimento	1,456	4,317
Beirafundo - Fundo de Investimento Imobiliário Fechado	(1,378)	(4,021)
Banco Caixa Geral Brasil, S.A.	1,197	707
Partang, SGPS	(1,008)	(999)
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	1,000	1,364
CGD Pensões, S.A.	957	1,153
Imocaixa - Gestão Imobiliária, S.A.	(949)	(1,862)
Fundiestamo - Fundo de Investimento Imobiliário Fechado	781	1,570
Cibergradual, Investimento Imobiliário, S.A.	(747)	(5,173)
Caixagest - Técnicas de Gestão de Fundos, S.A.	731	1,286
Caixagest Private Equity - Fundo Especial de Investimento	713	17,273
Ibéria - Fundo Especial de Investimento Imobiliário Fechado	(688)	186
Fundo de Investimento Imobiliário de Arrendamento Habitacional - Cidades de Portugal	645	(187)
Fundo de Capital de Risco Empreender Mais	(573)	935
Fundo de Capital de Risco Caixa Fundos	(561)	520
Fundolis - Fundo de Investimento Imobiliário Fechado	(476)	(236)
Banco Comercial do Atlântico, S.A.R.L.	419	1,009
CGD Investimentos CVC, S.A.	288	(2,558)
Caixa Imobiliário - Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional	(258)	(307)
Other	(345)	(956)
	53,567	125,508
Associates and jointly controlled entities:		
SIBS – Sociedade Interbancária de Serviços, S.A.	6,468	683
Locarent, S.A.	1,449	1,149
Fundo Turismo	325	294
Esegur – Empresa de Segurança, S.A.	230	292
Torre Ocidente, Imobiliária S.A.	-	2,315
Other	180	582
	8,651	5,315
Consolidated net income attributable to the shareholder of CGD	(205,243)	47,061

(a) Data taken from the consolidated financial statements.

Appropriation of net income for year

2015

A resolution was passed by the general meeting of shareholders, held in May 2016, to recognise the amount of €12,211 thousand in losses, made in 2015, in the form 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 by 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 heading.

26. NON-CONTROLLING INTERESTS

The amount of third party investments in subsidiaries is distributed among the following entities:

	30-06-2016	31-12-2015
Parcaixa, SGPS, S.A. (a)	516,169	506,107
Banco Caixa Geral Angola, S.A.	116,433	132,789
Caixa Geral Finance	96,245	96,249
Banco Comercial e de Investimentos, S.A.R.L.	71,140	98,584
Fundiestamo - Fundo de Investimento Imobiliário Fechado	32,284	32,062
Banco Comercial do Atlântico, S.A.R.L.	11,749	12,784
Banco Interatlântico, S.A.R.L.	4,533	4,582
A Promotora - Sociedade de Capital de Risco, S.A.R.L.	1,565	1,540
Banco Caixa Geral, S.A.	994	1,014
Other	1,202	1,338
	852,315	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, 2014, 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.

Caixa Geral Finance issued €350,000 thousand in non-voting preference shares on September 30, 2005. 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 amount 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 full redemption thereof.

During the course of its activity, the group repurchased preference shares issued by Caixa Geral Finance for an accumulated amount of €504,241 thousand, at June 30, 2016 and December 31, 2015.

Information on the amount of consolidated profit attributable to non-controlling interest shareholders, in June 30, 2016 and 2015, is set out below:

	30-06-2016	30-06-2015
Banco Caixa Geral Angola, S.A.	6,641	30,438
Banco Comercial e de Investimentos, S.A.R.L.	6,129	9,175
Parcaixa, SGPS, S.A. (a)	11,467	7,011
Banco Comercial do Atlântico, S.A.R.L.	304	734
Fundiestamo - Fundo de Investimento Imobiliário Fechado	221	255
Other	(93)	(795)
	24,670	46,817

(a) Includes the activity of Caixa Leasing e Factoring – IFIC, S.A.

27. INTEREST AND INCOME AND INTEREST AND SIMILAR COSTS

Information on the composition of these account headings is set out below:

	30-06-2016	30-06-2015
Interest and similar income		
Interest on loans and advances to domestic credit institutions	2,438	1,829
Interest on loans and advances to foreign credit institutions	19,638	16,903
Interest on domestic credit	438,627	504,263
Interest on foreign credit	314,381	311,440
Interest on overdue credit	17,726	14,818
Interest on financial assets held for trade		
- Derivatives	275,540	315,433
- Securities	9,037	8,378
Interest on financial assets at fair value through profit or loss	185	411
Interest on available-for-sale financial assets	159,974	191,018
Interest on hedging derivatives	6,432	7,157
Interest on debtors and other investments	3,520	3,979
Interest on cash equivalents	1,117	2,863
Interest on other loans and other amounts receivable	60,887	71,895
Other interest and similar income	1,776	2,075
Commissions received relating to amortised cost	66,853	67,518
	1,378,132	1,519,979
Interest and similar costs		
Interest on deposits of		
- Central and local government	228	1,494
- Other residents	182,846	274,747
- Emigrants	11,933	17,560
- Other non-residents	135,280	145,442
- Other	61	250
Interest on resources of foreign credit institutions	17,539	15,656
Interest on resources of domestic credit institutions	10,074	7,032
Interest on swaps	289,183	317,535
Interest on other trading liabilities	3,231	3,097
Interest on unsubordinated debt securities	85,655	127,734
Interest on hedging derivatives	918	1,196
Interest on subordinated liabilities	54,761	56,338
Other interest and similar costs	9,816	9,786
Commissions paid relating to amortised cost	7,911	3,248
	809,435	981,115

The "Interest and similar costs - interest on subordinated liabilities" account at June 30, 2016 and 2015 included €40,411 thousand and €40,059 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).

28. INCOME FROM EQUITY INSTRUMENTS

This account heading comprises the following:

	30-06-2016	30-06-2015
ADP - Águas de Portugal, S.A.	8,896	4,558
EDP - Energias de Portugal, S.A.	1,308	2
Sumol + Compal, S.A.	-	2,005
Income received from investment funds	14,326	30,198
Other	5,110	6,425
	29,640	43,188

29. INCOME AND COSTS OF SERVICES AND COMMISSIONS

These accounts are made up as follows:

	30-06-2016	30-06-2015
Income from services rendered and commissions:		
On guarantees provided	26,737	31,373
On commitments to third parties	8,620	10,512
On operations on financial instruments	780	420
On services provided		
Deposit and safekeeping of valuables	8,345	9,327
Collection of valuables	3,415	3,403
Management of securities	7,877	8,115
Collective investment in transferable securities	12,417	13,353
Transfer of valuables	10,138	10,629
Cards managements	7,872	8,607
Annuities	28,121	26,360
Assembly operations	3,565	7,847
Credit operations	21,777	23,005
Other services rendered	86,393	89,028
On operations carried out on behalf of third parties	2,916	2,755
Other commissions received	62,514	67,135
	291,489	311,869
Cost of services and commissions:		
On guarantees received	1,366	2,083
On commitments assumed by third parties	16	203
On operations on financial instruments	139	149
On banking servicers rendered by third parties	51,975	55,795
On operations carried out by third parties	2,415	2,659
Other commissiond paid	5,429	3,276
	61,341	64,165

30. INCOME FROM FINANCIAL OPERATIONS

Information on the composition of these account headings is set out below:

	30-06-2016	30-06-2015
Result from foreign exchange operations:		
Revaluation of foreign exchange position	47,293	27,863
Results from currency derivatives	(50,255)	4,781
	(2,962)	32,644
Result from financial assets and liabilities held for trading:		
Securities:		
Debt instruments	151	(2,434)
Equity instruments	(2,976)	1,502
Other instruments	1,110	(6)
	(1,715)	(938)
Derivatives:		
Interest rate	(223,558)	101,611
Shares and indexes	9,910	(2,172)
Credit default	339	297
Other	50,888	25,240
	(162,421)	124,975
	(164,136)	124,037

(cont)	30-06-2016	30-06-2015
Result from other financial assets at fair value through profit or loss:		
Debt instruments	818	35
Equity instruments	4,499	4,062
Other securities	6,844	28,099
Loans and other amounts receivable	-	239
	12,161	32,436
Result from the sale of loans and advances to customers	-	(46)
Result from available-for-sale financial assets:		
Debt instruments	13,712	130,780
Equity instruments		
VISA Europe Limited (Note 8)	38,941	-
Finangeste, S.A. (Note 8)	-	(931)
Other	(2,329)	(33)
	36,613	(964)
	50,325	129,816
Other securities	19,136	1,856
	69,461	131,671
Result of hedging operations:		
Hedging derivatives	(20,785)	(20,149)
Value adjustments of hedged assets and liabilities	20,328	21,431
	(457)	1,282
Other		
Results in the repurchase of liabilities issued	43,778	3,913
Other	(5,264)	(23,948)
	38,515	(20,035)
	(47,418)	301,989

The "Other" account heading at June 30, 2016 and 2015, includes €3,945 thousand and €23,463 thousand, respectively, in respect of the results of minority investors in the unit trust investment funds included in CGD group's consolidation perimeter.

During the course of the half year ended June 30, 2016, the group disposed of a total amount of approximately €59,865 thousand in loans and advances to companies, in its "Corporates" portfolio, excluding asset lending operations. These transactions resulted in losses of €46 thousand in the referred to period.

