BOARD OF DIRECTORS' REPORT

1st Half 2017

Caixa Geral de Depósitos Reports

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TABLE OF CONTENTS

This document is an English translation of the original Portuguese language document "Relatório do Conselho de Administração - 1º semestre de 2017". The Portuguese original prevails in the event of any inconsistency.

1. Board of Directors' Report

1.1. Highlights in 1st half 2017

Reference should be made to the following events, within the sphere of CGD Group, in first half 2017:

- The European Commission announced its official decision on the recapitalization of CGD in March, having considered that Portugal's plans to strengthen the equity position of CGD, as a fully state-owned entity do not comprise state aid to CGD and are in conformity with EU rules in this regard.
- CGD completed phases 1 and 2 of the recapitalisation plan agreed between the Portuguese State and the European Commission (DG Comp) in first quarter 2017.

  Phase 1 which concluded on 4 January 2017 consisted of the following:

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

  Phase 2 took place in March with a €500 million Additional Tier 1 (AT1) market issuance subscribed for by more than 160 institutional investors. The Portuguese State, at the same time undertook its planned share capital increase of €2.5 billion in cash.
- The completion of the important phases of the referred to capitalisation plan, raising the global amount of the recapitalisation to €4,444 million, enabled CGD to improve its solvency with a phased-in capital ratio of 12.8% (CET1) and a total ratio of 14.6% at 30 June 2017.
- The members of CGD SA's Board of Directors for the 2017-2020 term of office were elected in first quarter 2017. This was complemented by the Portuguese State's election of a non-executive and an executive board member, in August.
- The members of the Supervisory Board and Statutory Audit Company were also appointed, following the implementation of the new governance model which ensures effective separation between management and supervisory functions.
- The Portuguese State has passed in May the resolution to elect Ernst & Young Audit & Associados, SROC as CGD's Statutory Auditor/External Auditor for the mandate 2017-2020, following a proposal presented by the Supervisory Board of CGD.
- This was a globally positive half year for CGD with a good evolution of its core operating result and asset quality, in which it retained a strong liquidity position and an improved equity situation.

RESULTS [1]

In first half 2017 CGD's core operating result amounted to €303 million, up 76% over 1st half 2016, fuelled by the growth of net interest income and reduction of recurrent operating costs.

Net interest income, benefiting from the large 27% reduction of €212 million in funding costs, was up 18% by €101 million over 1st half 2016 to €656 million.

Total operating income was up 57% by €419 million year-on-year, to €1,154 million. Positive contributions were made by net interest income (up €101 million) and income from financial operations (up €325 million).

Cost-to-income (excluding non-recurrent costs) was down to 50% in the half year as a consequence of the referred to good performance of the recurrent operating costs and income components. Cost-to-core income which excludes income from financial operations was 66%.

The net result for the half year, impacted by net non-recurrent costs of €366 million was a negative €50 million.

The cost of credit risk for the semester of 0.16%, confirms the expected downwards trajectory, following the assessment of assets value exercise performed at the end of 2016.

BALANCE SHEET

CGD's balance sheet across the 1st semester was impacted by the referred to recapitalisation operations, as the main reason behind the €2,461 million increase of net assets over December 2016.

The loans-to-deposits ratio of 87% in June 2017 reflected CGD's strong resilience of customer base even in an environment of very low interest rates on deposits.

Positive evolution of CGD's asset quality in 1st half 2017, with NPE (*Non Performing Exposure*) and NPL (*Non Performing Loans*) ratios of 10.6% and 13.5% (12.1% and 15.8% last December). The impairment coverage was 51.1% for NPE and 52.0% for NPL.

Credit at risk down to 9.8% at 30 June 2017 against 10.5% in December 2016, with impairment coverage of 76.7%.

Total customer resources from domestic operations were up 3% by €2,254 million over December 2016 to €69,532 million, strongly influenced by the €1,397 million increase of customer deposits.

CGD therefore maintained its leading position in the domestic market with 28% of total deposits in June 2017 and 31% of individual customers' deposits.

LIQUIDITY

CGD maintained a highly comfortable liquidity position with a Liquidity Coverage Ratio (LCR) of 222% and a Net Stable Funding Ratio (NSFR) of 137% at 30 June 2017 (176% and 131% respectively in December 2016).

Total financing from the ECB remained stable at €3,497 million, less than 4% of total assets.

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(1) The June 2016 values have been restated, considering Mercantile Bank Holdings, Ltd. as a non-current asset held for sale.

SOLVENCY

The phased-in and fully implemented CET1 ratios in June were 12.8% and 12.6% with a phased-in Tier 1 and Total ratios of 13.8% and 14.6%, respectively.

Leverage Ratio fully implemented was 7.4% at 30 June 2017.

CGD had ADI (available distributable items) of €1.8 billion at this date (around 33 times the annual cost of its current AT1 issuance) with a 2.9% surplus on the level of its MDA (Maximum Distributable Amount) restrictions considering the current gaps of Tier 1 and Tier 2 and with a 4.6% surplus if considering those gaps fulfilled with future issuance.

CAIXA GERAL DE DEPÓSITOS GROUP: HIGHLIGHTS

(EUR million)

			Change 2017-06 vs 2016-06	
RESULTS	**2016-06**	**2017-06**	**Total**	**(%)**
Net inter. income incl. inc. from equity investm.	584.5	679.7	95.3	16.3%
Commissions (net)	224.4	224.7	0.2	0.1%
Non-interest income	150.3	474.4	324.0	215.6%
Total Operating Income	734.8	1,154.1	419.3	57.1%
Operating costs	626.6	638.2	11.6	1.8%
Net Operating Income before Impairments	108.2	515.9	407.7	376.8%
Net core operating Income before impairments (1)	172.7	303.4	130.8	75.7%
Net operating income	-219.5	117.4	336.9	-
Net income	-205.2	-49.9	155.3	-
BALANCE SHEET				
Net assets	99,355	96,008	-3,347	-3.4%
Cash and loans and advances to credit instit.	5,145	8,271	3,126	60.8%
Securities investments (2)	20,640	18,532	-2,107	-10.2%
Loans and advances to customers (net) (3)	65,284	60,476	-4,808	-7.4%
Loans and advances to customers (gross) (3)	70,674	65,366	-5,307	-7.5%
Central banks' and credit institutions' resources	5,769	5,337	-431	-7.5%
Customer resources	72,442	69,915	-2,527	-3.5%
Debt securities	6,117	4,078	-2,039	-33.3%
Shareholders' equity	5,745	7,895	2,150	37.4%
PROFIT AND EFFICIENCY RATIOS				
Gross return on equity - ROE (4) (5)	-6.4%	4.5%	-	-
Net return on equity - ROE (5)	-5.9%	-1.0%	-	-
Gross return on assets - ROA (4) (5)	-0.4%	0.3%	-	-
Net return on assets - ROA (5)	-0.4%	-0.1%	-	-
Cost-to-income BoP (4)	83.0%	54.8%	-	-
Cost-to-income (1) (4)	80.4%	49.5%	-	-
Cost-to-core income (1) (6)	77.8%	65.5%	-	-
Employee costs / Total operating income (4)	49.9%	34.4%	-	-
Employee costs recurrents (1) / Total operating income (4)	47.2%	29.1%	-	-
Total operating income / Average net assets (4)	1.5%	2.4%	-	-
CREDIT QUALITY AND COVER LEVELS				
Credit more than 90 days overdue ratio	7.4%	7.2%	-	-
Non-performing credit ratio (4)	9.8%	8.1%	-	-
Non-performing credit (net) ratio (4)	2.3%	0.6%	-	-
Credit at risk ratio (4)	12.2%	9.8%	-	-
Credit at risk (net) ratio (4)	4.9%	2.5%	-	-
Restructured credit ratio (7)	10.3%	7.8%	-	-
Restructured cred. not incl. in cred. at risk ratio (7)	5.9%	3.6%	-	-
NPL ratio - EBA	16.6%	13.5%	-	-
NPE ratio - EBA	12.0%	10.6%	-	-
NPL coverage - EBA	46.9%	52.0%	-	-
NPE coverage - EBA	45.7%	51.1%	-	-
Credit at risk coverage	63.2%	76.7%	-	-
Credit more than 90 days overdue coverage	103.2%	103.9%	-	-
Crd. imp. (P&L) / Loans & adv. custom. (aver.)	0.86%	0.16%	-	-

Note: Calculation of indicators as in the glossary: https://w w w .cgd.pt/English/Investor-Relations/Investor-Information/Documents/Glossary_28JUL2017.pdf

(1) Excluding the non-recurrent costs related to the early retirement program and the program of contract termination by mutual agreement, in the amount of € 20M and € 61M in 1H2016 and 1H2017, respectively; (2) Includes assets w ith repo agreements and trading derivatives; (3) Includes assets w ith repo agreements; (4) Ratios defined by the Bank of Portugal (instruction 23/2012); (5) Considering average shareholders' equity and net asset values (13 observations); (6) Operating costs / (Net interest income + Results from services and commissions); (7) Ratios defined by the Bank of Portugal (instruction 32/2013).

STRUCTURE RATIOS	2016-06	2017-06		
Loans & adv. customers (net) / Net assets	65.4%	63.0%	-	-
Loans & adv. custom. (net) / Custom. dep.	90.1%	86.9%	-	-
SOLVENCY AND LIQUIDITY RATIOS (CRD IV/CRR)				
CET 1 (phased-in)	10.0%	12.8%	-	-
Tier 1 (phased-in)	10.0%	13.8%	-	-
Total (phased-in)	11.2%	14.6%	-	-
CET 1 (fully implemented)	9.2%	12.6%	-	-
Leverage ratio (fully implemented)	5.2%	7.4%	-	-
LIQUIDITY RATIOS				
Liquidity coverage ratio	193.5%	222.3%	-	-
Net stable funding ratio	133.4%	137.1%	-	-
OTHER INDICATORS				
Number of branches - CGD Group	1,221	1,149	-	-
Number of branches - CGD Portugal	729	657	-	-
Number of employees - CGD Group	16,106	15,334	-	-
Number of employees - CGD Portugal	8,683	8,070	-	-

Note: Calculation of indicators as in the glossary: https://www.cgd.pt/English/Investor-Relations/Investor-Information/Documents/Glossary_28JUL2017.pdf

1.2. Caixa Geral de Depósitos Group

BRANCH OFFICE NETWORK

CGD Group's branch office network, at the end of June 2017, 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) therefore had 590 branches with face-to-face services at the end of first half 2017, 41 self-service branches and 26 Caixa Empresas "Corporate Offices", totalling 657 units.

CGD Group's banking presence abroad was performed by a total number of 491 branches at the end of June. Reference should be made to the closure of two BCG Angola branches in the first half year, as well as CGD's representative office in Algeria on 30 June 2017.

NUMBER OF GROUP BANK BRANCHES	2016-06	2016-12	2017-06
CGD (Portugal)	729	717	657
Physical branches	663	651	590
Self-service branches	40	40	41
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)	19	20	20
B. Comercial e de Investimentos (Mozambique)	193	193	193
Banco Interatlântico (Cape Verde)	9	9	9
Banco Comercial Atlântico (Cape Verde)	34	34	34
Mercantile Lisbon Bank Holdings (South Africa)	14	13	13
Banco Caixa Geral Brasil (Brazil)	1	1	1
Banco Caixa Geral Angola	40	42	40
Other CGD Branches	22	22	22
Total	**1,221**	**1,211**	**1,149**
Representative offices	**12**	**12**	**11**

HUMAN RESOURCES

CGD Group had 15,334 employees at 30 June 2017, down 772 and 118 employees over June and December 2016, respectively.

NUMBER OF CGD GROUP EMPLOYEES	2016-06	2016-12	2017-06
Banking operations (CGD Portugal)	8,683	8,113	8,070
Other	7,423	7,339	7,264
Total	**16,106**	**15,452**	**15,334**

The reduction over June 2016, originating both from CGD Portugal (down 613), and other activities (down 159), partly reflected CGD's negotiation of its strategic plan with DG Comp.

CAIXA BRAND, PRIZES AND AWARDS

Caixa's communication, in 2017, was geared to the institutional and corporate area and to backing its commercial activity as set out in its strategic plan.

The focus was on initiatives whose characteristics and results made the largest contribution to increasing business with strategic targets and strengthening the brand's position in the marketplace.

Caixa's communication strategy in the first half essentially comprised the following:

- Individual customers – in the form of a more customer-centric offer and service models;
- Corporates – backing for SMEs, businesspeople, agro-business, real estate business and entrepreneurship;
- Culture – backing for the Culturgest Foundation, Orchestras Project, Caixa Alfama and local cultural events;
- Universities – presence at universities based on agreements entered into with higher educational establishments and an association with the main academic events;
- Backing for the Community – social agreements, donations for investments in social, environmental, volunteering and financial literacy projects.

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

Reference should be made to the award of the following prizes and distinctions in first half 2017:

- Best Bank - Caixa was the winner of the Best Bank prize for the third successive year in the sphere of the Europe Banking Awards 2016, attributed by EMEA Finance magazine.
- Best Investment Bank Portugal 2017 - CaixaBI was considered to be the best investment bank in Portugal 2017, by the US Global Finance magazine.
- Data Integrity Compliance - Regional Award 2016 – Caixa was distinguished by MasterCard as its acquirer on point-of-sale terminals.
- 1st prize in the Green Project Awards Portugal 2016. The "Bank Cards Recycling Project" was the winner of the 9th edition of the Green Project Awards, in the "Efficient Management of Resources" category.
- Caixagest was distinguished by Morningstar, as the Best Domestic Bond Manager and Best Domestic Euro Cash Bonds Fund for the third consecutive year.

SOCIAL RESPONSIBILITY AND SUSTAINABILITY

CGD has an across-the-board sustainability management model, involving most of its Structural bodies and Economic Interest Groupings in the furtherance of its Corporate Sustainability Programme, in addition to several Group companies and affiliate banks. Its General Sustainability Committee (CGSU) is an Executive Committee advisory committee with corporate responsibility for the consideration, discussion and monitoring of the implementation of the sustainability strategy of CGD and CGD Group Branches and subsidiaries, including maintenance of its Environmental Management System (EMS).

In providing continuity to its environmental commitment, CGD is preparing the transition of the 14001 standard to the new ISO standard published on 15 September 2015, under which certified bodies must adapt their quality management and/or environmental systems in conformity. The key changes deriving from the revision are centred on high level structures, inclusion of risk-based thinking, assessment of the organisational context and strengthening of the role of top management as the organisational management leader. In the case of the environmental standard, clarifications were provided on product life cycle thinking.

Caixa Geral de Depósitos has played a significant role in backing the country's economic, social and environmental development in its association with major causes. Special reference should be made, across the half year, to the "Caixa Unidos por Pedrógão Grande" (PT50 0035 0001 00100000 330 42 "solidary account" with an opening balance of €50,000 donated by CGD and a closing balance of €2,650,975 on 15 July, with contributions having been received from more than 36,000 people.

The full amount of the donations was paid into the Calouste Gulbenkian (FCG) Fund, with which Caixa has entered into a protocol of cooperation. The FCG coordinates its action with the União das Misericórdias Portuguesas, local municipalities in the involved areas and the REVITA Fund, whose priorities are as follows:

- Reconstruction and rehabilitation of first homes
- Reconstruction or rehabilitation of agricultural outbuildings
- Restoring of the means of subsistence of the most seriously affected households
- Backing for associations of beekeepers with solid food for bees

In furthering its Community Involvement Policy, Caixa continued to invest in cultural promotion activities in 2017. Reference should be made to its backing for Lisbon's 87th Book Fair which was held between 01 and 18 June.

Caixa also entered into a partnership arrangement with the "Donated Goods Bank" in this area in which it collected books as a donation to various "Private Social Solidarity Institutions" (Charities). Under the "Giving New Life to Books" banner, all types of books, ranging from school textbooks, children's books and literature in general were collected in this campaign. The new or old books are donated to social institutions, with books in poor condition being sent to the "Paper for Food" campaign. This initiative provided ENTRAJUDA with a total of 7,134 books, 1,500 of which were left on CGD's stand.

In the sphere of its Corporate Sustainability Programme, CGD also responds voluntarily to a series of international raters, whose scrutiny permits strategic alignment with best international practice, contributes to the Bank's reputational image and business in addition to attracting investors who are interested in certifiably more sustainable companies.

Caixa once again responded to the VIGEO EIRIS questionnaire, in 2017, with the objective of participating in a rating process enabling an evaluation of its performance in 6 key areas: environment, human rights, business behaviour, corporate governance, human resources and involvement with the community.

The social climate study of 2017, with a participation rate of 68.4%, included the following areas: motivation and commitment to the company; people management practice; job roles; involvement with the brand; compensation and benefits; mobilisation for change. It also considered the Results of the 2015 Social Climate Survey. It should be noted that the average achieved in the areas of motivation and commitment to the company, people management practice, job roles and compensation and benefits was higher than in the 2015 survey.

In furthering its commitment to sustainable development, Caixa continued to focus on the concept of Socially Responsible Investment (SRI) as an investment strategy based on social good in addition to financial return.

1.3. Economic and Financial Situation

First half year 2017 witnessed a gradual acceleration of world economic activity, with foreign trade indices pointing towards a more synchronised cycle in the expansion of activity among the main blocs in comparison to preceding periods, following through from the preceding year. Accelerating prices owing to the energy effect, helped to assuage fears over the very low levels of the growth of prices.

In such a context, expectation over a reflationary phase of the world economy gained credence and was also validated by the more positive discourse of diverse central banks about the evolution of the economy and inflation and the promise to implement an aggressive tax reduction and increased spending on Defense and Infrastructure in the US.

Diverse supranational organisations revised their worldwide GDP growth projections for 2017, assuming that growth can reach 3.5%, thus exceeding the 2016 record. Reference should be made to the favorable evolution of the projections for the Euro Area, Japan and China.

The main central banks acknowledged the higher growth figures and fading deflationary risks, with a clear and progressive indication of their intention to normalise monetary policy in diverse economies, over the short term.

In March, the ECB (European Central Bank) acknowledged a lessening of the risks attached to growth and stated, in April, that the cyclical recovery had gained consistency and, ipso facto, that the risks were more balanced. The Council of Governors described them, in June, as being balanced. Furthermore ECB considered that inflation was affected by transitional effects and therefore abandoning reference to the possibility of a decrease of reference rates to lower levels.

As promised, the Fed announced two 25 bps increases in its federal funds rate in the first half of the year to a 1.00% - 1.25% band at the end of June. It also reiterated its intention to increase the rate once more in 2017 with a further three increases in 2018. In June it also submitted a plan for medium term balance sheet reduction which will be gradually achieved by not reinvesting upon the maturity of several portfolio securities.

In the United Kingdom, the government's activation of Article 50 of the Treaty of Lisbon, initiating the formal process of exiting the European Union, was followed by greater uncertainty triggered by the Conservative Party's loss of its overall majority in the House of Commons in the general elections, with the activity and confidence indicators showing a tapering off of economic activity. The contribution made by the depreciation of sterling to the acceleration of inflation since the Brexit referendum, however, also led the Bank of England to lean towards a growing preference for an increase of the reference rate over the short term.

Among the G4 central bank the Bank of Japan was the only one not to show any signs of intending to change the parameters of its monetary policy over the short term. It kept its interest rate on deposits for a proportion of surplus bank reserves at a negative 0.1% with the intention of ensuring that the 10 year sovereign rate would continue to be anchored at around 0%.

As regards the main central banks of the emerging economies, reference should be made to the Bank of China's successive interventions with the aim of achieving a slight increase in money market rates, for loan stabilisation purposes, in addition to its actions designed to stabilise the currency and safeguard capital flows. The sharp reduction of inflation allowed both the Central Bank of Brazil and the Central Bank of Russia to reduce their respective reference rates by 100 bps and 350 bps, to their minimums since December 2014 and 2013, respectively.

As regards the evolution of the economic context of the main economies and regions across the first half year, global activity continued to post a slow rate of expansion.

The US, following its announcement of disappointing economic growth in the first quarter, which was classified by the Fed as "transitional", witnessed an improvement in the second quarter. The upturn was modest but led the IMF to reduce its projections for 2017 and 2018.

Another contributory factor to this decision was uncertainty over the current US Administration's effective capacity to implement the promised economic stimulus measures, with such doubts intensifying from the start of the second quarter. As regards inflation, underlying consumer price hikes, after climbing to their highest level since the end of 2012 in January, reversed considerably up to June, when they sank to their lowest level of the last year and a half.

Real GDP growth in the Euro Area in the first three months of the year amounted to a consecutive non-annualised 0.6% – its best result for two years. The region continued to outperform both the US and United Kingdom. In the second quarter sentiment indexes for consumers and entrepreneurs have continued to improve even surpassing expectations, and, in some cases, the records prior to the international financial crisis. In addition, the indicators remained consistent with an acceleration of economic activity. Year-on-year inflation which, at the start of the year rose to as high as 2.0% for the first time since January 2013 then embarked upon a new moderation phase to a level of 1.3% in June, the lowest record in 2017.

In the second quarter 2017, the Portuguese economy registered growth of de 0.3% in real terms over the previous quarter, corresponding to a year-on-year growth rate of 3.0%, +0.2 p.p. over the previous quarter, the highest since the 2nd half 2000.

This higher increase was due to the higher contribution from domestic demand. Reference should be made to the contribution of gross fixed capital formation (GFCF), which was the strongest since the first three months of that year, given the sharp fall in recent years which corresponds to a relatively low starting point. In the labor market, the unemployment rate of the second quarter, according to the INE, stood at 8.8%, the lowest figure since 2008.

Both the confidence indicators and the activity indicators maintained the upward trend shown in previous quarters, which, together with the positive evolution of the budgetary targets for 2017, resulted in an improvement in the outlook for Fitch and Moody's rating of sovereign debt and, more recently, for the rating upgrade by the S&P agency, which placed again the Portuguese Republic's rating in the investment grade zone.

Economic improvement and accelerating inflation led to a depreciation of the public debt securities of the main economies up until the end of the first quarter. The corresponding rise in the yield on 10 year maturities fuelled yields in US and Germany, to their highest levels since the summer of 2014 and January 2016. The same trend, and even more markedly so, was registered on the periphery of Europe with the Portuguese yield reaching its highest levels since March 2014.

The second quarter of the year was marked by a downwards correction of the main yields, except for Germany, triggered by moderating expectations over the issue of reflation, based on a stronger than expected retreat of inflation. Lower yields were more pronounced in the cases of the countries on the periphery of Europe, particularly Greece and Portugal, followed by Italy and Spain.

There was a considerable hike in market interest rates in the last week of the quarter, owing to a series of firmer interventions by several central banks, revealing a growing purpose of reducing some of the monetary stimulus.

Changes in the sovereign yields of the referred to maturity, across the half year as a whole, were mixed, with falls of 168.3 bps in Greece, 73.7 bps in Portugal and 14.0 bps in the US and an increase of 25.8 bps in Germany, 34.3 bps in Italy, 15.5 bps in Spain and 12.5 bps in France.

Notwithstanding the softer tone adopted by various ECB members over the economic context and fading threat of deflation leading to a necessary adjustment to monetary policy parameters, Euribor rates continued to trend downwards across the whole of the first half year. The main maturities sank to new all-time lows, remaining, without exception in negative territory.

The euro appreciated 8.6% against the dollar in first half 2017. This was its most significant gain since 2009. In addition to the clear divergence between the Fed and investors, regarding expectations over the trajectory of the reference rate normalisation process, the euro's upwards trend also derived from the favourable evolution of economic activity in the Euro Area. The ECB's expression of its growing confidence in the consistency of economic recovery across the half year, changed investors' expectations over monetary policy changes. At the end of June it rose to more than $1.144, its highest level since May 2016. In effective terms or in comparison to a basket of currencies representing the euro area's main trading partners it appreciated 3.3% in the half year, to its maximum since January 2015.

Notwithstanding the uncertainties, particularly as regards Brexit, sterling appreciated 5.6% against the dollar in the first half year, after having depreciated by 7.3% in second half 2016. As opposed to the levels immediately preceding the result of the referendum, sterling was down 12.5% and 12.8% against the dollar and the euro, respectively up to the end of June.

As regards the performance of the currencies of emerging countries, the first half year was characterised by a dollar which trended to depreciation. Reference should be made to the appreciation of South Africa's rand (4.8%) Russia's rouble (4.3%) and China's renminbi (2.4%). Angola's kwanza and Mozambique's metical appreciated by 1.5% and 15.5%. Brazil's real was down 2.3% against the dollar

More optimistic expectations over the growth of economic activity and lessening of political risks, particularly across the second quarter, helped the equities segment to achieve its best levels of performance in the most relevant asset categories. The main domestic equities indices were up across practically the whole of first half 2017, reaching successive all-time highs.This was the case of the main North American indices, particularly the NASDAQ's appreciation of 14.1%, which supplanted the gain of slightly more than 8.0% made by the S&P500 and Dow Jones, as well as Germany's DAX, which was up 7.4% across the six months.

Among the other main equity indices of the developed economies, the highest levels of appreciation were posted on the periphery of Europe, to which a particularly important contribution was made by the victory of Holland's pro-euro liberal VVD party and the centrist candidate Emmanuel Macron in France's presidential (and latterly general) elections. These gains were speared by Greece's ASE with 28.0%, followed by Spain's IBEX with 11.7% and Portugal's PSI20 with 10.1%. Italy's MIB and France's CAC indices were up 7.0% and 5.3%, having outperformed the European market average (Eurostoxx600: up 5.0%).

Among the indices of BRIC economies, with the exception of Russia's Micex index, affected by the negative performance of oil prices and down 15.8%, performance was positive in the remaining cases in the first half of the year and particularly so in the cases of the 7.9% appreciation of India's stock market followed by Brazil's Bovespa with 4.4%, South Africa's FTSE/JSE with 3.5% and China's Shanghai index with 2.9%.

The MSCI index for the emerging region was up 17.2% across the half year, outperforming the 9.4% appreciation of the index for the developed region.

1.4. Main Risks and Uncertainties in 2nd half 2017

World economic activity continued its gradual recovery across first half 2017, based on improvements in the developed economies, particularly the Euro Area, and the emerging economies, with greater synchronisation among blocs.

In spite of the regression of risks, related with both growth and deflation across the first half year, with a consolidation of expectations that the world economy would continue to post a higher rate of growth than in past years, there will continue to be various risks with a downwards bias in the second half.

The main source of uncertainty derives from monetary policy options, namely the management of the procedures for abandoning the previously implemented stimuli based on the adoption of unconventional policies by the main central banks and particularly so in the case of the ECB (European Central Bank) and the US Fed (Federal Reserve). Such measures resulted in substantial impacts on sovereign debt markets, in addition to the dynamics of the economies themselves, owing to their favourable impact on confidence and activity levels. On a financial level, the recent oscillations in the prices of diverse financial assets illustrate the complexity of the tasks facing central banks in developed economies in managing the reduction of the amounts associated with quantitative easing mechanisms.

The perceived difficulties following the start of the negotiations over the United Kingdom's exit from the European Union in the first half year as well as the UK electoral process, helped to create a negative outlook over Brexit in the second half of the year and may be an additional factor in increased risk aversion.

Notwithstanding the results of the elections in Holland and France in the first half year there continue to be negative political risks in the second half of the year, this time over the results of September's general elections in Germany and particularly the possibility of early elections being called in Italy.

In the US and in addition to the possible uncertainty associated with the Fed's process of changing the monetary policy cycle, doubts over the intention to reduce tax and increase expenditure on defence and infrastructures promised by the then Republican candidate, may help to fuel fresh reductions of growth projections, both for this and next year, following a half year in which US economy failed to achieve the performance forecast at the start of the year. The outlook regarding the implementation of protectionist measures will be compounded by negative risks as well as repercussions in the event of retaliatory measures taken by the most affected countries.

The evolution of oil prices will continue to be an important aspect to be monitored, particularly after the negative impact on price growth measures affecting producers and consumers over the last few months of the half year?. On the one hand, the maintenance of current price levels may comprise a major negative factor in the economic growth of diverse countries in emerging areas, as well as on the performance of the respective public and external accounts. On the other hand, in the case of the developed economies, which tend to be oil importers, owing to the extremely low level of inflation, the non-recovery of the price will penalise companies' and households' expectations on inflation as well as the normalisation of monetary policy given that they could translate into economic agents' postponement of consumption and investment decisions.

On a level of the emerging economies, in spite of the fact that the performance of financial assets, namely shares and debt securities, was highly positive across the first half year, reference should also be made to the risks associated with the normalisation process of developed countries' monetary policies, notably as regards the US reference rate which, in the past was associated with the triggering of significant adjustments in such economies, such as disruptive effects on a level of the evolution of the main financial assets, including further periods of foreign exchange volatility.

Together with the continuous stabilisation of activity in China across the first half year, the rate of expansion ended up by being surprisingly high, creating a breathing space for the Beijing government's annual GDP growth objective. In a context in which the authorities are planning to provide for the negative consequences of excessive credit levels in diverse sectors, several measures intended to help moderate the rate of expansion could be construed as a cyclical moderation stage and help to create negative sentiment regarding not only the performance of this but also the global economy.

In this chapter, it is important to assess the impact of the continuation of negative risks regarding the situation of other economies and emerging regions in the global economy. Reference should be made to the resurgence of tensions in Brazil across the first half year which could generate a prolonged recession in Latin America's largest economy. In Russia, low oil prices and the June extension of the sanctions imposed in 2014 by the European Union will continue to condition the evolution of activity in Russia.

Despite the recent rating upgrade of the Portuguese Republic by Standard and Poor's and the activity and confidence indicators remaining surprisingly high across the first half of the year, having benefiting, in addition to internal policy measures, from an attitude of less aversion to risk as regards the markets on the periphery of Europe, there are still potential risks in Portugal.

The expected announcement on the reduction of the ECB's quantitative easing programme may be reflected in higher risk premia, not only in Portugal but also in the more vulnerable countries on the European periphery and consequent deterioration of the risk appraisal on sovereign debt. Higher financial costs could also be a casualty of a deterioration in the external financial situation and may have serious consequences as public sector borrowing requirements remain high.