31. OTHER OPERATING INCOME

Information on the composition of these account headings is set out below:

	30-06-2016	30-06-2015
Other operating income:		
Rendering of services	21,961	20,458
Expense reimbursement	4,715	3,982
Lease income under operating lease agreements	26,191	27,776
Gains on non-financial assets:		
- Non-current assets held for sale	12,871	12,167
- Other tangible assets	296	178
- Investment property	13,978	3,600
- Other	311	196
Secondment of employees to Caixa Geral de Aposentações	1,266	1,630
Sale of cheques	5,012	5,747
Other	23,272	27,024
	109,871	102,758
Other operating costs:		
Donations and subscriptions	1,780	3,972
Losses on non-financial assets:		
- Non-current assets held for sale	28,468	20,874
- Other tangible assets	232	16
- Investment property	37,417	13,322
- Other	31	68
Other taxes	15,391	15,082
Contribution to the Deposit Guarantee Fund	2,425	4,945
Contribution to the Resolution Fund	34,934	5,581
Administrative expenditure of the Unified Council Resolution	270	103
Fines and penalties	146	291
Other	15,185	16,087
	136,279	80,340
	(26,407)	22,418

The resolution fund, created by decree law 31-A/2012 of February 10, introduced a resolution regime in the general credit institutions and financial companies 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. They comprise three intervention stages by the Bank of Portugal, 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.

As a result of the transposition of the bank recovery and resolution directive (2014/59/EU) into domestic legislation, a common resolution regime in the European Union was introduced. It provides for the losses deriving from the bankruptcy processes of banking institutions to be internalised by their shareholders and creditors. It will be financed by mandatory contributions to be paid over to the single resolution fund.

The group’s contributions to the single European resolution fund, in first half 2016, amounted to €31,965 thousand, of which €27,391 thousand in cash and €4,574 thousand in the form of an irrevocable commitment, comprising a surety for the said purpose (note 17), which component part of the contribution was not recognised as a cost for the period.

The group made a periodic contribution of €7,543 thousand and €5,581 thousand to the domestic resolution fund, at June 30, 2016 and 2015.

32. EMPLOYEE COSTS

This account heading comprises the following:

	30-06-2016	30-06-2015
Remuneration of management and supervisory bodies	6,774	7,670
Remuneration of staff	276,883	273,824
	283,658	281,494
Other charges relating to remuneration	18,296	20,424
Healthcare - CGD		
- Normal cost	10,587	11,843
- Contributions relating to current staff	9,602	9,689
Pension liability - CGD		
- Normal cost	35,164	37,348
- Retirements before the normal retirement age	1,854	-
Other pension costs	1,456	1,434
Other mandatory social charges	5,950	6,823
	82,909	87,562
Other staff costs	7,962	7,967
	374,528	377,023

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, designed to create new opportunities for its employees' voluntary redundancies.

The *Horizonte* plan aims to reduce the workforce on the basis of voluntary early retirements. The process is already available to all workers who have reached the age of 55 by December 31, 2016.

During the course of first half 2016, CGD posted a €20,000 thousand increase in employee costs as "Provisions for agreements to suspend labour agreements" under this plan. The increase was the result of an analysis of eligible workers based on the advantages of the exit of each employee.

The average number of employees in Caixa and its subsidiaries, for the half years ended June 30, 2016 and 2015, by type of function, was as follows:

	30-06-2016	30-06-2015
Senior management	551	559
Management	2,930	2,859
Technical staff	5,413	5,238
Administrative staff	6,784	6,826
Auxiliary	323	326
	16,001	15,808
Number of employees at the end of the period	16,061	16,135

At June 30, 2016, this list includes workers agreeing to the *Horizonte* plan, who will be leaving Caixa by the end of 2016.

These numbers, at June 30, 2016 and 2015, did not include employees belonging to the Caixa Geral de Aposentações support department (237 and 249 respectively), employees assigned to CGD's social services (45 and 65, respectively) and other situations i.e. secondments or extended absences (136 and 135 respectively).

33. OTHER ADMINISTRATIVE EXPENSES

This account heading comprises the following:

	30-06-2016	30-06-2015
Specialised services		
- IT services	37,341	41,493
- Safety and security	5,670	6,596
- Information services	3,429	3,957
- Cleaning	3,921	3,895
- Contracts and service fees	1,855	2,549
- Studies and consultancy	1,651	1,716
- Other	49,284	39,725
Leases	34,765	36,517
Communications and postage	16,346	19,531
Maintenance and repairs	17,964	17,634
Advertising and publications	10,862	12,451
Water, energy and fuel	10,686	11,543
Transport of cash and other values	5,585	6,337
Travel, lodging and representation expenses	5,184	5,846
Standard forms and office supplies	3,595	4,432
Other	8,560	9,314
	216,700	223,536

34. IMPAIRMENT OF ASSETS

Information on impairment movements for the half years ended June 30, 2016 and 2015 is set out below:

	Balances at 31-12-2015	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2016	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 12)	5,197,706	312,653	(100,972)	(10,093)	(9,448)	5,389,846	(10,131)
Impairment of loans and advances to credit institutions (Note 6)	11,394	(2,369)	(3,643)	-	1,743	7,125	
Impairment of available-for-sale financial assets (Note 8)							
Equity instruments	112,532	32	-	(46)	-	112,518	
Debt instruments	1,029	489	-	105	(839)	784	
Other instruments	247,138	32,466	(12,497)	(1,357)	5,000	270,751	
Impairment of financial assets with repurchase agreement (Note 9)	-	-	-	-	967	967	
Impairment of other tangible assets	13,597	2,122	-	-	7	15,726	
Impairment of intangible assets	20,639	-	-	-	-	20,639	
Impairment of non-current assets held for sale (Note 13)							
Properties	409,788	(13,172)	(5,695)	(32)	(24,044)	366,846	
Equipment	1,721	83	(495)	-	-	1,308	
Impairment of other assets (Note 17)	245,760	23,673	(996)	(1,065)	47,905	315,277	
	1,063,598	43,324	(23,326)	(2,394)	30,739	1,111,941	-
	6,261,304	355,977	(124,298)	(12,486)	21,291	6,501,787	(10,131)

	Balances at 31-12-2014	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2015	Credit recovery, interest and expenses
Impairment of loans and advances to customers	5,230,292	247,681	(267,949)	6,508	(572)	5,215,960	(11,919)
Impairment of loans and advances to credit institutions	11,817	(321)	-	-	-	11,497	
Impairment of available-for-sale financial assets							
Equity instruments	108,408	4,652	(1,845)	175	-	111,390	
Debt instruments	668	7	(22)	-	-	653	
Other instruments	204,547	29,596	-	7,232	-	241,375	
Impairment of other tangible assets	11,502	186	-	-	(186)	11,502	
Impairment of intangible assets	20,401	-	-	-	238	20,639	
Impairment of non-current assets held for sale							
Properties	373,411	12,070	(1,666)	(9)	(147)	383,659	
Equipment	2,687	(33)	(915)	-	(43)	1,696	
Impairment of other assets	235,456	19,411	(3,582)	(216)	102	251,170	
	968,896	65,568	(8,030)	7,182	(36)	1,033,580	-
	6,199,188	313,249	(275,979)	13,690	(608)	6,249,539	(11,919)

35. 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: comprising banking activity related to the management of the own securities portfolio, management of issuance of debt instruments, money and foreign exchange markets operations, repo type operations, securities lending operations and wholesale brokerage. Investments in and claims at other credit institutions and derivatives are also included in this segment;

- Retail banking: comprising banking operations with individual customers, the self-employed and micro-enterprises. This segment also includes consumer finance, mortgage lending, credit cards and deposits taken from individual customers;

- Commercial banking: including lending operations and resource-taking from major enterprises and SMEs. This 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: including activities associated with the management of customer portfolios, the management of open-ended or closed end unit trust and property funds and discretionary wealth management funds;

- Corporate finance: including activities related with acquisitions, mergers, restructuring operations, privatisations, subscriptions for and placements of securities (primary market), securitisations, preparation and organisation of syndicated loans (merchant banking – loan placements), investment management, market and corporate financial analyses and advisory services;

- Other: including all operating segments not described in the preceding business segments.

Information on the appropriation of income and main balance sheet aggregates, by business segments and geographies, at June 30, 2016 and in 2015, is given below:

<u>Business segments</u>

	30-06-2016						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	255,267	262,630	32,783	2,645	13,044	2,328	568,697
Income from equity instruments	11,599	123	1,634	14,362	282	1,640	29,640
Income from services rendered and commissions	11,385	91,668	42,751	16,701	22,515	106,469	291,489
Cost of services and commissions	(5,465)	(1,130)	(2,909)	(3,820)	(271)	(47,746)	(61,341)
Results from financial operations	(57,603)	417	1,707	1,697	2,852	3,512	(47,418)
Other net operating income	(9,175)	(11,998)	(9,596)	(460)	22,125	(17,303)	(26,407)
Net operating income from banking and insurance operations	206,008	341,710	66,370	31,125	60,547	48,900	754,660
Other costs and income							(959,903)
Net income attributable to the shareholder of CGD							(205,243)
Cash balances and loans and advances to credit institutions (net)	4,942,487	152,291	34,200	9,080	-	6,578	5,144,636
Investments in securities and derivatives (net)	19,348,832	170,760	446,397	521,876	247,885	272,530	21,008,280
Loans and advances to customers (net)	1,040,688	32,593,074	30,440,111	225,075	615,742	16,399	64,931,089
Total net assets	26,477,049	33,173,573	31,396,631	1,891,848	906,348	5,509,488	99,354,937
Resources of central banks and credit institutions	4,920,550	191,549	531,066	111,786	-	13,651	5,768,602
Customer resources	966,096	54,770,470	16,049,388	194,064	444,114	17,681	72,441,813
Debt securities	6,081,160	-	35,712	-	-	-	6,116,872

	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 and insurance operations	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