1.5. Activity and Financial Information

1.5.1. CONSOLIDATED ACTIVITY

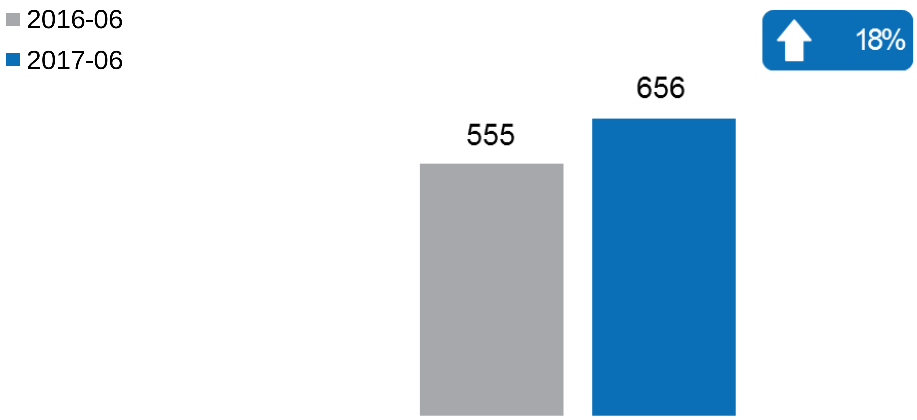
RESULTS

In first half 2017 CGD Group's core net operating income before impairment (sum of net interest income and results from services and commissions deducted of recurrent operating costs) amounted to €303.4 million, up 75.7% fuelled by the growth of net interest income and reduction of recurrent operating costs.

Net interest income, benefiting from the large 26.6% reduction of €211.7 million in funding costs, was up 18.2% by €101.1 million over 1st half 2016 to €656.0 million. A part of this effect (€43.4 million) derives from the cancellation of the CoCo bonds in the sphere of the recapitalisation measures.

NET INTEREST INCOME

(EUR million)



Income from equity instruments amounted to €23.8 million, decreasing €5.9 million.

(EUR million)

COMMISSIONS (NET) – CONTRIBUTION BY BUSINESS AREAS (CONSOLIDATED)			Change	
	2016-06	2017-06	Total	(%)
CGD Portugal	148.9	159.2	10.3	6.9%
International operations	57.4	51.1	-6.2	-10.9%
Investment banking	16.8	12.0	-4.8	-28.6%
Asset management	9.3	9.8	0.4	4.8%
Other	-7.9	-7.4	0.5	-
Total	**224.4**	**224.7**	**0.2**	**0.1%**

Results of €224.7 million from services and commissions in the first six months of the year was slightly up by 0.1% over the same half 2016.

Income from financial operations in the first half year amounted to €275.5 million and contrasts highly favourably with the losses of €49.3 million made in the first half of the preceding year. This amount essentially reflects gains with changes in interest rates and the adequate management of risk hedging instruments.

Total operating income, with positive contributions from net interest income and income from financial operations, was up 57.1% by €419.3 million over the same period last year to €1,154.1 million.

Operating costs, notwithstanding the reduction of their administrative expenses component were up 1.8%, translating the impact of non-recurrent employee costs of €61.0 million (€44.3 million net of tax), in respect of the provisions for the pre-retirements and termination by mutual agreement programmes.

(EUR million)

OPERATING COSTS (CONSOLIDATED)			Change	
	2016-06	2017-06	Total	(%)
Employee costs	366.9	396.8	29.9	8.1%
Administrative expenses	213.2	192.3	-20.9	-9.8%
Depreciation and amortisation	46.5	49.1	2.6	5.6%
Total	**626.6**	**638.2**	**11.6**	**1.8%**

Excluding the referred to impact, operating costs would have been down 4.9%, leading to a reduction of the cost-to-income ratio to 49.5% for the half year. The cost-to-core income ratio was 65.5%.

EFFICIENCY RATIOS (CONSOLIDATED)	2016-06	2017-06
Cost-to-income BdP [(1)]	83.0%	54.8%
Cost-to-income [(1) (2)]	80.4%	49.5%
Cost-to-core income [(2) (3)]	77.8%	65.5%
Employee costs / Total Operating Income [(1)]	49.9%	34.4%
Employee costs recurrents / Total operating income [(1) (2)]	47.2%	29.1%
Administrative expenses / Total Operating Income [(1)]	29.0%	16.7%

(1) Ratios defined by the Bank of Portugal (instruction 23/2012); (2) Excluding the non-recurrent costs related to the early retirement program and the program of contract termination by mutual agreement, in the amount of € 20M and € 61M in 1H2016 and 1H2017, respectively; (3) Operating costs / (Net interest income + Results from services and commissions).

Net operating income before impairment of €515.9 million was up €407.7 million in comparison to 1st half 2016. The improvement generalized across all business areas was more significant in the domestic activity, with increases of €270.2 million and €111.7 million in the contribution from the commercial banking and investment banking, respetively.

(EUR million)

NET OPERATING INCOME BEFORE IMPAIRMENTS CONTRIBUTION (CONSOLIDATED)			Change	
	2016-06	2017-06	Total	(%)
Domestic commercial banking	-97.9	172.3	270.2	-
International activity	198.2	206.7	8.6	4.3%
Investment banking	-13.0	98.7	111.7	-
Other	21.0	38.2	17.2	81.7%
Net Operating Income before Impairments	**108.2**	**515.9**	**407.7**	**376.8%**

In the sphere of international acivity reference should be made to the following contributions to Net operating income before impairments: France Branch (€34.4 million), BNU Macau (€33.8 million), BCG Angola (€36.0 million) and CGD Investimentos, CVC (€52.4 million).

Core net operating income before impairment [(1)] amounted to €303.4 million, up 75.7% over 1st half 2016.

(1) Net interest income + Results from services and commissions – recurrent operating costs

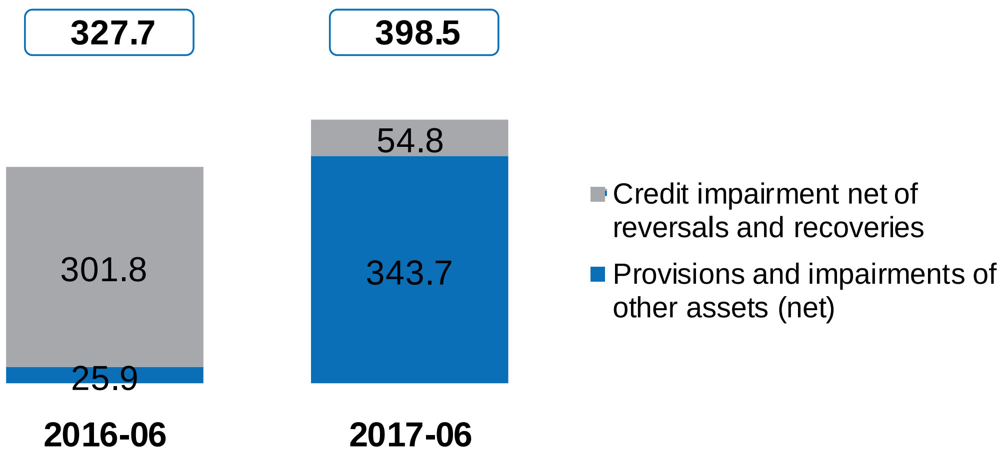
Provisions and impairments for the half year were up 21.6% over the same period of the preceding year to €398.5 million. A particularly important contribution was made by provisions and impairments of other assets (net) of €343.7 million of which €322.0 million were non-recurrent and related to the restructuring and disposal of international activities.

(EUR million)

PROVISIONS AND IMPAIRMENT (P&L) (CONSOLIDATED)			Change	
	2016-06	2017-06	Total	(%)
Provisions (net)	-17.4	317.8	335.2	-
Credit impairment	301.8	54.8	-247.0	-81.9%
impairments of other financial assets	44.8	36.0	-8.8	-19.6%
impairments of other assets	-1.4	-10.1	-8.6	-
Provisions and impairments for period	**327.7**	**398.5**	**70.8**	**21.6%**

PROVISIONS AND IMPAIRMENTS IN 1ST HALF OF THE YEAR

(EUR million)



The cost of credit risk for the 1st half of 0.16%, confirms the expected downwards trajectory, following the assessment of the assets value exercise performed at the end of 2016.

Net operating income for the 1st half year amounted to €117.4 million against a negative €219.5 million year-on-year 2016.

CGD's tax bill for the period totalled €166.0 million of which amount €36.9 million in respect of the special banking sector contribution.

In light of the above referred to evolution, the net income for the half year was a negative €49.9 million.

CONSOLIDATED INCOME STATEMENT			Change	
	2016-06	2017-06	Total	(%)
Interest and similar income	1,351,368	1,240,799	-110,568	-8.2%
Interest and similar costs	796,521	584,847	-211,674	-26.6%
Net interest income	554,847	655,952	101,105	18.2%
Income from equity instruments	29,640	23,786	-5,855	-19.8%
Net interest inc. incl. inc. from eq. investm.	**584,487**	**679,738**	**95,250**	**16.3%**
Income from services and commissions	282,661	283,695	1,034	0.4%
Costs of services and commissions	58,224	59,031	806	1.4%
Results from services and commissions	224,437	224,665	228	0.1%
Income from financial operations	-49,253	275,514	324,768	-
Other operating income	-24,859	-25,810	-950	-
Non-interest income	**150,325**	**474,369**	**324,045**	**215.6%**
Total operating income	**734,812**	**1,154,107**	**419,295**	**57.1%**
Employee costs	366,939	396,810	29,870	8.1%
Administrative expenses	213,171	192,269	-20,902	-9.8%
Depreciation and amortisation	46,497	49,108	2,611	5.6%
Operating costs	626,608	638,187	11,579	1.8%
Net operating income before impairments	**108,204**	**515,920**	**407,716**	**376.8%**
Credit impairment (net)	301,799	54,763	-247,036	-81.9%
Provisions and impairments of other assets (net)	25,898	343,744	317,845	1227.3%
Provisions and impairments	**327,697**	**398,506**	**70,809**	**21.6%**
Net operating income	**-219,493**	**117,414**	**336,907**	**-**
Income Tax	**-14,364**	**165,961**	**180,325**	**-**
Current	63,822	110,433	46,611	73.0%
Deferred	-117,884	18,662	136,545	-
Special contrib. on the banking sector	39,698	36,866	-2,832	-7.1%
Net op. inc. after tax and before non-controlling interests	**-205,129**	**-48,547**	**156,582**	**-**
Non-controlling interests	24,619	19,683	-4,936	-20.0%
Results of associated companies	19,920	11,006	-8,914	-44.7%
Results of subsidiaries held for sale	4,585	7,300	2,715	59.2%
Net income	**-205,243**	**-49,925**	**155,318**	**-**

BALANCE SHEET

CGD's balance sheet across the 1st half was impacted by the referred to recapitalisation operations, whose financial settlement occurred on 30 March and which were the main reason for the €2,461 million increase of net assets over December 2016.

(EUR million)

CGD GROUP – CONSOLIDATED NET ASSETS	2016-06		2016-12		2017-06	
	Total	Structure	Total	Structure	Total	Structure
Caixa Geral de Depósitos (1)	69,962	70.4%	64,242	68.7%	67,794	70.6%
Banco Caixa Geral (Spain)	4,761	4.8%	4,907	5.2%	4,840	5.0%
Banco Nacional Ultramarino, SA (Macau)	5,694	5.7%	6,217	6.6%	5,671	5.9%
Caixa Banco de Investimento	1,465	1.5%	1,296	1.4%	1,272	1.3%
Caixa Leasing e Factoring	2,452	2.5%	2,397	2.6%	2,357	2.5%
Banco Comercial Investimento (Mozambique)	1,845	1.9%	1,816	1.9%	2,101	2.2%
Banco Comercial do Atlântico (Cape Verde)	732	0.7%	744	0.8%	752	0.8%
Mercantile Lisbon Bank Holdings (South Africa)	662	0.7%	836	0.9%	859	0.9%
BCG Angola	1,859	1.9%	1,712	1.8%	1,523	1.6%
Other companies (2)	9,924	10.0%	9,379	10.0%	8,838	9.2%
Consolidated net assets	**99,355**	**100.0%**	**93,547**	**100.0%**	**96,008**	**100.0%**

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

The increase mainly occurred in cash and claims at central banks and securities investments, counterbalanced by the reduction in loans and advances to customers.

(EUR million)

CONSOLIDATED BALANCE SHEET				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
ASSETS	2016-06	2016-12	2017-06	Total	(%)	Total	(%)
Cash and equiv. with central banks	1,503	1,841	4,438	2,936	195.4%	2,598	141.1%
Loans and advances to credit instit.	3,642	3,976	3,832	190	5.2%	-143	-3.6%
Loans and advances to customers	64,931	62,867	60,476	-4,455	-6.9%	-2,391	-3.8%
Securities investments	20,137	15,017	18,202	-1,935	-9.6%	3,185	21.2%
Assets with repurchase agreement	856	800	330	-525	-61.4%	-469	-58.7%
Non-current assets held for sale	749	1,426	1,427	678	90.4%	1	0.1%
Inv. in subsid. and assoc. companies	267	312	362	95	35.6%	50	16.0%
Intangible and tangible assets	707	693	661	-46	-6.4%	-32	-4.6%
Current tax assets	41	42	52	11	27.6%	10	24.3%
Deferred tax assets	1,559	2,546	2,487	928	59.5%	-59	-2.3%
Other assets	4,964	4,029	3,740	-1,224	-24.7%	-289	-7.2%
Total assets	**99,355**	**93,547**	**96,008**	**-3,347**	**-3.4%**	**2,461**	**2.6%**
LIABILITIES							
Central banks' and cred. inst. resources	5,769	5,800	5,337	-431	-7.5%	-462	-8.0%
Customer resources	72,442	69,680	69,915	-2,527	-3.5%	235	0.3%
Financial liabilities	2,262	1,695	1,266	-996	-44.0%	-430	-25.3%
Debt securities	6,117	4,184	4,078	-2,039	-33.3%	-105	-2.5%
Provisions	896	1,127	1,465	570	63.6%	338	30.0%
Subordinated liabilities	2,400	2,424	1,470	-929	-38.7%	-954	-39.4%
Other liabilities	3,726	4,754	4,582	856	23.0%	-172	-3.6%
Sub-total	**93,610**	**89,664**	**88,113**	**-5,497**	**-5.9%**	**-1,551**	**-1.7%**
Shareholders' equity	**5,745**	**3,883**	**7,895**	**2,150**	**37.4%**	**4,012**	**103.3%**
Total	**99,355**	**93,547**	**96,008**	**-3,347**	**-3.4%**	**2,461**	**2.6%**

Total securities investments, including assets with repurchase agreements and trading derivatives, in June 2017, were up 18.9% by €2,951 million over December last year. This investment resulted from the funds arising from CGD's capital increase (€2,500 million), as well as the AT1 issuance of €500 million, reinforcing the diversity of the securities portfolio.

(EUR million)

SECURITIES INVESTMENTS (CONSOLIDATED)(1)	2016-06	2016-12	2017-06
Fin. assets at fair value through profit or loss	6,734	7,154	8,227
Available for sale financial assets	13,668	7,994	8,248
Held-to-maturity investments	238	433	2,057
Total	**20,640**	**15,581**	**18,532**

(1) Before impairment and including repurchase agreements and trading derivatives.

Loans and advances to customers (gross, including credit with repurchase agreements) were down 4.9% over last December to €65,366 million at the end of June 2017, with lending to companies and individual customers in the case of CGD's activity in Portugal down 8.6% and 2.3%, respectively.

(EUR million)

LOANS AND ADVANCES TO CUSTOMERS (CONSOLIDATED)(1)				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
	2016-06	2016-12	2017-06	Total	(%)	Total	(%)
Companies	29,777	27,632	24,830	-4,947	-16.6%	-2,802	-10.1%
General government	5,499	6,839	7,089	1,590	28.9%	250	3.7%
Individual customers	35,398	34,264	33,447	-1,951	-5.5%	-817	-2.4%
Mortgage loans	32,505	31,542	30,733	-1,772	-5.5%	-809	-2.6%
Other	2,893	2,722	2,714	-179	-6.2%	-8	-0.3%
Total	**70,674**	**68,735**	**65,366**	**-5,308**	**-7.5%**	**-3,369**	**-4.9%**

(1) Before impairment and including repurchase agreements.

The 10.1% reduction by €2,802 million over December 2016 of the balance on loans and advances to corporate customers expressed the weak demand of bank lending from this segment, with the volume of repayments and settlements higher than that of new operations. The write-offs and the sales of credits also contributed to the decrease.

The activity sectors most affected by the referred to reduction were the construction sector and real estate (down 10.6% by €975 million) and financial activities and other (down 14.0% by €1,226 million).

(EUR million)

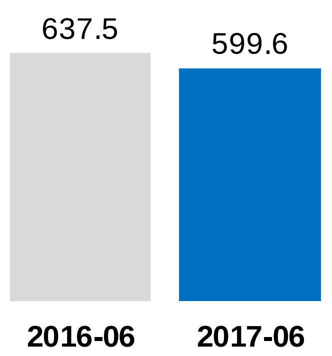
LOANS AND ADVANCES TO CORPORATES BY SECTORS OF ACTIVITY (CONSOLIDATED)[1]				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
	2016-06	2016-12	2017-06	Total	(%)	Total	(%)
Agriculture, forestry and fishing	578	572	504	-74	-12.8%	-68	-11.9%
Mining and manufacturing	4,108	3,443	3,282	-826	-20.1%	-160	-4.7%
Construction and real estate activities	10,687	9,199	8,224	-2,463	-23.0%	-975	-10.6%
Electricity, gas and water	1,351	1,373	1,132	-219	-16.2%	-241	-17.5%
Wholesale and retail trade	3,240	2,581	2,637	-603	-18.6%	56	2.2%
Transports and warehousing	1,141	1,692	1,503	362	31.8%	-188	-11.1%
Financial activities and other	8,672	8,772	7,547	-1,125	-13.0%	-1,226	-14.0%
Total	**29,777**	**27,632**	**24,830**	**-4,947**	**-16.6%**	**-2,803**	**-10.1%**

(1) Before impairment and including repurchase agreements.

Loans and advances to individual customers decreased 2.4% by €817 million over December 2016 to €33,447 million at the end of 1st half 2017, mainly resulted from the reduction of 2.6% by €809 million of mortgage loans, derived by a volume of repayments and settlements higher than that of new operations.

MORTGAGE CREDIT - BRANCH OFFICE NETWORK (PORTUGAL)
NEW OPERATIONS

(EUR million)



In CGD (Portugal) new mortgage loans in the 1st half of 2017 totalled 6,730 operations amounting €599.6 million (down 6.0% by €38 million over 1st semester 2016).

Positive evolution of CGD's asset quality in 1st half 2017, with NPE (Non Performing Exposure) and NPL (Non Performing Loans) values down 11% and 14% over December last, respectively. Therefore NPE ratio reduced to 10.6% and NPL ratio to 13.5% at 30 June, with the impairment coverage of 51.1% and 52.0%, respectively. The coverage level in Portugal was 54.7% (NPE) and 55.2% (NPL).

(EUR million)

CREDIT QUALITY (CONSOLIDATED)	2016-06	2016-12	2017-06
Total credit	**70,321**	**68,500**	**65,366**
Loans and adv. to customers (outstanding)	64,641	63,552	60,286
Overdue credit and interest	5,680	4,949	5,081
Of which: more than 90 days overdue	5,222	4,546	4,707
Credit impairment	**5,390**	**5,633**	**4,891**
Credit net of impairment	**64,931**	**62,867**	**60,476**
RATIOS			
Non-performing credit ratio (1)	9.8%	8.4%	8.1%
Non-performing credit net / Total credit net (1)	2.3%	0.2%	0.6%
Credit at risk ratio (1)	12.2%	10.5%	9.8%
Credit at risk ratio net / Total credit net (1)	4.9%	2.4%	2.5%
Cr. overdue for more than 90 days / Total cred.	7.4%	6.6%	7.2%
NPE ratio (2)	12.0%	12.1%	10.6%
NPL ratio (3)	16.6%	15.8%	13.5%
Non-performing credit coverage	77.8%	97.4%	92.6%
Credit at risk coverage	62.7%	78.5%	76.5%
Credit more than 90 days overdue coverage	103.2%	123.9%	103.9%
NPE coverage by impairment	45.7%	52.9%	51.1%
NPL coverage by impairment	46.9%	52.8%	52.0%
Crd. imp. (P&L) / Loans & adv. custom. (aver.)	0.86%	3.42%	0.16%

(1) Ratios defined by the Bank of Portugal (instruction 23/2012); (2) NPE - Non performing exposure - EBA; (3) NPL - Non performing loans - EBA.

The restructured credit ratio, calculated in accordance with Bank of Portugal criteria, was down to 7.8%.

The credit at risk ratio, calculated in accordance with Bank of Portugal criteria, was down to 9.8%, with impairment coverage of 76.7% (49.2% and 99.1% in loans to individuals and to companies, respectively).

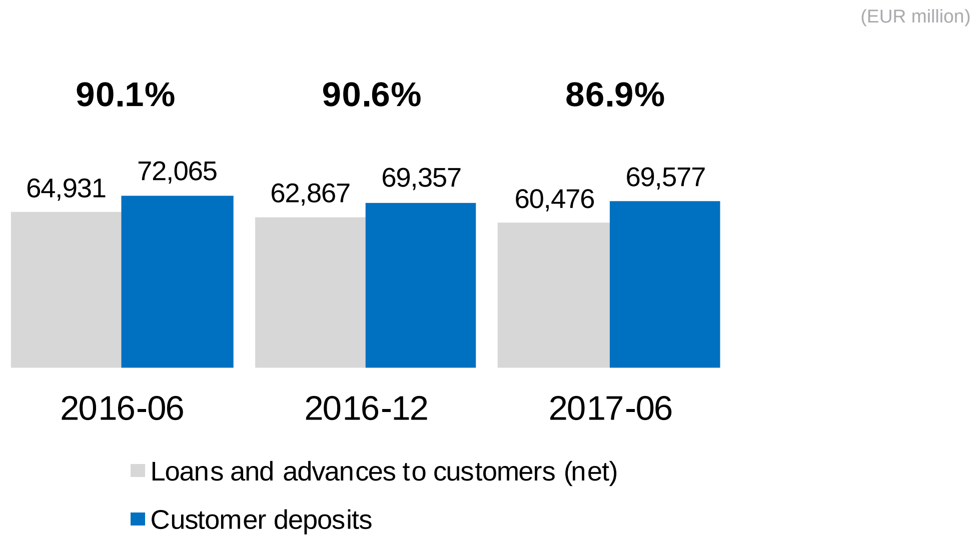
The credit overdue for more than 90 days ratio was 7.2% in June 2017, with a respective impairment coverage of 103.9%.

Total liabilities were down 1.7% by €1,551 million over December 2016. Special reference should be made to the 39.4% reduction of €954 million in subordinated liabilities and the 8.0% decrease of €462 million in central banks and other credit institutions resources.

Resources from customers were up 0.3% by €235 million over December 2016 to €69,915 million. Reference should be made to the favourable evolution of customer deposits from domestic operations, up 2.6% by €1.397 million.

The loans-to-deposits ratio of 86.9% in June 2017, against 90.6% in December 2016, reflected CGD's major customer retention capacity even in an environment of very low interest rates on deposits.

LOANS-TO-DEPOSITS RATIO



Total resources taken in the consolidated perimeter were down 1% by €1,162 million over December 2016 to €109,521 million, heavily influenced by the cancellation of CoCo bonds (down €900 million euros). Special reference should also be made, in the case of balance sheet resources, to the increase in customer deposits in the case of domestic activity (up 2.6% by €1,397 million). Off-balance sheet resources continued to be around €29 billion (up 0.4%).

(EUR million)

RESOURCES TAKEN (CONSOLIDATED)				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
	2016-06	2016-12	2017-06	Total	(%)	Total	(%)
Balance sheet	**86,727**	**82,088**	**80,801**	**-5,926**	**-6.8%**	**-1,287**	**-1.6%**
Central banks' & Cred. Inst.' resourc.	5,769	5,800	5,337	-431	-7.5%	-462	-8.0%
Customer deposits	72,065	69,357	69,577	-2,488	-3.5%	220	0.3%
Domestic activity	55,449	53,184	54,581	-868	-1.6%	1,397	2.6%
International activity	16,616	16,173	14,996	-1,620	-9.7%	-1,177	-7.3%
Covered bonds	5,412	3,854	3,805	-1,608	-29.7%	-50	-1.3%
Conting. convert. bonds (CoCos)	900	900	0	-900	-100.0%	-900	-100.0%
EMTN and other securities	2,204	1,854	1,744	-460	-20.9%	-110	-5.9%
Other	377	323	338	-39	-10.4%	15	4.5%
Off-balance sheet	**27,830**	**28,596**	**28,721**	**891**	**3.2%**	**125**	**0.4%**
Investment funds	3,698	3,519	3,519	-178	-4.8%	0	0.0%
Real estate investment funds	1,160	950	969	-191	-16.5%	19	2.0%
Pension funds	3,315	3,440	3,639	324	9.8%	198	5.8%
Wealth management	19,305	19,271	18,503	-802	-4.2%	-768	-4.0%
Treasury bonds	352	1,415	2,091	1,739	494.2%	676	47.8%
Total	**114,557**	**110,683**	**109,521**	**-5,035**	**-4.4%**	**-1,162**	**-1.0%**
Total Resources in Domestic Activity (1)	**68,421**	**67,278**	**69,532**	**1,112**	**1.6%**	**2,254**	**3.4%**

(1) Includes customer deposits, investment funds, financial insurance, floating rate bonds and other bonds.

Benefiting mainly by the customer deposits favourable trend, total resources in domestic activity increased 3.4% by €2,254 million over December 2016 to €69,532 million.

(EUR million)

CUSTOMER RESOURCES (CONSOLIDATED)				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
	2016-06	2016-12	2017-06	Total	(%)	Total	(%)
Customers deposits	**72,065**	**69,357**	**69,577**	**-2,488**	**-3.5%**	**220**	**0.3%**
Sight deposits	25,070	25,031	27,179	2,109	8.4%	2,148	8.6%
Term and savings deposits	46,693	44,024	42,144	-4,548	-9.7%	-1,880	-4.3%
Mandatory deposits	302	302	254	-48	-15.9%	-48	-15.9%
Other resources	**377**	**323**	**338**	**-39**	**-10.4%**	**15**	**4.5%**
Total	**72,442**	**69,680**	**69,915**	**-2,527**	**-3.5%**	**235**	**0.3%**

By category, €42,144 million (61% of the total customer deposit) comprised term deposits and savings accounts.

Debt securities were down 33.3% by €2,039 million over the end of June 2016 to €4,184 billion. This downwards trajectory has been in force over the last few years and derived from the fact that several issuances under EMTN programme have reached their maturity, without the need to refinance them on the capital market, given the Group's comfortable liquidity situation.

(EUR million)

DEBT SECURITIES (CONSOLIDATED)				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
	2016-06	2016-12	2017-06	Total	(%)	Total	(%)
EMTN programme issues (1)	588	329	275	-313	-53.2%	-54	-16.3%
Covered bonds	5,411	3,853	3,803	-1,607	-29.7%	-50	-1.3%
Other	118	2	0	-118	-100.3%	-2	-120.1%
Total	**6,117**	**4,184**	**4,078**	**-2,039**	**-33.3%**	**-105**	**-2.5%**

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

The outstanding balance of subordinated liabilities decreased a significant 39.4% over the end of December 2016 to €1,470 million, refleting the cancellation of the contingent convertible (CoCo) bonds subscribed by the Portuguese State which occurred on 4 January 2017.

(EUR million)

SUBORDINATED LIABILITIES (CONSOLIDATED)				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
	2016-06	2016-12	2017-06	Total	(%)	Total	(%)
EMTN programme issues (1)	1,026	1,014	1,005	-21	-2.0%	-8	-0.8%
Contingent convertible (Coco) bonds	900	900	0	-900	-100.0%	-900	-100.0%
Other	473	510	465	-8	-1.8%	-46	-9.0%
Total	**2,400**	**2,424**	**1,470**	**-929**	**-38.7%**	**-954**	**-39.4%**

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

LIQUIDITY

First half year 2017 was marked by CGD's recapitalisation process, based on the plan agreed between the European Commission and the Portuguese state, under which, CGD, at the end of March CGD issued €500 million of additional tier 1 funds on the securities market to more than 160 institutional investors.

A high level of demand for a global amount of more than €2 billion was recorded for these securities which were oversubscribed by a factor of 4. The final amount was mainly distributed among investment funds (49%) and hedge funds (41%), with a diverse geographical spread but particularly in the United Kingdom (59%) and Portugal (14%). The coupon rate of 10.75% was lower than the initially forecast range of between 11% to 11.5%.

There was a positive secondary market evolution of CGD's additional tier 1 issuance whose market price registered up to the end of June was up by around 4% over the placement price and with a relatively good performance by the securities in the period of highest volatility felt in the last month of the half year.This performance confirms the growing confidence of investors in stabilization and progress of CGD's activity.

The conditions required for the capital increase by the state were met by this issuance, which enabled the last phase of CGD's Recapitalisation Plan with the completion of a €2.5 billion cash increase in capital by the state. At the start of the year and in the sphere of a capital increase in kind, CGD had received and cancelled a Portuguese State Coco bond issuance for the amount of €900 million.

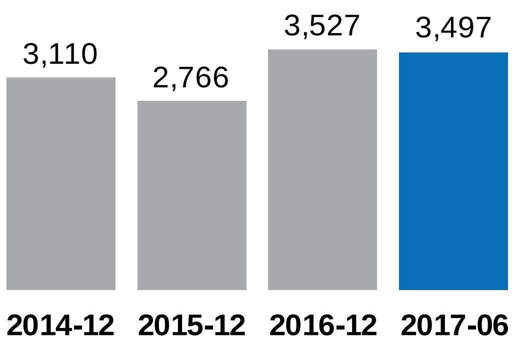
On the basis of the approval of the Industrial Plan submitted by CGD, the European Commission also decided to lift the restriction on discretionary interest payments on subordinated debt, pursuant to which CGD resumed coupon payments to investors in March.

The amount of CGD financing from the European Central Bank has remained unchanged at €2 billion since June 2016. The collection of CGD Portugal's assets eligible for the ECB's collateral pool remained stable at €10.6 billion.

CGD Group's level of exposure to the ECB, with reference to December, was down €30 million to and end of June total of €3.5 billion. The amount of the eligible assets portfolio forming part of the Eurosystem pool remained practically unchanged at €12.3 billion.

ECB FUNDING

(EUR million)



The Liquidity Coverage Ratio (LCR) indicator at the end of June 2017 was higher than regulatory requirements at 222% in comparison to 176% at the end of December 2016.