Geographies

	30-06-2016							
	Portugal	Rest of European Union	North America	Latin America	Asia	Africa	Other	Total
Net interest income	294,494	95,436	5,242	13,758	47,343	115,492	(3,067)	568,697
Income from equity instruments	80,640	3,158	-	-	108	13,224	(67,490)	29,640
Income from services rendered and commissions	225,718	24,078	545	2,290	19,400	38,353	(18,895)	291,489
Cost of services and commissions	(60,395)	(5,435)	(47)	(107)	(8,444)	(8,076)	21,162	(61,341)
Results from financial operations	(115,538)	48,324	(44)	(3,636)	2,055	20,087	1,334	(47,418)
Other net operating income	(11,343)	(10,613)	(38)	(200)	348	3,588	(8,148)	(26,407)
Net operating income from banking and insurance operations	413,576	154,948	5,657	12,104	60,810	182,669	(75,104)	754,660
Other costs and income								(959,903)
Net income attributable to the shareholder of CGD								(205,243)
Cash balances and loans and advances to credit institutions (net)	10,608,487	2,135,371	1,885,670	205,321	4,270,823	1,165,571	(15,126,607)	5,144,636
Investments in securities and derivatives (net)	22,948,569	1,677,660	137,356	197,090	428,323	1,218,576	(5,599,296)	21,008,280
Loans and advances to customers (net)	50,852,894	11,990,463	560,413	215,289	3,064,273	2,688,066	(4,440,309)	64,931,089
Total net assets	97,181,567	16,212,473	2,583,858	663,951	8,624,718	5,617,489	(31,529,118)	99,354,937
Resources of central banks and credit institutions	9,836,065	5,858,908	2,181,674	326,452	297,930	228,378	(12,960,804)	5,768,602
Customer resources	57,913,734	5,224,395	515,277	164,619	6,864,245	4,197,452	(2,437,909)	72,441,813
Debt securities	5,955,990	4,455,569	-	-	-	35,712	(4,330,399)	6,116,872

	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	216,093	(3,286)	1,113,648
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	100,622	(50,131)	641,952
Cost of services and commissions	(130,609)	(16,566)	(82)	(636)	(17,390)	(18,436)	53,262	(130,456)
Results from financial operations	284,433	20,646	8	(9,729)	9,420	91,401	(46,168)	350,011
Other net operating income	265,013	(3,261)	32	(1,322)	1,413	14,588	(283,873)	(7,410)
Net operating income from banking and insurance operations	1,990,533	259,708	9,853	25,051	121,875	425,431	(790,440)	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)	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, cancelled out in the consolidation process.

The following is a breakdown of the contribution to the group's income by business area, based on internal management criteria, for the half years ended June 30, 2016 and 2015:

	30-06-2016					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	999,611	498,034	81,927	-	(201,440)	1,378,132
Interest and similar costs	(736,146)	(221,277)	(70,436)	-	218,425	(809,435)
Income from equity instruments	781	3,468	1,985	-	23,407	29,640
Net interest income	264,245	280,225	13,476	-	40,392	598,337
Income from services rendered and commissions	186,818	84,666	20,308	-	(304)	291,489
Cost of services and commissions	(37,956)	(21,594)	(3,546)	-	1,756	(61,341)
Results from financial operations	(87,039)	67,053	(30,568)	-	3,136	(47,418)
Other net operating income	(12,770)	(6,916)	(565)	36	(6,192)	(26,407)
Net operating income	49,052	123,209	(14,371)	36	(1,604)	156,322
NET OPERATING INCOME FROM BANKING	313,298	403,434	(896)	36	38,788	754,660
Other costs and income	(640,846)	(286,230)	(21,070)	10,639	(22,396)	(959,903)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	(327,549)	117,203	(21,965)	10,675	16,392	(205,243)

	30-06-2015					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	1,138,514	525,383	89,167	-	(233,085)	1,519,979
Interest and similar costs	(911,457)	(247,099)	(74,939)	-	252,381	(981,115)
Income from equity instruments	10,664	4,838	3,345	-	24,341	43,188
Net interest income	237,722	283,121	17,573	-	43,637	582,052
Income from services rendered and commissions	196,463	92,817	23,178	-	(590)	311,869
Cost of services and commissions	(39,829)	(22,807)	(3,505)	-	1,975	(64,165)
Results from financial operations	229,927	66,347	2,347	-	3,368	301,989
Other net operating income	17,503	3,435	941	12	526	22,418
Net operating income	404,064	139,793	22,962	12	5,279	572,111
NET OPERATING INCOME FROM BANKING	641,786	422,914	40,534	12	48,916	1,154,163
Other costs and income	(708,496)	(378,216)	(33,210)	27,736	(14,916)	(1,107,102)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	(66,710)	44,698	7,325	27,748	34,001	47,061

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 property activities.

36. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Credit risk

Maximum exposure to credit risk

The following is a breakdown of the group's maximum exposure to credit risk at June 30, 2016 and December 31, 2015:

	30-06-2016	31-12-2015
Trading securities		
Public debt	4,058,765	908,167
Private debt	7,936	17,136
	4,066,700	925,303
Financial assets at fair value through profit or loss		
Private debt	3,322	6,681
	3,322	6,681
Available-for-sale financial assets		
Public debt	7,456,888	10,256,470
Private debt	4,334,116	3,922,330
	11,791,004	14,178,801
Held-to-maturity investments		
Public debt	233,619	-
Private debt	4,231	-
	237,850	-
Financial assets with repurchase agreement		
Public debt	368,732	294,968
Private debt	134,193	367,332
Credit and securities	352,666	418,866
	855,591	1,081,166
	16,954,468	16,191,950
Derivatives	1,930,135	1,625,723
Cash balances at other credit institutions	440,187	773,163
Loans and advances to credit institutions	3,204,237	4,013,842
Loans and advances to customers	65,020,010	65,850,180
Other debtors	3,138,615	2,658,818
Other operations pending settlement	573,362	176,278
	74,306,547	75,098,004
Other commitments		
Personal/Institutional guarantees given:		
Guarantees and sureties	3,685,997	3,637,077
Stand-by letters of credit	74,368	57,816
Open documentary credits	361,550	502,154
Forward deposit agreements	-	85,618
Irrevocable lines of credit	1,170,729	1,273,964
Securities subscription	1,703,304	1,654,834
Other irrevocable commitments	79,167	2,230
Credit default swaps	72,059	73,482
	7,147,175	7,287,175
Maximum exposure to credit risk	98,408,190	98,577,129

Exposure to the sovereign debt of peripheral Eurozone countries

Information on the main characteristics of these issuances within Caixa group at June 30, 2016 and December 31, 2015, is set out below:

	Book value net of impairment at 30-06-2016				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	-	1,687,923	-	1,687,923	1,687,923	-	-	
Greece	-	-	-	-	-	-	-	
Ireland	-	-	-	-	-	-	-	
Spain	359,313	726,744	-	1,086,057	1,086,057	-	-	
Italy	266,158	921,814	-	1,187,972	1,187,972	-	-	
	625,470	3,336,481	-	3,961,951	3,961,951	-	-	
Financial assets at fair value through revaluation reserves								
Portugal	1,997,214	4,182,077	665	6,179,957	6,179,957	-	(79,929)	
Greece	-	4,078	-	4,078	4,078	-	(2,266)	
Ireland	-	-	-	-	-	-	-	
Spain	1,309	205,739	-	207,048	207,048	-	6,664	
Italy	-	302,393	-	302,393	302,393	-	4,806	
	1,998,523	4,694,287	665	6,693,475	6,693,475	-	(70,725)	
Total								
Portugal	1,997,214	5,869,999	665	7,867,879	7,867,879	-	(79,929)	BB+
Greece	-	4,078	-	4,078	4,078	-	(2,266)	CCC
Ireland	-	-	-	-	-	-	-	
Spain	360,622	932,483	-	1,293,104	1,293,104	-	6,664	BB+
Italy	266,158	1,224,207	-	1,490,365	1,490,365	-	4,806	BBB+
	2,623,993	8,030,768	665	10,655,426	10,655,426	-	(70,725)	

	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	

The evolution of these markets also reflects the consequences of the serious liquidity crisis and, in general, high levels of insecurity regarding risk perception associated with sovereign debt issuances in this economic space and particularly so in the case of countries with European Central Bank, International Monetary Fund and European Union bail-out programmes (Greece and Ireland in 2010 and Portugal in 2011).

<u>Measurement criteria</u>

The sovereign debt issuances of the peripheral Eurozone countries considered in the above table were measured at observable market prices, when applicable or prices supplied by external counterparties in the absence of an active market. At June 30, 2016 and December 31, 2015, these portfolios were segmented into levels 1 and 2 of the fair value ranking. Greater detail on the distinguishing elements of these categories along with the main presuppositions used are given in “Fair value”.

Exposures affected by the period of turbulence

Information on the composition of the group’s available-for-sale assets portfolio, at June 30, 2016 and December 31, 2015, which included securities particularly affected by the period of financial turbulence, is set out below:

				30-06-2016		31-12-2015	
TYPE	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Book value (net of impairment)	Fair value reserve	Book value (net of impairment)	Fair value reserve
Available-for-sale financial assets							
Residential mortgage-backed securities	A- to A+	Senior	European Union	1,408	(359)	1,533	(384)
	Lower than A-	Senior	European Union	26,203	(2,485)	28,694	(2,618)
		Mezzanine	European Union	660	(1,707)	908	(1,457)
				28,271	(4,551)	31,135	(4,459)

(a) Presentation of securities conducted in accordance w ith information about the ratings available on 30-06-2016, w ith the exception of alienated species w hose information provided should be referenced 31-12-2015.

Information on movements on such securities for the half years ended June 30, 2016 and 2015 is set out below:

	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Book value (net) at 31-12-2015	Sales and amortisations	Impact on results for the period	Change in the fair value reserve	Book value (net) at 30-06-2016
Available-for-sale financial assets								
Residential mortgage-backed securities								
	A- to A+	Senior	European Union	1,533	(147)	(2)	25	1,408
	Lower than A-	Senior	European Union	28,694	(2,689)	65	133	26,203
		Mezzanine	European Union	908	-	2	(250)	660
				31,135	(2,837)	65	(92)	28,271

(a) Presentation of securities conducted in accordance w ith information about the ratings available on 30-06-2016, w ith the exception of alienated species w hose information provided should be referenced 31-12-2015.

	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Book value (net) at 31-12-2014	Sales and amortisations	Impact on results for the period	Change in the fair value reserve	Book value (net) at 30-06-2015
Available-for-sale financial assets								
Residential mortgage-backed securities								
	A- to A+	Senior	European Union	4,146	(2,487)	409	(385)	1,683
	Lower than A-	Senior	European Union	33,098	(1,278)	45	111	31,976
		Mezzanine	European Union	5,436	-	10	(445)	5,001
	CCC	Mezzanine	European Union	688	-	6	274	968
				43,369	(3,765)	470	(446)	39,627

(a) Presentation of securities conducted in accordance w ith information about the ratings available on 30-06-2015, w ith the exception of alienated species w hose information provided should be referenced 31-12-2014.

“Capital gains/ (losses) recognised as a charge to profit and loss” include accrued interest and proceeds from foreign exchange revaluations.

Quality of loans and advances to customers

The disclosures on asset quality and credit risk management required by Bank of Portugal circular 2/2014 are set out below.

1. Credit risk management policy

1.1 Credit risk management

To provide for 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 encompassing the different funding stages:

1.1.1 Issuance of loans

Lending activity is performed in such a way as to comply with the credit risk management strategy and policy defined by CGD's competent bodies.

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 which establishes objective criteria to be complied with on lending operations and the delegation of competencies in accordance with the ratings allocated to customers.

Credit risk appraisals in the corporate segment, in addition to the use of internal rating models, may also be subject to individual analysis by a team of analysts as defined in an internal regulation.

1.1.2 Credit portfolio oversight

Credit portfolio oversight enables potential default situations to be identified.

A new credit oversight and recovery policy was approved in 2015, in articulation with the implementation of a totally computerised workflow across commercial and credit recovery and oversight activities, with the following objectives:

i) To classify the credit portfolio based on events' levels of severity:
   a. Customers with performing credit
   b. Customers with warning signs
   c. Customers in financial distress
   d. Customers in default, and
   e. Quarantined customers;
ii) Transfers of customers between commercial and credit recovery and oversight areas;
iii) Definition of measures to be taken based on a customer's classification;
iv) Monitoring by the Risk Management division for the purpose of diagnosis and introduction of procedural improvements.

1.1.3 Credit recovery

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 Situations of Default") as regards loans and advances to individual customers.

The credit recovery process was revised in line with the new credit monitoring and recovery process, based on the greater harmonisation of operating procedures using the workflow tool implemented in 2015.

1.2 Concentration risk management

Credit concentration risk management within CGD group is the responsibility of the Risk Management division (DGR) which identifies, measures and controls significant exposures.

Decisions to enter into agreements for operations entailing materially relevant exposures (as defined in an internal regulation) 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 any amount remains unpaid, following all of the legal proceedings with the parties involved in a loan agreement.

3. Impairment reversal policy

The quantification of impairment losses is conditioned by the identification of events which indicate a deterioration of the counterparty's creditworthiness when having an impact on the credit's future cash flows.

In situations showing significant improvements in the creditworthiness of debtors and/or an adequate strengthening of real guarantees, a 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 defined as 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 pursuant to the terms of the delegated decision and the limits defined in an internal regulation for each specific situation.

The application of the recovery solutions always bears in mind a customer's individual circumstances and the best interests of the customer and CGD.

Most loans are subject to specific treatment for impairment calculation purposes, across the whole of the period of surveillance defined in the referred to instruction.

5. Description of assessment and collateral management process

Property

The main components of the valuation methodology on property within CGD group are:

i. Examination of property: the property is inspected when all new mortgage lending operations are entered into, with the objective of assessing the presumable transaction price in a free market;

   The value of a property asset is documented and includes, *inter alia*, copies of the plans, property registration booklet and its description in the land registry, when supplied. These valuations are complemented by direct observation *in situ*;

ii. Revision of the valuation of the property 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 procedure is also 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;

iv. CGD has a network of external service providers in its property valuation area comprising around 100 external corporate and individual appraisers, 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 sent to 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 property 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. Type of principal judgments, estimates and hypotheses used to assess impairment

The credit impairment model used in CGD encompasses loans and advances to companies and to individual customers and includes the provision of bank guarantees and irrevocable lines of credit.

The following concepts are used to calculate credit impairment:

i) Individual impairment based on an assessment of customers with individually significant exposures by filling in an impairment form and discounting the estimated future cash flows 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 into risk sub-segments which include assets with similar risk characteristics.

7. Description of impairment calculation methodologies, including the way in which portfolios are segmented to reflect the different characteristics of the loans

The credit impairment model assesses each operation's risk profile which it classifies in the credit portfolio sub-segments defined on the basis of the historical valuation of portfolios and the operation's current and past performance.

The purpose of the loan, type of collateral and sector of economic activity are also considered for the purposes of this segmentation.

8. Indication of signs of impairment by credit segments

Performing credit

- 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:

- Amounts overdue to CGD for less than 90 days;
- Bank of Portugal indicators (amounts overdue for more than 30 days to other credit institutions, barring from the use of cheques);
- Cheques returned to CGD;
- Individual assessments made by customer accounts – only for credit to other than non-individual customers;
- Identification of debts to the tax authorities and social security services based on a quarterly analysis by customer account managers only for credit to other than non-individual customers;
- A 20% decrease in the amount of a real guarantee when this results in an LTV of more than 80% (applicable to property projects);
- Interim grace periods;
- Insolvency procedures (e.g. PER - special recovery programme) other than a declaration of insolvency;
- Credit contamination, based on signs of losses on other operations involving the same customer.

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 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 more than 90 days overdue, provided that the materiality limits in force have been complied with;
- Existence of an impairment provision resulting from an individual analysis of customers with individually significant exposures;
- Declarations of insolvency;
- Operations at a pre-legal/legal stage in CGD;
- Contamination of credit, only for credit other than to individual customers based on the identification of loss events on other operations involving the same customer;
- Restructured operations owing to a customer’s financial difficulties when in arrears for more than 30 days or with significant value losses or with second restructuring processes during the quarantine period defined in Bank of Portugal instruction 32/2013 (this criterion was considered for reporting purposes).

9. Indication of thresholds defined for an individual analysis

The definition of limits for individual impairment assessments within CGD group, set out in an internal regulation, takes the specifications of the diverse credit portfolios into account.

10. Policy relating to internal risk levels, specifying the treatment afforded to a borrower classified as being in default

Pursuant to internal regulation, customers entering into a default situation are allocated to specialised credit oversight and recovery areas. The allocation decision may be made by the Credit Oversight Delegate board (CDAC).

Based on an analysis, the recovery solution considered to be the most adequate to the customer's and CGD's interests is applied.

11. General description of the form of calculating the present value of future cash flows for individual and collective impairment loss assessments

Individual assessment

The assessment of future cash flows expected on loans considers to what extent 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.

In situations of customers with signs of loss an assessment is made to evaluate whether the expected cash flows are less than the contractual cash flows. The amount of the impairment in such cases is consequently adjusted.

Collective impairment

The assessment of cash flow on the collective impairment model is based on the contractual cash flow and the risk factors applicable to the operation.

Expected future cash flows are latterly revised at the operation's original effective interest rate to assess its respective present value.

12. Description of the emergent period used for the different segments and justification of its adequacy

For credit without any observable signs of impairment, is provided for provisions to be set up on IBNR losses.

Based on this definition, the calculation of impairment is contingent 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 later time when the signs are identified. The emergence period has currently been set at 12 months.

The use of the emergence period in CGD is based on the use of diverse early warning signs designed to identify, as soon as possible, any potential deterioration of a customer's creditworthiness which could lead to losses.

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 30-06-2016						Impairment in 30-06-2016		
	Performing loans			Non-performing loans		Total	Performing loans	Non-performing loans	Total
		Which of: cured	Which of: restrutured		Which of: restrutured				
Segment									
Government	5,381,419	240,692	495,759	117,474	45,081	5,498,893	3,431	19,791	23,223
Corporate	15,622,690	157,191	1,045,112	2,448,170	1,075,003	18,070,860	215,699	1,459,189	1,674,888
Construction and real estate (CRE)	6,638,243	196,604	639,294	4,048,548	2,309,757	10,686,791	177,617	2,141,681	2,319,298
Households - Housing	30,388,608	171,732	573,932	2,116,067	506,857	32,504,675	90,147	726,524	816,671
Households - Consumption and other purposes	2,232,838	21,136	78,931	660,304	409,598	2,893,142	40,346	385,484	425,831
Other	643,837	42,443	35,009	375,405	60,684	1,019,242	6,224	123,712	129,936
	60,907,634	829,799	2,868,036	9,765,968	4,406,981	70,673,602	533,464	4,856,382	5,389,846

	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 30-06-2016							Impairment in 30-06-2016				
	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	4,114,851	1,266,261	5,381,419	20,350	97,124	117,474	5,498,893	3,425	6	-	19,791	23,223
Corporate	14,447,755	904,379	15,622,690	1,024,058	1,424,112	2,448,170	18,070,860	196,898	18,801	642,932	816,257	1,674,888
Construction and real estate (CRE)	5,996,419	579,026	6,638,243	1,049,774	2,998,774	4,048,548	10,686,791	151,698	25,919	530,460	1,611,222	2,319,298
Households - Housing	28,870,405	1,262,610	30,388,608	159,658	1,956,408	2,116,067	32,504,675	69,366	20,781	31,313	695,211	816,671
Households - Consumption and other purposes	2,079,545	108,858	2,232,838	348,642	311,662	660,304	2,893,142	33,876	6,470	177,300	208,184	425,831
Other	634,354	3,008	643,837	51,136	324,269	375,405	1,019,242	5,409	815	20,494	103,218	129,936
	56,143,328	4,124,141	60,907,634	2,653,618	7,112,350	9,765,968	70,673,602	460,673	72,791	1,402,499	3,453,883	5,389,846