Also confirming the CGD Group's comfortable liquidity position, *Net Stable Funding Ratio* (NSFR) was 137% at the end of June 2017 (131% at the end of December 2016).

CAPITAL MANAGEMENT

Consolidated shareholders' equity, reflecting the two already implemented phases of the Recapitalisation Plan agreed between the Portuguese State and the European Commission (DG Comp), was up €4,012 million over the end of the preceding year to €7,895 million at the end of June 2017.

(EUR million)

SHAREHOLDERS' EQUITY (CONSOLIDATED)	2016-06	2016-12	2017-06
Share capital	5,900	5,900	3,844
Other equity instruments	0	0	500
Fair value reserves	111	87	238
Other reserves and retained earnings	-913	-1,109	2,999
Non-controlling interests	852	864	364
Net income	-205	-1,860	-50
Total	**5,745**	**3,883**	**7,895**

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

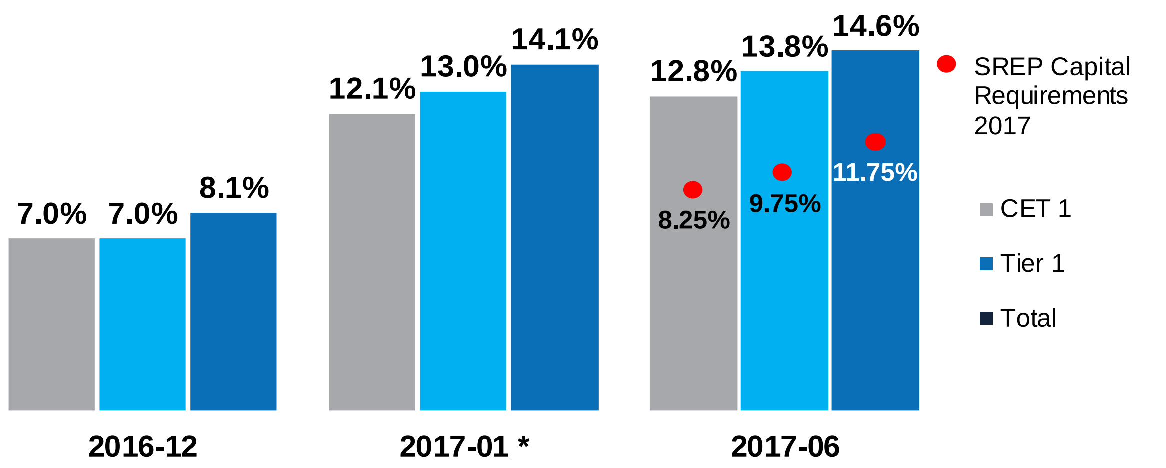
The evolution of other reserves and retained earnings which were up €4,108 million in the period largely derived from the extinguishing of 1,200 million shares, occurring at the first phase of the Recapitalisation Process for the coverage of negative retained earnings and the formation of a free positive reserve.

The phased-in and fully implemented CET1 ratios in June were 12.8% and 12.6% respectively with a phased-in Tier 1 and Total ratios of 13.8% and 14.6%, respectively.

(EUR million)

SOLVENCY RATIOS			
Phased-in (CRD IV / CRR)	2016-06	2016-12	2017-06
Own funds			
Common equity tier 1 (CET 1)	6,009	3,858	6,873
Tier 1	6,013	3,859	7,409
Tier 2	723	579	450
Total	**6,736**	**4,437**	**7,859**
Weighted assets	**60,016**	**55,015**	**53,723**
Solvency ratios			
CET 1	10.0%	7.0%	12.8%
Tier 1	10.0%	7.0%	13.8%
Total	**11.2%**	**8.1%**	**14.6%**
Fully Implemented (CRD IV / CRR)			
Own funds			
Common equity tier I (CET 1)	5,502	3,000	6,753
Weighted assets	**60,040**	**54,542**	**53,659**
CET 1 ratio	9.2%	5.5%	12.6%

CGD'S PHASED-IN CAPITAL RATIOS



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

The evolution of the CET1 ratio between December 2016 and June 2017 is essentially explained by the following effects:

- Progression over time associated with phasing-in, leading to regulatory reductions of €358 million in CET1 of and €62 million in risk-weighted assets (RWA) translating into a decrease of 64 basis points in the CET1 ratio;
- Recapitalisation of CGD, resulting in a 569 basis points improvement of the CET1 ratio, with special reference to the effect of the €2.5 billion share capital increase (equivalent to a 481 basis points increase in the CET1 ratio);
- Change in own funds resulting from the evolution of activity with a positive influence of €132 million on the CET1 ratio, corresponding to a 25 basis points increase of the CET1 ratio, with special reference to the contribution made by the following components:
    - Revaluation reserves (up €115 million of which €112 million in profit and loss on available-for-sale financial assets), non-controlling interests (up €5 million), gains deriving from a smaller deduction of intangibles and deferred tax assets (€102 million);
    - Net result for the period (down €59 million) and other reserves and retained earnings (down €31 million).
- A reduction of €1,292 million in RWA essentially resulting from the decrease of around €2.6 billion in net credit in which asset disposals and write-offs were, inter alia, contributory factors. Irrevocable commitments were also down, particularly on a level of securities subscriptions (€176 million) and bank guarantees (€233 million). Reference should also be made to the reduction of around €120 million of investment in venture capital funds. This was offset by a €638 million increase of RWA in respect of deferred tax assets which are not contingent upon future profits and a €198 million increase in significant investments in financial entities.

The improvement of CGD's total capital ratio reflects the evolution of its CET1 ratio on account of the referred to facts and market issuance of securities representing additional Tier 1 own funds.

The ratio levels achieved in CGD's consolidated accounts for the first half year exceeded minimum SREP capital requirements in 2017, making a decisive contribution to its financial strength.

SREP capital requirements applicable to consolidated activity in 2017

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

CGD's minimum CET1 phased-in capital requirement on a consolidated basis is 8.25% and includes: i) a minimum CET1 capital ratio of 4.5% required by Pillar 1; ii) a minimum CET1 capital ratio of 2.5% required by Pillar 2 (P2R) and iii) a capital conservation buffer (CCB) of 1.25%.

CGD must also comply with a minimum Tier 1 capital ratio of 9.75% and a total capital ratio of 11.75% in 2017.

(%)

SREP - CAPITAL REQUIREMENTS (CONSOLIDATED)	2017
Common Equity Tier 1 (CET1)	**8.25%**
Pillar 1	4.50%
Pillar 2 Requirement	2.50%
Capital Conservation Buffer (CCB)	1.25%
Tier 1	**9.75%**
Total	**11.75%**

Starting 2018, CGD is required to set up an O-SII (Other Systemically Important Institutions) buffer to be fully covered by CET 1. Pursuant to a Bank of Portugal resolution of 29 July 2016, the O-SII buffer for CGD was set at 0.5% in 2018 and 1.0% in 2019.

The capital conservation buffer (CCB) is expected to increase by 0.625% per annum on a phased basis up to 2.5% in 2019.

Leverage fully implemented ratio was 7.4% at the end of June 2017.

CGD had ADI (available distributable items) of €1.8 billion at June 2017 (around 33 times the annual cost of its current AT1 issuance) with a 2.9% surplus on the level of its MDA (Maximum Distributable Amount) restrictions considering the current gaps of Tier 1 and Tier 2 and with a 4.6% surplus if considering those gaps fulfilled with future issues.

RATING

The rating agencies revised their ratings on the Bank following CGD's announcement of its results for 2016 and its Strategy Plan.

Moody's, accordingly upgraded its ratings on CGD on 22 March, changing its BCA (Baseline Credit Assessment) and BCA Adjusted assessments on CGD from b3 to b2. In parallel, the rating agency reaffirmed its B1 ratings on deposits and long term senior debt, albeit altering its "outlook" from "ratings under review" to "stable".

On 1 June, DBRS reaffirmed its ratings of BBB (low) on long term senior debt, with a change from "under review with negative implications" to "negative trend". According to the rating agency, the confirmation of the rating translates the increase in CGD Group's solvency following the completion of the recapitalisation process at the end of March 2017, increasing the flexibility to execute its strategic plan. The "negative trend" reflects DBRS's opinion that the implementation of the referred to plan involves execution risks".

On 16 March 2017, FitchRatings affirmed its ratings on CGD of B/BB-, with "stable" outlook.

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

RATING			
	Short Term	Long Term	Date of last assessment
FitchRatings	B	BB-	2017-03
Moody's	N/P	B1	2017-03
DBRS	R-2 (mid)	BBB (low)	2017-06

1.5.1.1. DOMESTIC ACTIVITY

Domestic activity's contribution to CGD's Group net income in 1st half 2017, penalised by non-recurrent costs, was a negative €169.5 million and compares with losses of €322.4 million in the same period of the preceding year.

Reference should be made to the favourable 24.4% evolution of net interest income including income from equity instruments and results from financial operations. Results from service and commissions was up 4.3% in the half year to €174.1 million.

Although operating costs were up 0.1% over 1st half 2016 to €470.5 million, the change, with the exclusion of €61 million in non-recurrent costs, would have been a negative 6.2%.

Recurrent net income before impairment therefore showed a marked improvement of €440.1 million over the same period 2016 to €370.3 million.

Provisions and impairments (net) were up 20.8% to €355.5 million, split up into credit impairment of €25.1 million and provisions and impairments of other assets of €330.4 million, the latter heavily influenced by amounts of €322 million for divestments in international activity.

Tax headings for the half year were, in turn, €132.6 million.

(EUR million)

DOMESTIC ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L (*)	2016-06	2017-06	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	321.2	399.4	24.4%
Results from services and commissions	166.9	174.1	4.3%
Income from financial operations	-119.9	192.2	-
Other operating income	11.7	14.0	20.3%
Total operating income	**379.9**	**779.7**	**105.2%**
Employee costs	263.6	289.6	9.9%
Administrative expenses	174.0	149.2	-14.2%
Depreciation and amortisation	32.3	31.7	-1.9%
Operating costs	**469.8**	**470.5**	**0.1%**
Net operating income before impairments	**-89.9**	**309.2**	**-**
Credit impairment (net)	269.1	25.1	-
Provisions and impairments of other assets (net)	25.2	330.4	-
Net operating income	**-384.3**	**-46.3**	**-**
Income Tax	-53.8	132.6	-
Net operating income after tax and before non-controlling interests	**-330.4**	**-178.8**	**-**
Non-controlling interests	11.6	1.6	-85.9%
Results of associated companies	19.6	11.0	-43.9%
Net income	**-322.4**	**-169.5**	**-**

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

CGD PORTUGAL

The geography of the domestic branch office network, at the end of 1st half 2017, comprised 616 business units: 590 "universal" or traditional branches (down 61 over the end of 2016) and 26 Caixa Empresas "Corporate Offices".

To complement its branch office network, Caixa provides its customers with 4,096 items of self-service equipment, including 2,122 private in-house ATMs in the form of 1,317 ATS (in-house cash machines) and 805 bank passbook updaters, as well as 1,974 Multibanco network ATMs.

Means of payment

Caixa continues to have the largest share of the domestic market for bank cards, in the means of payment and services area. Portfolio management initiatives designed to keep pace with the new regulatory framework and continuing to cut costs were strengthened in the 1st half 2017.

Reference should be made to the following actions in the first six months of 2017:

- Enhanced security of online payments and a more user-friendly approach with an upgrade to its 3D Secure service for MasterCard/Maestro and Visa/Visa Electron network cards;
- Creation of monthly leisure-time activities on Caixa plim, as a pioneering service in the domestic market for mobile banking apps, available from the main App stores (iOS, Android, Windows) and helping to fuel the number of downloads;
- Provision of a new function on the MB WAY app, on 17 April, enabling cash withdrawals to be made from Multibanco cash machines without the need for a bank card;

- Promotion of the IMI (property tax) campaign, on digital channels and statements enabling the use of credit cards to pay IMI or other taxes such as IRS (income tax), on a split payments basis.

Acquiring Service

The acquiring service plays a leading market role, whose commercial dynamic in attracting customers, optimising processes and portfolio management, reducing operating costs, consolidating supply and strengthening the position of the netcaixa brand continues to be fundamental in service management terms. With the objective of achieving sustainable medium and long term profitability, it is imperative to ensure operational competitiveness and increase efficiency gains.

Innovation is another of the service's attributes, with personalised commercial offers adjusted to each customer's profile and needs. A campaign with different types of market options, allowing traders to provide their customers with added value in the form of automatic split payments at point-of-sale, at no costs to the trader and global flat rate packages, was launched in the first half year.

Reference should also be made to improvements to currently existing functionalities such as:

- Contactless technology. Caixa continued to implement a strategy of installing terminals using this technology, both for new customers and strategic traders with higher traffic levels;
- DCC – Dynamic Currency Conversion. Expansion of the DCC functionality on netcaixa's POS systems. This functionality allows Visa and MasterCard credit and debit cardholders to pay for their purchases in their cards' original currencies;
- Automatic split payments at point-of-sale. This payment solution permits the direct activation of split payments on POS terminals, for purchases made with Caixa's individual customers' credit cards, at no additional cost to the trader.

Companies

Commercial solutions for the corporate segment were centred on a collection of actions designed to strengthen the partnership arrangement between such customers and Caixa, backing their investment as well as boosting the cross-border business of "internationalised" companies in markets in which Caixa operates.

Actions taken in first half 2017 were organised into three structuring areas, with the aim of leading the corporate business segment, by attracting new customers, improving relationships with current customers and launching campaigns with special offers.

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.

To strengthen Caixa's position as a corporate business partner and provide access to relevant information on its activity, Caixa continues to publish its Caixa Empresas newsletter, based on its email marketing system.

Throughout the first half of 2017, CGD held a set of seven initiatives called "Encontro Fora da Caixa" in various locations of the country (Braga, Faro, Leiria, Lisbon, Oporto and Santarém). More than 3,200 participants attended these seven meetings, and addressed issues of interest to the various sectors of Portugal economy, as well as the construction of a strategic vision for the companies and the country.

At the same time, the commercial promotion of corporate business continued to be consolidated by the Caixa Empresas service model, underpinned by personalised customer service and the provision of financial advisory services to its customers, as follows:

- SMEs, based on its own branch office network of 26 corporate offices and 95 dedicated account managers;
- Self-employed and micro enterprises, comprising a team of 318 dedicated account managers and a Caixa Empresas space at 590 CGD branch offices;
- Corporate and institutional customers: 31 account managers.

Caixadirecta Empresas

The corporate banking channel provided an innovative multiple transfers function, in the first half year, permitting the inclusion of various types of transfers – namely CGD and SEPA – as well as purely international transfers in various currencies, simplifying the management of corporate payments in a single file format.

This channel continues to evolve, with an increase of 3.2% in the number of frequently used contracts (3 months) and increases of 56.1% and 5.3% in operations and transaction amounts, respectively over the same period 2016.

Individual customers

Individual customers management continued to focus on the following segments across the first six months of 2017:

- “Affluent” segment: with 751 customer account managers of whom 190 multi-branch providing services to 234 thousand Caixazul customers at 590 branches;
- “Mass Affluent” segment customers: with 659 thousand customers managed by 1,318 commercial assistants at 572 branches and around 33 thousand customers accompanied by 22 commercial assistants on a distance service basis;
- Residents abroad: 7 customer account managers managing 2.5 thousand customers (Caixazul Internacional) and 12 commercial assistants for 24 thousand customers (Caixadirecta Internacional);
- Universal: transversal to the branch office network, thru 590 branches with face-to-face services in June.