	Exposure in 31-12-2015							Impairment in 31-12-2015				
	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 w hich 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	1,420	626,885	276	12,100	672,331	117,778	3,365	724,166	180,315	343,619	9,151,590	315,909	14,576	78,226	24,948	26	28,145	328	375,106	11,281,343	639,555
2005	223	88,029	2,506	1,231	143,975	15,256	580	172,040	38,239	48,713	2,567,397	77,080	34,277	86,373	12,205	11	32,889	28	85,035	3,090,703	145,313
2006	176	87,319	735	3,539	280,381	52,624	1,238	665,246	190,121	45,835	2,780,809	80,684	117,315	155,984	21,216	15	38,311	1,902	168,118	4,008,050	347,283
2007	139	222,489	1,799	5,300	510,004	124,558	2,142	973,595	421,017	55,086	3,311,532	121,832	35,618	127,775	33,382	64	365,875	94,063	98,349	5,511,270	796,650
2008	109	324,540	12,943	4,999	1,152,126	139,582	1,974	1,181,547	258,384	47,042	2,907,988	83,220	36,679	115,788	30,520	59	10,202	1,509	90,862	5,692,192	526,158
2009	105	348,605	557	5,285	636,963	99,645	1,787	1,166,482	130,230	42,160	3,023,572	51,313	44,232	131,984	27,289	58	6,863	1,328	93,627	5,314,469	310,362
2010	104	411,214	825	6,751	575,919	100,426	2,064	642,836	91,104	33,342	2,719,425	39,229	52,587	191,823	28,290	62	2,973	846	94,910	4,544,189	260,720
2011	52	176,470	4	6,161	774,521	99,170	1,740	447,229	98,354	16,860	1,357,382	13,511	49,301	223,605	23,650	74	7,107	181	74,188	2,986,313	234,869
2012	85	268,547	124	7,163	792,132	77,955	1,698	641,274	187,132	8,296	696,957	7,025	56,073	516,275	161,511	74	46,035	1,056	73,389	2,961,220	434,803
2013	117	175,141	700	11,186	1,286,461	120,769	2,342	977,557	252,023	9,198	789,102	5,055	135,165	240,935	14,073	84	65,355	16,107	158,092	3,534,551	408,727
2014	109	1,213,934	184	14,414	1,756,777	109,145	2,859	1,185,603	248,847	11,249	1,069,756	5,287	84,056	314,505	15,077	122	308,291	5,280	112,809	5,848,865	383,819
2015	146	394,082	2,532	20,278	4,625,497	498,258	3,827	845,331	69,643	17,381	1,395,929	9,964	109,052	456,266	21,415	139	80,397	6,775	150,823	7,797,502	608,588
2016	186	1,161,637	39	34,998	4,863,775	119,723	8,092	1,063,886	153,888	9,601	733,235	6,562	212,048	253,602	12,255	324	26,800	532	265,249	8,102,934	293,000
	2,971	5,498,893	23,223	133,405	18,070,860	1,674,888	33,708	10,686,791	2,319,298	688,382	32,504,675	816,671	980,979	2,893,142	425,831	1,112	1,019,242	129,936	1,840,557	70,673,602	5,389,846

c) Details of gross credit exposure and individually and collectively recognised impairment by segment, sector (Code of Economic Activities) and geography

	30-06-2016													
	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	132,644	20,566	3,287,602	1,096,137	4,319,595	1,928,881	106,813	4,125	431,315	199,002	408,418	122,704	8,686,387	3,371,415
Collective	5,366,249	2,656	14,783,258	578,751	6,367,196	390,418	32,397,861	812,546	2,461,826	226,829	610,824	7,232	61,987,215	2,018,432
	5,498,893	23,223	18,070,860	1,674,888	10,686,791	2,319,298	32,504,675	816,671	2,893,142	425,831	1,019,242	129,936	70,673,602	5,389,846

	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

	30-06-2016											
	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)	77,862	18,260	33,139	1,669	4,319,595	1,928,881	6,367,196	390,418	4,397,457	1,947,141	6,400,335	392,086
Agriculture, forestry and fishing	-	-	19	-	127,613	26,699	450,583	15,974	127,613	26,699	450,603	15,974
Mining and quarrying	-	-	-	-	7,429	1,919	88,537	4,748	7,429	1,919	88,537	4,748
Manufacturing	-	-	1,374	5	898,729	492,452	3,113,481	145,745	898,729	492,452	3,114,855	145,750
Electricity, gas, steam and air conditioning supply	-	-	25,244	2	178,971	7,124	740,006	4,227	178,971	7,124	765,250	4,230
Water supply	-	-	-	-	59,688	18,492	372,619	4,491	59,688	18,492	372,619	4,491
Wholesale and retail trade	-	-	1,593	11	467,468	130,545	2,772,487	214,647	467,468	130,545	2,774,081	214,658
Transport and storage	-	-	10,769	20	350,932	90,087	789,667	22,018	350,932	90,087	800,436	22,038
Accommodation and food service activities	-	-	-	-	96,370	13,616	956,850	31,063	96,370	13,616	956,850	31,063
Information and communication	-	-	13,674	93	100,971	10,812	284,304	14,196	100,971	10,812	297,979	14,289
Professional, scientific and technical activities	13,499	675	2,327,500	196	594,015	242,670	2,941,700	66,150	607,514	243,345	5,269,199	66,345
Administrative and support service activities	-	-	13,532	120	103,139	21,270	312,713	18,077	103,139	21,270	326,245	18,197
Public administration and defence, compulsory social security	26,671	-	2,866,829	141	982	67	9,516	120	27,654	67	2,876,345	261
Education	-	-	14,654	38	23,895	2,017	129,440	6,779	23,895	2,017	144,094	6,817
Human health services and social work activities	-	-	6,673	138	65,156	3,632	275,019	12,218	65,156	3,632	281,692	12,356
Arts, entertainment and recreation	371	74	767	6	62,864	8,541	109,701	6,977	63,235	8,615	110,467	6,983
Other services	14,241	1,557	50,482	219	148,908	26,358	930,792	10,921	163,149	27,914	981,274	11,140
Other financial activities	-	-	-	-	408,890	122,542	1,116,667	7,630	408,890	122,542	1,116,667	7,630
Households - housing	-	-	-	-	106,813	4,125	32,397,861	812,546	106,813	4,125	32,397,861	812,546
Households - other	-	-	-	-	431,315	199,002	2,461,826	226,829	431,315	199,002	2,461,826	226,829
	132,644	20,566	5,366,249	2,656	8,553,743	3,350,848	56,620,966	2,015,775	8,686,387	3,371,415	61,987,215	2,018,432

	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

	30-06-2016													
	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	6,829,819	2,916,107	819,828	354,129	65,708	31,762	509,865	37,674	885	660	460,281	31,083	8,686,387	3,371,415
Collective	48,703,792	1,754,073	3,507,046	67,560	3,931,796	71,349	2,269,201	54,699	3,127,753	64,031	447,627	6,719	61,987,215	2,018,432
	55,533,612	4,670,180	4,326,874	421,690	3,997,503	103,111	2,779,066	92,374	3,128,638	64,691	907,908	37,801	70,673,602	5,389,846

	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

	30-06-2016											
	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	4,931	375,166	4,148	23,118	3,832	1,087,251	500,950	63,597	8,763	1,462,417	505,098	86,715
Grace period	2,082	755,252	881	7,162	1,481	150,843	9,449	30	3,563	906,095	10,330	7,192
Interest rate changes	1,406	512,646	13,730	5,416	1,535	1,346,964	673,830	37,998	2,941	1,859,610	687,560	43,414
Other	11,796	1,224,971	27,877	38,859	8,129	1,821,923	656,773	155,830	19,925	3,046,894	684,650	194,689
	20,215	2,868,036	46,636	74,555	14,977	4,406,981	1,841,002	257,455	35,192	7,275,016	1,887,638	332,010

	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	840,049
Accrued interest of the restructured loans	38,625
Restructured loans liquidation (partial or total)	(380,493)
Reclassifyed loans from "restructured" to "normal"	(521,116)
Other	(23,501)
Balance of restructured loans at 30-06-2016	7,275,016

f) Details of the fair value of the credit portfolio's underlying collateral namely corporate, construction, "commercial real estate" (CRE) and housing

	30-06-2016											
	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€	8,931	1,051,345	15,118	914,217	4,416	561,069	3,261	219,103	502,358	59,942,812	1,263	1,716,875
≥ 0.5 M€ and < 1 M€	1,007	556,361	652	530,004	570	312,734	264	149,177	2,875	2,185,171	17	181,365
≥ 1 M€ and < 5 M€	945	1,522,773	378	1,340,098	1,024	1,655,977	304	501,443	407	625,643	6	79,636
≥ 5 M€ and < 10 M€	131	638,573	32	562,031	166	804,615	61	352,714	33	242,642	-	-
≥ 10 M€ and < 20 M€	28	274,802	15	625,182	85	848,082	23	316,930	22	300,718	-	-
≥ 20 M€ and < 50 M€	5	128,412	18	881,641	57	980,239	9	244,495	7	181,092	-	-
≥ 50 M€	4	444,751	4	4,513,035	25	2,689,854	13	905,194	3	708	-	-
	11,051	4,617,017	16,218	9,366,208	6,343	7,852,570	3,935	2,689,055	505,705	63,478,785	1,286	1,977,875