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

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

With the objective of strengthening its value proposal and improving the experience of its individual customers, Caixa has enhanced the quality of its digital channels and products geared to the management of household budgets and encouraging savings, particularly:

- The launch of *Conta Caixa* [Caixa Account] as a multiproduct solution comprising essential day-to-day management products (current accounts, online transfers, debit and credit cards), services, insurance, discounts on *Continente* cards and other advantages, in line with its customers' needs and convenience (based on “S”, “M” and “L” options). Caixa provides a discount on its monthly charges for customers whose income is paid directly into their bank accounts or who have financial assets of €5,000 or more;

- Improvements to Caixadirecta channels, as a change built on the basis of customer feedback enabling this channel to be adjusted to meet their effective needs. Caixadirecta permits comfortable, safe access to most banking services anywhere 24/7;
- Commercialisation of the *Plano Proteção Vida* [Life Protection Plan]. This single policy insurance has risk and capitalisation components to protect the whole of the family while facilitating savings;
- Launch of *Depósito 18 Meses.* [18 months maturity deposits]. This deposit pays interest every six months and allows full or part advance withdrawals at any time.

Caixa has strengthened its commitment to a wide range of diversified financial solutions to meet the financial needs specific to each life stage:

- Day-to-day management (current account, direct payment of income into bank accounts, cards and Caixadirecta);
- Savings (term deposits, savings, funds and financial insurance);
- Safeguarding the future (non-financial insurance);
- Achieving projects (personal and mortgage loans).

As an insurance broker in partnership with Fidelidade – Companhia de Seguros, Caixa also took several steps designed to improve customer loyalty and the growth of this area's contribution to its non-interest income business, across first half 2017, particularly:

- Inclusion of insurance as part of the Caixa Account multiproduct solution. Personal accidents insurance associated with Caixa Account ("M" and "L") credit cards and Home Assistance Insurance exclusively associated with the "L" Caixa Account option, covering the repair of household appliances, technological assistance and problems with keys;
- Healthcare insurance up-selling campaign for *Saúde Activcare* [Activcare Health] card holding customers;
- Multicare Healthcare Insurance campaign, for individual customers who value the protection of their own and their family's health;
- Launch of *Plano Proteção Vida* [Life Protection Plan] as a single policy solution combining life, risk and capitalisation components;
- *Proteção Caixa* [Caixa Protection] solutions campaign for travel and *Protecção Vital* [Vital Protection] insurance for individual and corporate customers;
- Launch of *Fidelidade GO* travel insurance for Erasmus students and other study programmes for a period of up to 12 months abroad.

The commercial approach adopted was designed to promote the use of products, giving continuity to customer involvement based on the launch of a campaign to encourage subscriptions for and the use of credit cards.

Communications campaigns targeted at customers, with the aim of promoting several products of the new value proposal, increasing business and generating emotional and relational involvement on special dates (such as Woman's Day, Father's Day or holiday periods) were also organised.

With the objective of reactivating relationships with customers ceasing to have any involvement with the Bank, actions backed by Caixa's contact centre inquiring as to the main reasons for the lack of interest and providing information on the offer most suited to the profile of people showing interest in resuming their interaction with Caixa, were developed.

In the university segment, Caixa continued to further its commercial actions in higher educational establishments which have entered into agreements with CGD, providing information on products and the advantages of Caixa's offer in the sphere of higher education for professionals or students and subscriptions for the issue of an ID card. Caixa has helpdesks in 10 entities to provide for the proximity factor.

Addiotionally, activation campaigns were launched for products targeted at students (savings, *Caixa IU, Caixa ISIC* and credit cards) and for updating information on personal data at the time of each contact. Caixa's presence at academic weeks (Bragança, Minho, Porto, Aveiro, Lisbon and Faro) and its Facebook Caixa IU activities, giving away tickets for these events completed the activities plan in this individual customers segment.

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 2017 witnessed 295.5 million operations (up 44% year-on-year 2016). Reference should be made to the 8% increase in the number of frequent use contracts (3 months), over the same period 2016, and to:

- New web-based Caixadirecta image, providing easier to read contents, more information and a better customer experience;
- Caixa Account online agreements enabling customers to immediately subscribe for the solution most adequate to their profile;
- Simplification of online cards and savings subscriptions;
- Implementation of improvements in the management of frequent operations;
- New direct debits management as well as the issue of alerts providing users with information on scheduled payments or any rejected payments;
- New web-based functionality as well as on the Caixadirecta app for sending IBAN-related information by email or SMS.

Resources

To leverage new resource-taking and retain them on maturity, Caixa launched several savings and investment solutions on its various types of products in first half 2017. They included:

- Three initiatives for taking-in/diversifying resources (integrated deposits offer, funds and financial insurance) – savings and investment solutions – with the objective of providing continuity to the strategic priority of retaining and taking-in resources, with adequate returns;
- In the sphere of its usual pricing reviews, adjustments were made to the global deposits offer on all maturities and deposit-type families. Several characteristics of its standard term deposits and savings offer were also reformulated;

- Three term deposits with a maturity of 18 months for individual resident and non-resident customers were launched;
- Three Leve PPR retirement pension plan actions were introduced in the financial insurance sphere;
- Three promotional actions on Caixa's permanent range of investment funds were implemented.

Reference should also be made to the following initiatives:

- Participation in the placement of the Portuguese Republic's April 2022 variable-interest bond loan subscription issued by IGCP;
- Participation in the placement of the Benfica Sports Company ("Benfica SAD") 2017-2020 bond loan subscription;
- Participation in the placement of the Porto Sports Company ("Porto SAD") 2017-2020 bond loan subscription.

The customer deposits balance in CGD Portugal was up 2.5% by €1,321 million since the start of 2017. The corporate segment witnessed a 2.1% positive change of €131 million, in which the major contributor to this evolution was the financial institutions segment, with growth of €1,158 million. The individual customers segment was slightly down by 0.5% across the same period.

CGD therefore maintained stable its leading position in the domestic market with 27.5% of total deposits in June 2017 and 31.0% of individual customers' deposits.

CUSTOMER DEPOSITS MARKET SHARES (PORTUGAL)	2016-06	2016-12	2017-06
Corporate	12.6%	12.3%	11.9%
General government	34.8%	33.3%	33.7%
Individual customers	31.6%	30.9%	31.0%
Emigrants	41.2%	41.5%	43.5%
Total	**28.5%**	**27.7%**	**27.5%**

Credit

In the fist half 2017 Caixa strengthened its offer to the corporate business segment based on the following lines of credit:

- *Linha Capitalizar* [Capitalisation]: released on February 2, with a total amount of €1.6 billion, for promoting the growth and competitiveness of companies, this is the most important Government credit line in place and has replaced the exhausted credit line "*PME Crescimento 2015*". The "*Capitalizar*" credit line is a line with mutual guarantee, in the framework of the protocol concluded between the banks of the national banking system, mutual guarantee societies (SGM) - Garval, Lisgarante, Norgarante and Agrogarante – IAPMEI and PME Investimentos, with the aim of improving the access to credit by the Portuguese SMEs (micro, small and medium-sized companies);
- *Linha Garantida IFD* [IFD guaranteed line of credit] *2016-2020*: for SMEs (Small and medium Sized Enterprises), with a mutual guarantee, entered into between the IDF – Instituição Financeira de Desenvolvimento, CGD and Mutual Guarantee Companies, with the objective of strengthening their business capabilities for the development of goods and services;
- Line of credit to back the qualification of supply for companies in the tourism sector, entered into with *Turismo de Portugal* [Portuguese Tourism Authority] and aimed at strengthening supply to companies in one of the sectors making the largest contribution to the growth of domestic GDP;

- *Linha de crédito BEI* [EIB line of credit] 2017 created to provide project finance for small and medium sized investments made by SMEs and Portuguese mid-caps;
- *AgroCaixa – Antecipar.* This is a short term line of credit with two features, one for the advance receipt of incentives and other to finance the operating needs of production units in the agricultural, silvicultural and livestock sectors.

Its commitment to special/governmental lines of credit has positioned Caixa as the main Portuguese bank in the financing of Portuguese companies, given its lead of the National Mutual Guarantee System and disbursements under the *Capitalizar 2017* line. In June 2017, CGD held a market share of 34% in credit amount approved, which reached € 243 million (corresponding to 3,280 operations) under this credit line. Of these operations, € 86.5 million were contracted until June, which corresponded to a 44% share of contracted credit.

CGD is leader in amount and number of transactions in every specific sub-lines "*Micro e Pequenas Empresas*", "*Fundo Maneio*", "*Plafond Tesouraria*", "*Investimento Geral*" and "*Investimento Projetos 2020*".

Also in "*IFD 2016-2020*", with an amount of € 1 billion, CGD occupied a prominent position, being the second Bank in credit amount approved, with € 22 million and a corresponding 19.6% market share.

Caixa has been gearing its corporate sector lending operations to the tradable goods sector and focusing on exporting companies.

As the benchmark institution in the mortgage lending market in Portugal, Caixa has developed a range of innovative fixed-rate solutions for customers interested in avoiding interest rate change risk across the first half year, while also contributing as a default prevention measure in the case of changes in the Euribor rate.

Fixed-rate solutions with maturities of 5, 7, 10 and 15 years, without the addition of a spread in the fixed-rate period, were launched in this sphere and backed by press, radio, digital media and point-of-sales advertising.

The Bank, at the same time, furthered its involvement in promoting and commercialising property not used for its main activity and real estate built with Caixa finance, in 2016, providing customers with differentiated financing conditions giving them a better fixed-rate over the first 5 years of the agreement and longer maturity periods. Special attention was paid to the older and more difficult to sell non-residential real estate segment (land, industry and commerce), with specific business-promotion initiatives in the form of proactive, ongoing actions involving adjustments to indicative prices published in the marketplace in order to leverage their appeal.

Changes were made to real estate lending processes with the objective of improving the quality of service for customers, particularly in terms of decision-making and response times.

The following initiatives, backed by digital media and point-of-sale advertising were launched in first half 2017, with the objective of promoting personal loans:

- Fixed-instalment personal loans as a line of credit with promotional terms ensuring that the amount of the instalment will remain unchanged during the period of the loan;
- Motor Vehicle Solution. A line of credit to finance vehicle purchases. Customers may choose between leasing or loans with title retention clauses. The offer includes extended loan maturities at a fixed interest rate.

Caixa maintained its personal loans differentiation policy, based on reductions in spread depending on the reason for taking out the loan (training and health) and customer segment (Caixazul, Caixa Woman and Caixa Activa). In the case its vehicle finance, Caixa incentivised the purchase of "environmental friendly" vehicles based on a reduction of the spread.

For university customers, Caixa continued to commit to financing higher educational courses (degrees, masters, doctorates and MBAs), based on specific lines with extended maturities for their use and repayments, adapted to the length and specifics of each course and with discounted spreads to reward academic merit.

Lending of €49,242 million by CGD Portugal comprised around 75% of the Group's total loans and advances to customers. Loans to companies and individual customers from CGD's activity in Portugal were down 8.6% and up 2.3%, respectively, in the first six months of 2017.

CGD had a 21.2% share of the credit market in June 2017, close to the 21.8% registered in December 2016.

LOANS AND ADVANCES TO CUSTOMERS MARKET SHARES (PORTUGAL)	2016-06	2016-12	2017-06
Corporate	20.0%	18.7%	18.1%
Individual customers	23.5%	23.0%	22.5%
Mortgage loans	26.4%	26.1%	25.8%
Consumer	6.6%	5.7%	3.9%
General government	34.7%	34.4%	31.7%
Total	**22.6%**	**21.8%**	**21.2%**

INVESTMENT BANKING

During the course of first half 2017, CaixaBI was awarded the *Best Investment Bank* in Portugal prizes by Euromoney and Global Finance for the fourth consecutive year.

CaixaBI's first half year total operating income was €68.2 million. Contributory factors were financial assets with €48.6 million, net commissions of €10.9 million and net interest income of €9.2 million. Provisions and impairments increases for the period amounted to €41.7 million. Both the level of results from financial operations and level of provisions in the half year were affected by the one-off cancellation of a non-performing hedge operation.

The Bank's net result of €28.6 million for the first half year gave a ROE of around 17% and a cost-to-income ratio of 20.4%.

(EUR million)

CAIXA BANCO DE INVESTIMENTO - INDICATORS (1)			Change	
	2016-06	2017-06	Total	(%)
Net interest income	10.4	9.2	-1.3	-12.1%
Commissions (net)	17.5	10.9	-6.6	-37.5%
Income from financial operations	4.4	48.6	44.2	1,005.3%
Total operating income	31.9	68.2	36.3	113.6%
Operating costs	12.0	13.9	1.9	15.9%
Net op. income before impairments	19.9	54.3	34.4	172.4%
Provisions and impairments	14.7	41.7	27.1	184.8%
Net income	2.6	28.6	25.9	986.0%
Net assets	1,751	1,445	-306	-17.5%
Securities investments	581	559	-22	-3.9%
Loans and adv. to customers (net)	330	277	-53	-16.1%
Customer deposits	285	286	1	0.3%

(1) Statutory consolidated accounts

As regards the activity performed during the period, reference should be made to the Bank's role in Portuguese Republic issuances as co-lead manager of the new 10 year maturity benchmark (TB 4.125% maturing in 2027), in an operation amounting to €3 billion and as the joint global coordinator of the floating rate bond issuance (€1 billion maturing in 2022).

As regards capital market operations, CaixaBI was the joint lead manager and joint bookrunner in the placement of CGD's €500 million AT1 issuance, issuance of Brisa euro notes for the amount of €300 million and the bond issuances of the Autonomous Region of Madeira (€30 million and €220 million, both maturing in 2022). Reference should also be made to the Bank's role in the organisation and lead of the €70 million bond loan to Altri/Celbi, maturing in 2024.

Advisory services for Inter-Risco's disposal of 100% of the equity capital of MasterTest (currently awaiting regulatory approval) were also brought to a successful conclusion in the period.

As regards venture capital activity, comprising four specialised funds, 148 investment opportunities were analysed in the half year, with 6 operations, corresponding to a potential investment of around €3 million, having been approved. Reference should also be made to the third edition of the Caixa Empreender Award, event that counted with 850 participants and the presentation of more than 50 projects, promoting workshops with the participation of acceleration programmes and round-tables with national incubators.

CaixaBI contributed with €36 million to CGD Group's consolidated net result for first half 2017.

SPECIALISED CREDIT

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 2017, particularly in the factoring (up 13.0%) and consumer credit areas (tripled the production), over the same period 2016.

(EUR million)

CGD GROUP SALES – SPECIALISED CREDIT			Change	
Product	2016-06	2017-06	Total	(%)
Total leasing	**216**	**143**	**-73**	**-33.9%**
Property leasing	55	32	-23	-41.9%
Equipment leasing	161	111	-50	-31.1%
Factoring	**1,305**	**1,476**	**170**	**13.0%**
Domestic and International Factoring	859	967	108	12.6%
Confirming	446	509	62	14.0%
Consumer credit	**3**	**9**	**6**	**220.0%**
of which:				
Vehicle finance (1)	**68**	**71**	**3**	**4.0%**
Equipment leasing	65	62	-4	-5.7%
Consumer credit	3	9	6	223.2%

(1) Light vehicles.

The Company's net assets were down by around 3.9%, as a result of the €52.0 million decrease in the amount of the loans and advances to customers portfolio (net).

CLF´s total banking income of €20.9 million up to June 2017 was up 15.5% over the same period 2016. A particularly significant contributory factor was the positive change in other operating results and results deriving from the disposal of other assets.

Operating costs were down 2.5% and provisions and impairments down €9.5 million, year-on-year 2016.

Caixa Leasing e Factoring achieved a net result of €8.4 million in first half 2017, against €13.4 million for the same period of the preceding year.

(EUR million)

CAIXA LEASING E FACTORING - INDICATORS (1)			Change	
	2016-06	2017-06	Total	(%)
Net interest income	20.5	19.3	-1.2	-6.1%
Total operating income	18.1	20.9	2.8	15.5%
Operating costs	6.9	6.7	-0.2	-2.5%
Net op. income before impairments	11.2	14.1	3.0	26.7%
Provisions and impairments	-9.9	-0.4	9.5	-
Net income	13.4	8.4	-5.0	-37.5%
Net assets	2,453	2,357	-96	-3.9%
Loans and adv. to customers (net)	2,239	2,187	-52	-2.3%

The contribution of Caixa Leasing e Factoring to CGD Group's consolidated net result for first half 2017 was €8.5 million.

ASSET MANAGEMENT

The evolution of CGD Group's asset management activity in first half 2017 benefited from good financial market performance comprising greater customer demand for investment solutions as opposed to the less positive evolution of the preceding year.

Income generated from CGD's asset management activity, including management and deposit fees up to June 2017, evolved positively across all business components, and particularly so in the case of Securities Funds. This effect derives from the greater emphasis on branch office network campaigns, on funds with the highest added value for customers, namely the range of multiactive as opposed to low yield and low commissions money market funds. Asset management income as a whole was up 6.0%, over the same half last year from €23.8 to €25.2 million.

(EUR million)

GROSS COMMISSIONS				2017-06 vs. 2016-06
	2016-06	2016-12	2017-06	(%)
Unit trust funds	9.9	20.8	12.4	25.5%
Property funds	5.2	10.1	3.9	-25.3%
Pension funds	2.9	6.1	3.0	1.4%
Wealth management	5.7	11.2	5.9	3.1%
Total	**23.8**	**48.2**	**25.2**	**6.0%**

The amount under management in first half 2017 was down 1.3% to €27,120 million, owing to large decreases in several institutional customers' portfolios.

(EUR million)

ASSET MANAGEMENT - INDICATORS (1)			Change	
	2016-06	2017-06	Total	(%)
Commissions (net)	9.3	9.8	0.4	4.8%
Total operating income	9.8	10.0	0.1	1.5%
Operating costs	6.5	6.3	-0.2	-3.1%
Net op. income before impairments	3.3	3.7	0.3	10.4%
Provisions and impairments	-0.1	0.1	0.2	-
Net income	2.7	2.7	0.1	2.0%
Assets under management	**27,478**	**27,120**	**-358**	**-1.3%**
Caixagest - Investment Funds	3,698	3,519	-179	-4.8%
Fundger - Real Estate Investment Funds	1,160	969	-191	-16.5%
CGD Pensões - Pension Funds	3,315	3,639	324	9.8%
Caixagest - Wealth Management	19,305	18,993	-312	-1.6%

(1) The "Wealth management" amount excludes Pension Funds (already disclosed in the previous row), currently under Caixagest management. This prevents value duplication.

Amounts under pension funds management, were, however, up.

Unit trust investment funds - Caixagest

The Portuguese securities funds market investment market in first half 2017, was up 7.2%.

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

January witnessed the launch of the *Caixagest Investimento Socialmente Responsável* [Socially Responsible Investment] fund. This was the first multiactive fund in Portugal, with a corporate selection filter on good governance, environmental and sustainability criteria.

(EUR million)

UNIT TRUST INVESTMENT FUNDS UNDER MANAGEMENT				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
	2016-06	2016-12	2017-06	Total	(%)	Total	(%)
Treasury funds	1,930	1,685	1,317	-613	-31.8%	-369	-21.9%
Bond funds	367	293	505	138	37.5%	211	72.1%
Multi-asset funds	419	485	631	212	50.7%	147	30.3%
Share funds	395	453	499	104	26.4%	47	10.3%
Special investment funds	458	473	436	-22	-4.8%	-36	-7.6%
Protected capital funds	128	131	131	3	2.0%	0	0.1%
Total	**3,698**	**3,519**	**3,519**	**-178**	**-4.8%**	**0**	**0.0%**

Property funds – Fundger

At the end of June, Fundger managed 21 real estate funds for a net amount of €969 million. The value of the Fundimo fund, in particular, was up as a result of the recovery of profitability and new subscriptions. Closed-end funds started to benefit from a more dynamic development and real estate promotion activity.

(EUR million)

PROPERTY FUNDS MANAGEMENT				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
	2016-06	2016-12	2017-06	Total	(%)	Total	(%)
Fundimo open-ended fund	562	563	571	9	1.6%	8	1.5%
Closed end funds	598	388	398	-200	-33.5%	10	2.6%
Total	**1,160**	**950**	**969**	**-191**	**-16.5%**	**19**	**2.0%**

Pension funds - CGD Pensões

The net worth of the funds managed by CGD Pensões at the end of June 2017, was up 5.8% over the start of the year to €3,639 million. A particularly important contribution to this increase was the appreciation of closed-end pension funds.

(EUR million)

FUNDS UNDER MANAGEMENT				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
	2016-06	2016-12	2017-06	Total	(%)	Total	(%)
Open-ended funds	447	440	431	-16	-3.5%	-8	-1.9%
Closed end funds	2,868	3,001	3,207	339	11.8%	207	6.9%
Total	**3,315**	**3,440**	**3,639**	**324**	**9.8%**	**198**	**5.8%**

Wealth management - Caixagest

The value of the portfolios managed by Caixagest was slightly down by 2.8%, to an end of June €18,993 million on account of the reduction of several Institutionals' portfolios to enable them to meet their commitments.

Reference should be made to the individual customers' portfolio management service which continued to develop in articulation with CGD's branch office network in achieving extraordinary growth of 70.8% in comparison to the first half of the preceding year.

(EUR million)

PORTFOLIOS UNDER MANAGEMENT (1)				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
	2016-06	2016-12	2017-06	Total	(%)	Total	(%)
Insurance portfolios	12,857	13,023	11,978	-879	-6.8%	-1,045	-8.0%
Institutional	6,128	6,070	6,219	91	1.5%	150	2.5%
Individuals and companies	320	438	796	476	148.8%	358	81.7%
Total	**19,305**	**19,530**	**18,993**	**-312**	**-1.6%**	**-537**	**-2.8%**

(1) Excluding pension funds.

The assets management area contributed €2.7 million to CGD Group's consolidated net result for first half 2017.

1.5.1.2. INTERNATIONAL ACTIVITY

Activity in the international area, during the course of first half 2017, pursued its mission of creating value based on a broad-ranging, competitive offer of transactional and trade finance services, enabling Caixa to continue to focus on promoting and consolidating its relationships with its international customers.

The offer of services recognised by the market as being particularly distinctive across the half year, remained highly dynamic with the aim of facilitating and providing for the most diverse needs, deriving from commercial relationships or the presence of customers in different geographies. Caixa's offer is backed by its international branch office network and vast range of correspondent banks.

Caixa continued to improve its value proposal on external trade products and services in first half 2017 by strengthening the functionalities available on its Caixadirecta Empresas platform, the launch of its non-recourse discount forfaiting of export documentary credit and introduction of products and services in the Chinese renmimbi ("RMB").

The corporate "Market Intelligence Service" at www.cgd.pt, gives a snapshot of specific market information, namely, the key economic indicators on risk, international and bilateral trade, the business environment and customer-centric solutions.

Activity in the corporate segment, across this period, gave continuity to international business integration initiatives and activities, developed in 2016, with the aim of maximising synergies between the domestic and international branch office networks. Such activities have made it possible to improve the depth of knowledge and information sharing, translating into more dynamic articulation and business leverage operations, comprising a global increase in the number of new customers and the international business's growing contribution to CGD Group's consolidated results.

Eighty five loan applications were analysed up to June in articulation with CGD's foreign business units. They comprised renewals of limits and new operations with an 11% increase in the amount analysed in comparison to the same period of the preceding year. Financing operation proposals, in the form of buyer's credit, with the aim of backing endeavours to export domestic products and services were also analysed and included negotiations with the Republic of Angola for an amount of more than €210 million.

CGD continued to make disbursements under its concessionary export lines of credit for financing Portuguese companies, having, during the period under analysis, paid out a global amount of €14.5 million in invoices. Reference should be made to the entry into force and the first disbursement under the second line of credit for the Kingdom of Morocco, in 2017. Disbursements of €979.1 million comprising 93.4% of the amount of the 138 projects financed under the respective lines have already been made from the total amount of Caixa's concessionary lines of €1,480 million.

On a level of the relational management with banks and multilateral entities reference should be made to the growing use of the foreign trade facilitation programmes of multilateral entities and agreements for risk selling enabling an expansion of the scope of approved trade operations and improving Caixa's response to its customers' needs.

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

CGD continued to strengthen its market share of emigrants' deposits in June 2017, with 43% (against 42% in December 2016). It also succeeded in maintaining its market share of around 35% in credit in comparison to December last year Reference should also be made to the investments made by foreigners in Portugal's real estate market through Caixa.

The international area's contribution to the Group's consolidated net result in the 1st half year was up 2.0% over the same period of the preceding year to €119.5 million.

(EUR million)

INTERNATIONAL ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L [(1)]	2016-06	2017-06	Change
			(%)
Net interest inc. incl. inc. from eq. investm.	266.5	288.1	8.1%
Results from services and commissions	57.4	51.1	-10.9%
Income from financial operations	65.2	74.7	14.6%
Other operating income	-5.5	-15.3	-
Total operating income	**383.6**	**398.6**	**3.9%**
Employee costs	103.3	107.2	3.7%
Administrative expenses	67.9	67.3	-0.9%
Depreciation and amortisation	14.2	17.4	22.6%
Operating costs	**185.4**	**191.9**	**3.5%**
Net operating income before impairments	**198.2**	**206.7**	**4.3%**
Credit impairment (net)	32.7	29.7	-9.3%
Provisions and impairments of other assets (net)	0.7	13.4	1942.9%
Net operating income	**164.8**	**163.7**	**-0.7%**
Income Tax	39.5	33.4	-15.4%
Net operating income after tax and before non-controlling interests	**125.3**	**130.3**	**4.0%**
Non-controlling interests	13.0	18.0	38.9%
Results from subsidiaries held for sale	4.6	7.3	59.2%
Results of associated companies	0.3	0.0	-
Net income	**117.2**	**119.5**	**2.0%**

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

Total operating income was up 3.9% by €15.0 million, with net interest income, including income from equity instruments up 8.1% by €21.6 million. Results from financial operations were up 14.6% over the same period of the preceding year, to €74.7 million.

Operating costs were up 3.5% and provisions and impairments up 29.1%.

The international business area's contribution to the Group's consolidated net operating income before impairments in the 1st half year was up 4.3% by €8.6 million over the same period of the preceding year.

(EUR million)

INTERNATIONAL ACTIVITY CONTRIBUTION TO CONSOLIDATED P&L	2016-06	2017-06	Change	
			Total	(%)
BNU Macao	31.0	28.8	-2.2	-7.1%
BCG Angola	6.9	12.1	5.2	75.0%
BCG Spain	10.5	12.8	2.3	21.7%
Mercantile Bank (South Africa)	4.6	7.0	2.4	52.4%
BCI (Mozambique)	6.7	6.7	0.0	0.0%
Africa - other units	-0.5	-1.3	-0.8	-
BCG Brazil	1.2	0.4	-0.8	-69.1%
Branches	60.1	16.3	-43.8	-72.8%
of which: France Branch	55.3	20.7	-34.6	-62.6%
CGD Investimentos, CVC (Brazil)	0.3	40.9	40.7	-
Other	-3.5	-4.1	-0.6	-
Total	**117.2**	**119.5**	**2.3**	**2.0%**

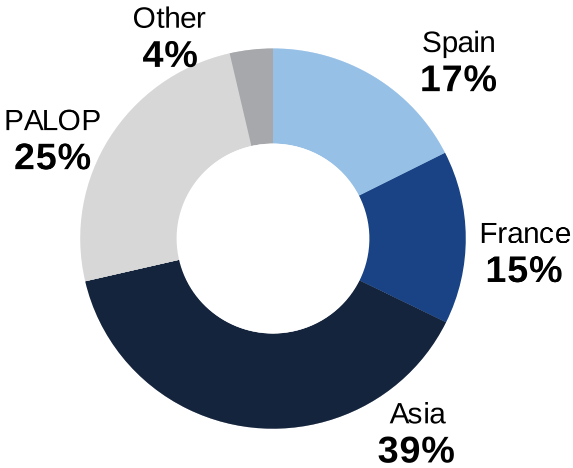
The main contributors to recurrent net income from international operations for 1st half 2017 were BNU Macao (€28.8 million), France branch (€20.7 million), BCG Spain (€12.8 million) and BCG Angola (€12.1 million).

Consolidated net assets from international area operations, influenced by the performance of loans and advances to customers (net), which were down 6% by €816 million to €12,884 million, were down 4.6% over December 2016, to €21,931 million.BNU Macau, and the Branches in France and Spain, contributed negatively to the latter reduction, with decreases of €287 million (-9.3%), €252 million (-6.7%) and €111 (19.1%), respectively.

The international area's contribution to total deposits was down 7.3% over December 2016 to €14,996 million. This evolution derived from the performance of the Group's units in Asia, which still account for 39% of customer deposits in the international area.

CUSTOMER DEPOSITS IN THE INTERNATIONAL AREA

(%)



PALOP - Portuguese language speaking african countries

MAIN ENTITIES

BNU Macau

There was a contraction of BNU's total business revenue in the first six months of 2017, in comparison to the same period of the preceding year, mainly owing to the strategic management decision to abandon credit operations with larger risk and a decrease of the deposits with higher costs.

The loans and advances to customers portfolio was down 10.5% over June 2016, to 24,250 million patacas (MOP). Customer deposits were down 15.0% to MOP 44,260 million.

The loans-to-deposits ratio, at the end of June 2017, was 54.8%, in comparison to the preceding year's 52.1%.

Net assets were, accordingly, down 7.6% over June 2016 to MOP 61,446 million.

Total operating income for first half 2017 was down 5.3% in comparison to the same period of the preceding year. An essential contributory component was the reduction of results from financial operations and, to a lesser extent, the 1.8% decrease of net interest income.

Net commissions stabilised at around MOP 93 million (up 0.1% over the same half of the preceding year).

Operating costs were up 6.2% in the period under analysis, influenced by the opening of two new branches, one of which in June 2016 and the other in December 2016, leading to an efficiency ratio of 37.3%, in comparison to the preceding year's 33.3%.

Provisions and impairments were down MOP 9 million in the period under analysis, owing to credit portfolio reduction.