	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	30-06-2016			
	Number of properties	Performing loans	Non-performing loans	Impairment
Corporate				
With no associated collateral		12,112,238	1,266,869	974,331
< 60%	4,264	1,336,543	84,819	34,700
>= 60% and < 80%	2,100	456,254	57,439	19,342
>= 80% and < 100%	1,869	449,862	487,121	376,190
>= 100%	3,105	1,267,792	551,923	270,325
	11,338	15,622,690	2,448,170	1,674,888
Construction and real estate (CRE)				
With no associated collateral		4,372,341	1,946,395	1,423,092
< 60%	2,300	438,673	169,975	58,013
>= 60% and < 80%	928	459,621	309,145	124,190
>= 80% and < 100%	1,150	692,015	377,835	141,403
>= 100%	1,847	675,593	1,245,197	572,601
	6,225	6,638,243	4,048,548	2,319,298
Households - Housing				
With no associated collateral		1,435,451	204,638	182,900
< 60%	392,201	12,227,424	350,339	51,464
>= 60% and < 80%	146,162	9,915,135	389,148	86,814
>= 80% and < 100%	77,155	5,690,847	489,725	160,190
>= 100%	19,742	1,119,751	682,216	335,303
	635,260	30,388,608	2,116,067	816,671
Households - Consumption and other purposes				
With no associated collateral		1,510,760	546,176	371,609
< 60%	2,884	328,970	13,562	14,696
>= 60% and < 80%	645	196,356	10,057	4,952
>= 80% and < 100%	597	90,287	32,942	10,738
>= 100%	775	106,465	57,566	23,836
	4,901	2,232,838	660,304	425,831
Other financial institutions				
With no associated collateral		539,899	190,972	73,933
< 60%	69	10,928	105,123	5,360
>= 60% and < 80%	24	50,591	905	2,174
>= 80% and < 100%	26	35,299	7,632	4,508
>= 100%	29	7,119	70,772	43,961
	148	643,837	375,405	129,936
	657,872	55,526,215	9,648,494	5,366,624

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	30-06-2016 Number of real estate	Fair value of assets	Book value
Land			
Urban	803	254,024	107,229
Rural	110	9,612	4,604
Under construction buildings			
Commercial	5	4,182	3,275
Housing	575	84,287	55,576
Other	183	10,783	6,024
Concluded buildings			
Commercial	622	204,777	153,385
Housing	4,182	403,965	251,391
Other	2,265	252,246	166,210
	8,745	1,223,878	747,693

Time elapsed since the initial recognition / repossesssion	30-06-2016 < 1 year	≥ 1 year and < 2,5 years	≥ 2,5 years and < 5 years	≥ 5 years	Total
Land					
Urban	15,179	32,691	27,321	32,038	107,229
Rural	259	506	909	2,931	4,604
Under construction buildings					
Commercial	-	2,618	657	-	3,275
Housing	4,962	29,638	12,156	8,820	55,576
Other	821	2,525	1,697	981	6,024
Concluded buildings					
Commercial	51,859	28,419	54,478	18,629	153,385
Housing	55,286	120,993	39,515	35,596	251,391
Other	48,081	48,380	51,418	18,330	166,210
	176,447	265,771	188,150	117,326	747,693

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

Explanatory notes on filling in the quantitative disclosures:

. 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" – the *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* with an economic activity related to the "construction" or "property activities" sectors, according to the respective "CAE" (Classification of Economic Activity) Release 3.

Household 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 part 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" – household sector not comprising loans for housing (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.

Individual and collective analyses – difference between credit with individual 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: in the case of *cured credit* which has been *restructured*, the classification as restructured credit prevails.

Performing credit with signs of default follow the 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 agreement date of portfolio operations in June 2016.

. Table c)

Activity sectors refer to the Classification of Economic Activity – 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 June 2016.

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 June 2016 tables.

Reference is made, in each geography, to the portfolio credit of the entities with an activity in the said region/geography.

. Table d)

In the case of restructuring measures, the first event on a level of contractual changes after having been marked as restructured owing to 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 such properties;

- Other real collateral includes mortgage guarantees on material/moveable assets and financial collateral such as deposits, bonds, shares, etc.

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.

Liquidity risk

Liquidity risk derives from the possibility of difficulties (i) in obtaining resources to finance assets, normally leading to higher borrowing costs but also possibly implying a restriction on asset growth, and (ii) the prompt settlement of obligations to third parties deriving from significant mismatches between the periods to maturity of an institution’s financial assets and liabilities. Liquidity risk may, for example, translate the impossibility of selling a financial asset quickly at a price close to its fair value.

Under IFRS 7 requirements, the contractual periods to maturity of financial instruments, at June 30, 2016 and December 31, 2015 were as follows:

	30-06-2016									
	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	1,503,605	-	-	-	-	-	-	-	-	1,503,605
Cash balances at other credit institutions	435,976	-	-	-	-	-	-	-	3,831	439,807
Loans and advances to credit institutions	2,297,430	434,797	177,748	225,764	8,657	2,754	5,052	35,297	35,353	3,222,853
Securities										
Trading	78,129	204,346	355,157	3,345,024	36,024	30,111	46,677	3,698	1,919,887	6,019,053
Other (net of impairment)	88,613	1,377,491	1,714,129	632,667	2,680,902	3,127,112	2,657,961	863,151	2,399,085	15,541,111
Loans and advances to customers (gross)	2,819,342	3,276,070	4,199,313	3,588,155	10,941,359	9,663,915	14,787,821	27,763,446	49,835	77,089,257
Assets with repurchase agreement	43,209	1,466	23,026	18,270	402,946	140,407	297,866	-	41,359	968,549
Hedging derivatives	-	-	-	-	-	-	-	-	16,040	16,040
	7,266,304	5,294,170	6,469,373	7,809,880	14,069,888	12,964,298	17,795,378	28,665,593	4,465,391	104,800,275
Liabilities										
Resources of central banks and credit institutions	(755,126)	(210,795)	(367,304)	(259,313)	(1,340,842)	(2,520,511)	(456,883)	-	19,381	(5,891,393)
Customer resources	(30,379,100)	(8,357,261)	(12,076,115)	(7,278,028)	(11,366,641)	(2,770,415)	(596,018)	(49,309)	(108,993)	(72,981,881)
Debt securities	(42,338)	(321,014)	(1,538,620)	(153,757)	(1,789,313)	(1,263,604)	(1,337,869)	(34,164)	3,378	(6,477,300)
Financial liabilities at fair value through profit or loss	(19,501)	(936)	(2,135)	(2,778)	(3,122)	(580)	(9,137)	-	(2,223,842)	(2,262,030)
Hedging derivatives	-	-	-	-	-	-	-	-	(3,611)	(3,611)
Subordinated liabilities	(6,209)	(1,373)	(73,351)	(963,588)	(1,401,394)	(12,143)	(30,332)	(112,143)	(229)	(2,600,762)
Consigned resources	(1,827)	(39,130)	(14,058)	(20,685)	(147,552)	(137,670)	(485,552)	(32,658)	(104)	(879,236)
	(31,204,102)	(8,930,507)	(14,071,584)	(8,678,149)	(16,048,864)	(6,704,923)	(2,915,791)	(228,274)	(2,314,019)	(91,096,214)
Derivatives	2,868	7,217	11,245	1,005	17,235	16,920	84,151	319,992	-	460,633
Difference	(23,934,930)	(3,629,120)	(7,590,966)	(867,264)	(1,961,740)	6,276,294	14,963,737	28,757,310	2,151,372	14,164,694

	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 principal and interest and are not therefore directly comparable to the accounting balances at June 30, 2016 and December 31, 2015. 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 specific case of mortgage loans, the distribution of principal and interest flows also took into account: *i)* expectations on early repayment rates based on an analysis of the track record of operations and: *ii)* the present macroeconomic situation.

The following tables, which contain information on CGD group's "structural" (as opposed to contractual) periods to maturity, at June 30, 2016 and 2013, differ from the former tables in their use of the following presuppositions:

- Debt and equity securities: reallocation of amounts with adequate liquidity to the "up to 1 month" bucket, except for collateralised debt securities which are allocated to buckets corresponding to the maturity of operations they are collateralising;
- Customers' sight deposits: reallocation of the balance of core deposits (i.e. deposits comprising a stable funding source for lending operations) from the "up to 1 month" bucket to the more than 4 years buckets in conformity with internally developed studies and models;
- Term deposits and savings accounts (CGD headquarters): reallocation of the balances by buckets based on their expected average useful lives (as opposed to their contractual periods to maturity).

The amounts presented also correspond to outstanding capital balances and do not include interest or accrued interest projections.

	30-06-2016									
	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	1,502,659	-	-	-	-	-	-	-	-	1,502,659
Cash balances at other credit institutions	435,976	-	-	-	-	-	-	-	3,831	439,807
Loans and advances to credit institutions	2,296,352	434,570	177,584	224,456	6,567	749	-	31,259	35,353	3,206,890
Securities										
Trading	2,197,896	32,421	54,090	511,495	303,972	623,130	6,939	816,590	1,462,477	6,009,010
Other (net of impairment)	6,176,233	209,641	236,993	79,348	1,176,392	2,162,648	344,949	2,389,853	1,113,731	13,889,787
Loans and advances to customers (gross)	2,707,733	3,095,630	3,910,177	3,089,112	9,268,347	8,402,616	11,743,185	22,251,985	49,835	64,518,621
Assets with repurchase agreement	182,079	-	183,000	274,790	153,538	-	-	-	59,217	852,625
	15,498,928	3,772,262	4,561,845	4,179,200	10,908,816	11,189,142	12,095,073	25,489,687	2,724,444	90,419,398
Liabilities										
Resources of central banks and credit institutions	(753,881)	(201,490)	(364,319)	(248,042)	(1,298,579)	(2,483,902)	(431,586)	-	19,381	(5,762,419)
Customer resources	(9,448,417)	(10,077,482)	(11,986,084)	(8,759,740)	(11,120,628)	(3,532,520)	(1,242,154)	(15,960,841)	(99,980)	(72,227,846)
Debt securities	(36,000)	(309,050)	(1,471,450)	(50,000)	(1,590,500)	(1,187,320)	(1,322,652)	(34,016)	3,378	(5,997,609)
Financial liabilities at fair value through profit or loss	(19,378)	(936)	(2,135)	(2,778)	(3,122)	(580)	(9,137)	-	(2,223,842)	(2,261,906)
Subordinated liabilities	(6,209)	-	(20,669)	(900,449)	(1,356,690)	-	-	(100,000)	(229)	(2,384,246)
Consigned resources	(1,827)	(36,639)	(13,218)	(19,705)	(139,761)	(131,362)	(477,761)	(31,266)	(104)	(851,642)
	(10,265,712)	(10,625,597)	(13,857,875)	(9,980,713)	(15,509,279)	(7,335,684)	(3,483,290)	(16,126,123)	(2,301,395)	(89,485,668)
Difference	5,233,216	(6,853,335)	(9,296,030)	(5,801,513)	(4,600,463)	3,853,459	8,611,783	9,363,564	423,049	933,731

	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	(8,862,193)	(7,904,078)	(11,324,542)	(11,504,506)	(11,951,990)	(4,594,436)	(1,270,763)	(15,690,170)	(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)
	(9,910,789)	(8,458,899)	(11,930,687)	(13,678,869)	(17,582,989)	(7,317,885)	(3,587,117)	(15,872,531)	(1,788,464)	(90,128,231)
Difference	9,457,618	(5,383,761)	(7,542,696)	(9,630,259)	(5,245,096)	2,104,876	8,702,554	9,943,890	600,149	3,007,275

Interest rate risk

Short term or accounting 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 June 30, 2016 and December 31, 2015.

	30-06-2016					
	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	1,502,664	-	1,502,664	-	-	1,502,664
Cash balances at other credit institutions	440,187	-	440,187	-	-	440,187
Loans and advances to credit institutions	2,684,930	-	2,694,815	9,885	516,855	3,201,785
Assets with repurchase agreement	352,666	-	360,357	7,691	-	352,666
Held-to-maturity investments	237,850	-	220,627	(17,223)	-	237,850
Loans and advances to customers	61,764,393	-	59,234,394	(2,529,999)	3,166,696	64,931,089
	66,982,690	-	64,453,044	(2,529,646)	3,683,552	70,666,241
Liabilities						
Resources of central banks and other credit institutions	5,461,628	-	5,476,570	14,942	306,974	5,768,602
Customer resources	70,137,049	-	70,362,799	225,750	2,304,764	72,441,813
Debt securities	6,070,995	5,261,044	1,034,272	224,321	45,877	6,116,872
Subordinated liabilities	2,379,723	526,579	1,842,998	(10,145)	19,802	2,399,525
Consigned resources	849,711	-	843,018	(6,693)	1,931	851,642
	84,899,106	5,787,623	79,559,657	448,174	2,679,348	87,578,454

	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 presuppositions:

- 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 the respective market price;

- The fair value of the remaining financial instruments is assessed on the basis of discounted cash flows 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, the future cash flows, incorporating the forward rates implicit in the yield curve in force on the respective reference dates were considered for the purpose in question together with the use of discount curves appropriate to the type of instrument, including:
    - Market interest rates, incorporating average spreads on new investment operations and credit institutions' resources;
    - Market interest rates incorporating average spreads charged on new lending operations and customer deposits on comparable loans and deposits.
- The "Balances not analysed" column essentially includes:
    - Overdue credit, net of provisions;
    - The balances of several entities not included in Caixa's centralised calculation.

The form of measuring the fair value of financial instruments recognised in the financial statements, at fair value, at June 30, 2016 and December 31, 2015, may be summarised as follows:

	30-06-2016			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held for trading	4,091,136	3,605	173	4,094,915
Securities at fair value through profit or loss	240,444	-	484,742	725,186
Available-for-sale financial assets	7,479,778	3,803,333	1,708,672	12,991,782
Assets with repurchase agreement	368,732	17,858	116,335	502,925
Trading derivatives	257	(935,489)	588,540	(346,692)
Other financial liabilities at fair value through profit or loss	(1,120)	-	-	(1,120)
Hedging derivatives	-	12,429	-	12,429
	12,179,228	2,901,736	2,898,462	17,979,425

	31-12-2015			
	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)
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 includes financial instruments measured on the basis of prices in active markets;

- **Level 2** – Measurement techniques – observable market input – this column includes financial instruments measured on the basis of internal models using observable market input (interest rates, foreign exchange rates, ratings of external entities, other). This column 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.

Movements in financial instruments, classified in the "Other measurement techniques" column, across first half 2016, were as follows:

	Financial assets at fair value through profit or loss			Available-for-sale financial assets				Derivates 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
Acquisitions	16,199	-	16,199	17,471	-	176,655	194,126	2,393	212,718
Amortisations	-	(5,000)	(5,000)		(22,127)	(227,135)	(249,262)	34,030	(220,232)
Sales	(28,027)	-	(28,027)	(51,736)	-	(2,573)	(54,309)	-	(82,336)
Gains / (losses) recognised as a charge to results - alienated instruments	6,458	(14)	6,444	26,472	-	(39)	26,433	-	32,878
Gains / (losses) recognised as a charge to results - portfolio instruments [*]	(7,299)	1,320	(5,980)	8,715	2,791	1,272	12,778	17,329	24,127
Impairment for the period	-	-	-	(39,323)	-	-	(39,323)	-	(39,323)
Gains / (losses) recognised as a charge to fair value reserves	-	-	-	(36,332)	(18,799)	(1,922)	(57,053)	-	(57,053)
Transfers from / (to) other levels (Levels 1 and 2)	-	-	-	711	-	-	711	-	711
Exchange differences	(141)	335	194	(1,666)	-	-	(1,666)	-	(1,472)
Other	-	-	-	-	-	(39,417)	(39,416)	-	(39,416)
Book value (net) at 30-06-2016	481,593	3,322	484,915	1,083,304	330,396	411,307	1,825,007	588,540	2,898,462

[*] It includes values of equity units redemptions portfolio

At June 30, 2016 and December 31, 2015, a positive shift of 100 bps on the interest rate curve used to discount estimated future flows on debt instruments measured by internal models, would result in a balance sheet decrease of around €256 thousand and €280 thousand in fair value and revaluation reserves and income, respectively.

Equity instruments measured by other measurement techniques (Level 3), at June 30, 2016 and December 31, 2015, essentially include investment structures measured on the basis of data relative to the net asset values of the underlying assets provided by management entities or other information service providers.

At December 31, 2015 the assets classified at level 3 also included the €22,341 thousand equity stake in Visa Europe Limited, owing to its measurement in the sphere of the transaction then in progress with Visa Inc. Capital gains of €38,941 thousand were made on the sale of this equity stake which was completed in first half 2016

In first half 2016 transfers between levels 1 and 2 of the fair value ranking were as follows:

	30-06-2016	
	Available-for-sale financial assets	
	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Debt instruments	22,807	32,449

The transfers between classification levels in the fair value ranking are essentially on account of the changes in the sources available for the measurement of these assets (market or external counterparties).

<u>Derivatives</u>

Derivatives are traded in organised and OTC markets.

The value of listed derivatives operations is measured on prices taken from financial information systems (Reuters/Bloomberg).

OTC derivatives are measured by commonly accepted theoretical, reasonably complex models, depending on the characteristics of the product in question:

- Discounted cash flow projections based on an adequate yield curve;
- Measurements 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, which generally include yield curves, volatility curves, equity prices/indices, 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 largest exposures. Different yield curves are available on future cash flows, depending on the period of the operation's indexer.

Volatility curves are produced on the basis of 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 adopted a similar methodology to reflect counterparty credit risk in derivatives with positive fair value. The fair value thus obtained comprises the risk-free valuation affected by this addition.

The value of CVA (credit value adjustments) at June 30, 2016 and December 31, 2015, recognised In "Financial assets held for trading" and DVA (debit value adjustments) headings recognised in "Financial liabilities held for trading" totalled €192,907 thousand and €3,762 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 hierarchy of contributors 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.

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 valuation techniques. The valuations are generally based on expected future discounted cash flows. The forecast may be the result of 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 (projected on the basis of information disclosed in investor reports).

For discount purposes, internal valuations use a listed credit curve complying with the issuance's currency/sector/rating trinomial to consider the risk attached to each issuance. Segmentation between levels 2 and 3 is essentially associated with the viability of the direct observation of the information input sources for measurement purposes. In general, 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. In the case of euro, GBP and USD yield curves, the adjustment uses the market price of interest rate futures and/or FRAs.

The values of the curves of the currencies with greater exposure, at June 30, 2016 and December 31, 2015, were as follows:

	30-06-2016			31-12-2015		
	EUR	USD	GBP	EUR	USD	GBP
O/N	-0.3950	0.7500	0.5250	-0.3000	0.4500	0.4500
1 month	-0.4100	0.8000	0.5500	-0.2300	0.6300	0.5400
2 months	-0.3759	0.8500	0.5800	-0.2055	0.6700	0.6300
3 months	-0.3461	0.8769	0.6078	-0.1813	0.6976	0.6492
6 months	-0.2529	0.7545	0.4739	-0.1043	0.7379	0.6537
9 months	-0.2489	0.7319	0.4220	-0.1056	0.8090	0.6936
1 year	-0.2315	0.7275	0.3905	-0.0890	0.8864	0.7472
2 years	-0.2316	0.7750	0.3444	-0.0489	1.1982	0.9973
3 years	-0.1948	0.8120	0.4875	0.0634	1.4205	1.3094
5 years	-0.0570	0.9870	0.5821	0.3310	1.7545	1.6017
7 years	0.1390	1.1650	0.7401	0.6197	1.9970	1.8146
10 years	0.4332	1.3765	0.9613	1.0013	2.2190	2.0245
15 years	0.7423	1.6050	1.1590	1.4033	2.4520	2.1925
20 years	0.8512	1.7300	1.2117	1.5713	2.5830	2.2232
25 years	0.8732	1.7950	1.2020	1.6093	2.6390	2.2027
30 years	0.8662	1.8330	1.1822	1.6143	2.6470	2.1796

Credit curve values are obtained from the Bloomberg/Thomson Reuters system and assessed on the prices of a series of securities complying with the currency/sector/rating trinomial. The values of the credit curve of the Portuguese and German governments, at June 30, 2016 and December 31, 2015, were as follows:

	30-06-2016		31-12-2015	
	Portuguese Government	German Government	Portuguese Government	German Government
3 months	0.0460	-0.6790	0.0000	-0.6342
6 months	0.0603	-0.6570	-0.0033	-0.3915
9 months	0.0984	-0.6505	0.0072	-0.4205
1 year	0.1573	-0.6430	0.0201	-0.3763
2 years	0.5943	-0.6140	0.1218	-0.3495
3 years	1.1683	-0.5833	0.4672	-0.2763
5 years	1.8953	-0.5090	1.2839	-0.0437
7 years	2.5222	-0.3716	1.9467	0.2359
10 years	2.9771	-0.1084	2.5534	0.6275
15 years	3.4964	0.1155	3.1914	1.0553
20 years	3.7183	0.3220	3.4541	1.3408
25 years	3.8406	0.4139	3.6125	1.4148
30 years	3.9154	0.5058	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 of the relevant currencies, at June 30, 2016 and December 31, 2015:

	30-06-2016	31-12-2015
EUR/USD	1.1102	1.0887
EUR/GBP	0.8265	0.7340
EUR/CHF	1.0867	1.0835
EUR/AUD	1.4929	1.4897
EUR/JPY	114.0500	131.0700
EUR/BRL	3.5898	4.3117

Equity instruments held as part of a venture capital activity

The value of unlisted own equity instruments held as part of a venture capital activity is measured by 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 activity, size and profitability;

iii) Discounted cash flows;

iv) Settlement price corresponding to the net amount of an associated company's assets;

v) Acquisition cost.

Market risk

Market risk is the risk of a change in the fair value or cash flows of financial instruments based on changes in market prices including foreign exchange, interest rate and price risks.

Market risk assessment is based on the following methodologies:

- Value at Risk (VaR) on the following portfolios:
  - Held-for-trading portfolio – perimeter of "held-for-trading" positions and transactions originating in CGD group;
  - Own portfolio – securities acquired for investment purposes but presently used for deleveraging purposes;
  - Trading portfolio - includes other securities and derivatives traded with the objective of detecting business opportunities over the short term;
  - Own portfolio – securities acquired for investment purposes but presently used for deleveraging purposes;
  - Investment portfolio – with the aim of setting up a value and liquidity reserve to include the remaining securities in Caixa's own portfolio and associated hedges, except for equity stakes and securitised credit;
  - Treasury management – funding in the money market, derivatives associated with this activity and debt issuances exposed to market risk;
  - Branches – CGD London, CGD New York and CGD Cayman;

    Subsidiaries – Caixa Banco de Investimento, BCG Spain, BCG Brasil and BNU Macau.
- Sensitivity analysis on all financial instruments sensitive to interest rate risk recognised in Caixa's separate financial statements and the following group businesses;
  - 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 one of historical simulation, i.e. future events are totally explained by past events, based on the following presuppositions:

- 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 sampling 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 June 30, 2016 and December 31, 2015:

Activity of Caixa Geral de Depósitos (headquarters and branches)

Held for Trading portfolio Group CGD (VaR 99%, 10 days)

	30-06-2016	Maximum	Minimum	31-12-2015
VaR by type of risk	21,739	23,889	18,504	22,804

Trading portfolio (VaR 95%, 1 day)

	30-06-2016	Maximum	Minimum	31-12-2015
VaR by type of risk				
Interest rate	738	1,122	728	787
Foreign exchange rate	127	1,744	10	72
Price	59	208	25	118
Volatility	-	3	-	2
Diversification effect	(160)	-	-	(163)
	764	1,884	746	816

Treasury management (VaR 95%, 1 day)

	30-06-2016	Maximum	Minimum	31-12-2015
VaR by type of risk				
Interest rate	2,024	2,077	359	449
Foreign exchange rate	6,244	8,538	2,694	4,973
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	(1,854)	-	-	(144)
	6,415	8,677	2,950	5,278

Own portfolio (VaR 99%, 10 days)

	30-06-2016	Maximum	Minimum	31-12-2015
VaR by type of risk				
Interest rate	636	683	4	11
Foreign exchange rate	1,025	5,278	10	146
Price	3,221	3,221	2,654	2,879
Volatility	-	-	-	-
Diversification effect	(1,570)	-	-	(194)
	3,311	4,787	2,177	2,841

Investment portfolio (VaR 99%, 10 days)

	30-06-2016	Maximum	Minimum	31-12-2015
VaR by type of risk				
Interest rate	115,128	115,128	72,017	85,760
Foreign exchange rate	11	374	11	14
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	(5)	-	-	(12)
	115,135	115,135	72,026	85,762

London branch activity (VaR 99%, 10 days)

	30-06-2016	Maximum	Minimum	31-12-2015
VaR by type of risk				
Interest rate	1,380	2,614	605	1,077
Foreign exchange rate	142	312	17	66
Price	1,045	1,772	995	1,179
Volatility	527	527	305	367
Diversification effect	(1,450)	-	-	(1,211)
	1,645	2,852	1,106	1,478

Investment banking activity

Caixa - Banco de Investimento (VaR 99%, 10 days)

	30-06-2016	Maximum	Minimum	31-12-2015
VaR by type of risk				
Interest rate	12,489	16,543	11,319	12,701
Foreign exchange rate	705	2,659	53	2,514
Price	108	305	58	90
Volatility	576	888	489	850
Diversification effect	(346)	-	-	(1,378)
	13,532	17,268	13,129	14,777

The diversification effect is calculated implicitly. Total VaR refers to the combined effect of interest rate, price, foreign exchange and volatility risks.

37. 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.

2.3. 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 2015 - Chapters: • Message from the Chairman and CEO of Board of Directors • Business Strategy and Operating Segments See Corporate Governance Report.
2.	Description of strategies and objectives (including strategies and objectives specifically related with securitisation operations and structured products);	See I.1 above. See Board of Directors' Report 1st half 2016 – Chapter: • Commercial banking See Annex to the Consolidated Financial Statements: Notes 12, 20 and 22, related to 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);	See Board of Director's Report 2015 – Chapter: • Business Strategy and Operating Segments See Board of Director's Report – 1st half 2016 – Chapters: • Operating segments • Results, balance sheet, liquidity and solvency See Notes 25 and 35 of Annex 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 2015 – Chapter: • Risk management See Board of Director's Report – 1st half 2016: Note 2 of Annex 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 2015 – Chapter: • Risk management See Annex to the Consolidated Financial Statements: Note 40: 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. See Board of Director's Report – 1st half 2016: Note 36 of Annex to the Consolidated Financial Statements.
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 Director's Report – 1st half 2016 – Chapter: • Results, balance sheet, liquidity and solvency See Notes 6, 8, 17 and 34 of Annex 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), asset-backed securities (ABS);	See Board of Director's Report – 1st half 2016: Note 36 of Annex to the Consolidated Financial Statements, describing types of products and instruments affected by the period of turmoil.

III.	Impact of period of financial turmoil on results	
10.	Description of the reasons and factors responsible for the impact;	See Board of Director's Report – 1st half 2016, namely in the following chapters: • Economic-financial Framework • Results, balance sheet, liquidity and solvency See items III. 8 and III.9 above.
11.	Comparison of: i) Impacts between (relevant) periods; ii) Financial statements before and after the impact of the period of turmoil;	See items III.8 to III.10 above.
12.	Breakdown of "write-downs" between realised and unrealised amounts;	See Board of Director's Report – 1st half 2016: Items III.8 to III.10 above, particularly Note 36 of Annex 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 Director's Report – 1st half 2016, namely the following chapter: • Main risks and uncertainties in second half 2016 See item III.10 above.
15.	Disclosure of impact of the evolution of the spreads associated with the institution's own liabilities on results in addition to the methods used to determine this impact;	See Board of Director's Report – 1st half 2016 – Chapter: • Results, balance sheet, liquidity and solvency 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 2015: • Risk management See Board of Director's Report – 1st half 2016 - Annex to the Consolidated Financial Statements: • Note 2 • Note 36, setting out a comparison between the fair and book value of assets and liabilities recognised at amortised cost.

IV.	Levels and types of exposures affected by the period of turmoil	
17.	Information on credit risk mitigating factors (e.g. credit default swaps) and respective effect on present exposures;	See Board of Director's Report – 1st half 2016 - Annex to the Consolidated Financial Statements: • Note 2, describes the accounting policies for derivatives and hedge accounting • Note 10 • Note 36
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 Director's Report – 1st half 2016: Note 36 of Annex 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 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.

IV.	Levels and types of exposures affected by the period of turmoil	
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 Board of Director's Report – 1st half 2016: Note 2 of Annex to the Consolidated Financial Statements, 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 Board of Director's Report – 1st half 2016: - Notes 7, 8 and 36 of Annex to the Consolidated Financial Statements. See item IV.16 above, particularly the presentation of the determination of the fair value of the financial instruments.

V.	Accounting policies and valuation methods	
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 Board of Directors' Report 2015: Note 40 of Annex to the Consolidated Financial Statements; See Board of Director's Report – 1st half 2016: Note 2 and 36 of Annex to the Consolidated Financial Statements, setting out information and processes applied by CGD in the valuation of financial instruments.
VI.	Other relevant disclosure aspects	
26.	Description of disclosure policies and principles used for reporting disclosures and financial reporting.	See Board of Director's Report – 1st half 2016: Note 2 of Annex to the Consolidated Financial Statements.