BNU - MACAU			(EUR Million) Change			(MOP Million) Change
MAIN INDICATORS	2016-06	2017-06	(%)	2016-06	2017-06	(%)
Net interest income	42.9	43.4	1.1%	383	376	-1.8%
Total operating income	55.3	53.9	-2.5%	493	467	-5.3%
Operating costs	18.4	20.1	9.4%	164	174	6.2%
Net op. income before impairments	36.9	33.8	-8.4%	329	293	-11.0%
Provisions and impairments	1.8	0.8	-54.4%	16	7	-55.8%
Net income	31.0	28.8	-7.1%	276	249	-9.8%
Net assets	7,447.4	7,088.5	-4.8%	66,471	61,446	-7.6%
Loans and adv. to customers (net)	3,036.8	2,797.6	-7.9%	27,105	24,250	-10.5%
Customer deposits	5,833.1	5,106.0	-12.5%	52,063	44,260	-15.0%

Exchange rate EUR/MOP - Balance sheet: 8.87193 in jun/16 and 9.17398 in jun/17; P&L: 8.92538 in jun/16 and 8.66837 in jun/17.

BNU Macau's contribution to CGD Group's consolidated net income in the first half totalled €28.8 million against €31.0 million for the same half 2016.

France Branch

The balance sheet of the France branch (CGD France) was down 6.6% year-on-year to €4,386 million in June 2017. Contributory factors were reductions of loans and advances to customers from Treasury activity and investments in credit institutions, accompanied, on the liabilities side, by a decrease of customer deposits, credit institutions' resources and debt securities issuances.

The loans and advances to customers (net) portfolio was down 9.9% over June 2016 to €3,510 million. This evolution derived from the international portfolio as the branch office network portfolio was up 10.1% to €1,975 million, particularly in the corporate segment which was up 20.5% to €1,071 million.

Customer deposits of €2,209 million, down 3.8% over June last year, reflected the decrease of Treasury activity operations, offset by the 5.4% growth of deposits in the branch office network to €2,159 million.

Net interest income and net commissions evolved favourably to €53.2 million (up 5.7% over the same period of the preceding year) and €14.9 million (up 11.1%), respectively.

Operating costs were up 15.9% by €4.2 million over first half 2016. Contributory factors were the €2.6 million increase of employee costs, deriving from wage negotiations, increase in variable remunerations and the holiday subsidy provision (usually occurring in December).

CGD France achieved a net result of €18.4 million in first half 2017, in comparison to €63.5 million in the same period of the preceding year which included an extraordinary income resulting from a Treasury activity operation which generated net capital gains of around €28 million.

FRANCE BRANCH			(EUR Million) Change 2017-06 vs 2016-06	
MAIN INDICATORS	2016-06	2017-06	Total	(%)
Net interest income	50.4	53.2	2.9	5.7%
Total operating income	103.3	65.2	-38.1	-36.9%
Operating costs	26.5	30.7	4.2	15.9%
Net op. income before impairments	76.8	34.4	-42.4	-55.2%
Provisions and impairments	0.9	5.9	5.0	531.6%
Net income	63.5	18.4	-45.2	-71.1%
Net assets	4,696.3	4,385.8	-310.5	-6.6%
Loans and adv. to customers (net)	3,894.4	3,509.5	-384.9	-9.9%
Customer deposits	2,296.6	2,208.5	-88.1	-3.8%

The France branch contributed €20.7 million to CGD's consolidated net result for first half 2017.

BCG Spain

First half 2017 was the seventh consecutive half year in which BCG Spain made a profit, after its recovery from the difficult situation in which it was operating and continuing its business growth, mainly with companies working in the Iberian market and other markets in which CGD Group has a significant presence.

At the start of 2017, BCG Spain's restructuring programme agreed between the Portuguese State and CGD in 2013 and the European competition authorities was completed, having BCG complied in full its obligations.

Notwithstanding the fact that the Spanish market continues to witness a fall in total credit volume, BCG Spain's credit portfolio was up 2.8% by €90 million year-on-year to €3,242 million at the end of June 2017, with an 18% increase in corporate loans. Net assets were up 3.9% over June 2016 to €5,276 million.

Customer deposits also performed well with a 2.3% increase of €59 million, giving a loans-to-deposits ratio of 123%, in line with the preceding year, easily complying with the liquidity ratio.

In spite of the fact that Euribor rates remained in negative territory, the growth of the credit portfolio and reduction of the cost of deposits permitted a 1.3% increase of €0.5 million in net interest income over first half 2016. This result was achieved in spite of the 6.8% reduction of €1.4 million in the public debt portfolio's contribution to net interest income, thus giving continuity to the policy of reducing the weight of this portfolio in the Bank's balance sheet and results.

The former credit risk management policy continued to be implemented with credit impairment of €3.5 million 8% higher than the recorded in the same half year 2016. This was offset by a reversal of provisions and other impairments for the same amount.

The result before tax was up 21.7% over the same half year 2016 to €18.3 million. The result net of tax of €12.8 million enabled return on equity of around 5% to be achieved.

(EUR Million)

BCG SPAIN			Change 2017-06 vs 2016-06	
MAIN INDICATORS	2016-06	2017-06	Total	(%)
Net interest income	38.8	39.3	0.5	1.3%
Total operating income	46.6	46.7	0.1	0.2%
Operating costs	28.1	28.4	0.3	1.2%
Net op. income before impairments	18.5	18.3	-0.2	-1.1%
Provisions and impairments	3.5	0.0	-3.5	-98.8%
Net income	10.5	12.8	2.3	21.7%
Net assets	5,076.1	5,276.0	199.9	3.9%
Loans and adv. to customers (net)	3,152.3	3,241.8	89.6	2.8%
Customer deposits	2,574.9	2,633.6	58.7	2.3%

The BCG Spain contributed €12.8 million to CGD's consolidated net result for first half 2017.

BCG Angola

Although BCG Angola's net assets of 303,317 million kwanzas (AOA) were down 11.7% over June 2016, its credit portfolio (net) evolved positively by a slight 0.3% to AOA 92,849 million.

Customer deposits were down 11.4% to AOA 237,236 million.

Banco Caixa Geral Angola's first half 2017 was marked by the fact that it took-in a much lower than expected volume of profitable assets, particularly in terms of public debt securities, owing to the absence of debt auctions, with a determining effect on net interest income. Notwithstanding this situation the account was up 37.9% to AOA 11,336 million.

Total operating income, unfavourably affected by the performance of the results of currency operations associated with foreign currency shortages in the domestic market and the significant drop in the volume of commissions grew 9.4% to AOA 11,460 million.

Also benefiting from the lower volume of provisions and impairments (down 45.3% over first half year 2016), BCG Angola's net result of AOA 4,263 million was up 73.7% over the same period 2016.

			(EUR Million)			(AOA Million)
BCG - ANGOLA			Change			Change
MAIN INDICATORS	2016-06	2017-06	(%)	2016-06	2017-06	(%)
Net interest income	45.8	63.4	38.3%	8,222	11,336	37.9%
Total operating income	58.4	64.1	9.8%	10,472	11,460	9.4%
Operating costs	26.1	28.0	7.2%	4,679	4,999	6.8%
Net op. income before impairments	32.3	36.1	11.9%	5,793	6,461	11.5%
Provisions and impairments	15.1	8.3	-45.1%	2,710	1,482	-45.3%
Net income	13.7	23.8	74.3%	2,454	4,263	73.7%
Net assets	1,874.8	1,610.3	-14.1%	343,436	303,318	-11.7%
Loans and adv. to customers (gross)	505.2	492.9	-2.4%	92,546	92,849	0.3%
Customer deposits	1,462.5	1,259.5	-13.9%	267,898	237,236	-11.4%

Exchange rate EUR/AOA - Balance sheet: 183.18373 in jun/16 and 188.35939 in jun/17; P&L: 179.35933 in jun/16 and 178.77894 in jun/17.

BCG Angola contributed €12.1 million to CGD Group's consolidated net income in first half 2017.

Banco Comercial e de Investimentos

BCI consolidated its lead of Mozambique's banking system, in first half 2017, with market shares of 30.7%, 30.0% and 29.0% for credit, deposits and assets, respectively, in June 2017.

BCI's balance sheet showed a positive equity and financial situation with a 10.6% growth of 14,226 million meticais (MZN) in its global assets to MZN 147,975 million, translating the effects of the increase of investments in credit institutions, financial assets and cash balances with the Bank of Mozambique portfolios.

The credit portfolio (net) was down 2.6% by MZN 2,110 million over June 2016 to MZN 77,586 million. This evolution derived from higher financing costs and lower demand, particularly in the household segment, down MZN 2,370 million.

Customer deposits, up 11.8% by MZN 11,471 million to MZN 108,400 million at the end of June 2017, were fuelled by the volume of domestic currency resources which was up 15.3% by MZN 10,474 million, indicating an increase of liquidity in the economy.

The loans-to-deposits ratio, in June 2017, rose to 71.6%, down 10.6 pp over the 82.2% posted in June 2016.

The solvency ratio, calculated in accordance with Basel II rules, improved significantly from 13.9% in June 2016 to 15.9% in June 2017. The increase is associated with the incorporation of a part of the preceding year's results into reserves.

The Bank's shareholders' equity was up 15.5% to MZN 12,046 million.

Total operating income was up 13.7% by MZN 5,179 million owing to the 45.0% growth of net interest income to MZN 3,897 million, benefiting from the rise in interest rates on credit.

Notwithstanding the 11.7% increase of MZN 357 million in operating costs, resulting from an across-the-board increase in all of its components, cost-to-income improved to 65.8%, down 1.2 pp in comparison to the 67.0% in the same period of the preceding year.

Return on assets (ROA) was up 0.67 pp over the same period to 1.88% in June 2017, as against 1.15% in June 2016.

BCI's net result was therefore up 21.4% by MZN 159 million over the same period 2016 to MZN 899 million.

			(EUR Million)			(MZN Million)
BCI - MOZAMBIQUE			Change			Change
MAIN INDICATORS	2016-06	2017-06	(%)	2016-06	2017-06	(%)
Net interest income	46.5	54.7	17.7%	2,688	3,897	45.0%
Total operating income	78.8	72.7	-7.7%	4,555	5,179	13.7%
Operating costs	52.8	47.8	-9.3%	3,050	3,407	11.7%
Net op. income before impairments	26.0	24.9	-4.4%	1,505	1,773	17.8%
Provisions and impairments	7.8	5.4	-30.3%	448	385	-14.1%
Net income	12.8	12.6	-1.4%	740	899	21.4%
Net assets	1,906.1	2,198.0	15.3%	133,749	147,975	10.6%
Loans and adv. to customers (net)	1,135.8	1,152.5	1.5%	79,696	77,586	-2.6%
Customer deposits	1,381.3	1,610.2	16.6%	96,929	108,400	11.8%

Exchange rate EUR/MZN - Balance sheet: 70.1705 in jun/16 and 67.3219 in jun/17; P&L: 57.8001 in jun/16 and 71.2099 in jun/17.

BCI Moçambique's contribution to CGD Group's consolidated net income in the first half amounted to €6.6 million.

East Timor Branch

The Timor branch's balance sheet was down 12.1% by 58.4 million dollars (USD) in comparison to the same period 2016, particularly owing to the non-renewal of the credit institutions' resources by Central Bank of East Timor.

The credit portfolio (net) was up 11.3% by USD 3.3 million over June 2016, influenced by the 11.3% increase in lending to companies.

In a context of still highly significant credit risk, overdue credit was up 1.9%, over June 2016 with a default ratio of 37.8% and a coverage ratio of 140.3%.

The application of a more objective price list, has been resulting in a gradual increase of margins that, contribute towards a sustained growth of total operating income (up 9.4% to USD 6.0 million in first half 2017).

The costs structure was up USD 0.2 million. Reference should be made to the completion of the full remodelling of the older municipal branch offices outside Dili and coverage of the country's main business centres.

The fact that total operating income grew at a higher rate than operating costs enabled net operating income before impairment of USD 2.4 million to be achieved. This was up 13.3% over the same period of the preceding year.

		(EUR Million)			(USD million)	
TIMOR BRANCH			Change			Change
MAIN INDICATORS	2016-06	2017-06	(%)	2016-06	2017-06	(%)
Net interest income	3.7	4.2	11.1%	4.2	4.5	7.8%
Total operating income	4.9	5.5	12.8%	5.4	6.0	9.4%
Operating costs	3.0	3.3	10.3%	3.4	3.6	7.0%
Net op. income before impairments	1.9	2.2	16.8%	2.1	2.4	13.3%
Provisions and impairments	-0.6	-0.8	-	-0.7	-0.9	-
Net income	2.2	3.0	32.7%	2.5	3.2	28.8%
Net assets	432.8	369.9	-14.5%	480.5	422.1	-12.1%
Loans and adv. to customers (net)	25.9	28.0	8.3%	28.7	32.0	11.3%
Customer deposits	339.3	337.0	-0.7%	376.7	384.6	2.1%

Exchange rate EUR/USD - Balance sheet: 1.1102 in jun/16 and 1.1412 in jun/17; P&L: 1.11552 in jun/16 and 1.08252 in jun/17.

Timor branch's contribution to CGD Group's consolidated net result in first half 2017 was up 21,0% over the same half 2016 to €2.2 million.

Reference should also be made to several investments helping to make the BNU brand a market benchmark:

- membership of the VISA network, either based on the acceptance or issuance of cards, becoming the first bank in the country to issue cards valid worldwide (BNU VISA credit and BNU VISA debit);
- the largest network of electronic channels in the country with around 50 ATM and around 180 POS installations;
- the installation of the first biometric certification system as part of the individual customers identification process. This mechanism allows counter withdrawals based on a biometric fingerprint, without a signature.

Reference should, lastly, be made to the Timorese State's award of the Foreign Investor Certificate to the Timor branch, recognising the merits of the investments it has been making to improve financial services in the market.

Banco Comercial do Atlântico

The balance sheet of Banco Comercial do Atlântico (BCA) at the end of June 2017 was up 3.7% by 3,085 million Cape Verde escudos (CVE) over the same date 2016, essentially owing to the CVE 2,958 million growth of investments in credit institutions.

The credit portfolio (net) remained stable (down 0.1% over June 2016), at CVE 44,684 million. First half lending was insufficient to offset the total amount of normal portfolio repayments. This was offset by the excellent performance of the line of credit for SMEs confirmed by the relaunch of the "Additional 2 million" line, which enabled a strengthening of the corporate loans portfolio, reflecting BCA's lead in backing domestic companies.

On the liabilities side, customer deposits were up 4.2% to CVE 74,168 million. The loans-to-deposits ratio, in June 2017, fell to 60.2%.

Net interest income for the first half year amounted to CVE 945 million, comprising a year-on-year increase of 9.5%, particularly deriving from the decrease of interest and similar costs. Net commissions were also up 14.6% over the same half of the preceding year.

Furthering a policy of rationalising expenditure, operating costs were kept under control with an increase of no more than 0.1%, in which the 2.9% increase in employee costs was offset by the 4.2% reduction of general administrative expenditure.

The net result for the half year was up 35.7% over first half 2016 to CVE 108 million.

Cost-to-income improved to 70.9% in first half 2017.

			(EUR Million)			(CVE Million)
BCA - CAPE VERDE			Change			Change
MAIN INDICATORS	2016-06	2017-06	(%)	2016-06	2017-06	(%)
Net interest income	7.8	8.6	9.5%	863	945	9.5%
Total operating income	10.4	11.6	11.0%	1,151	1,278	11.0%
Operating costs	8.2	8.2	0.1%	905	906	0.1%
Net op. income before impairments	2.2	3.4	51.1%	246	372	51.1%
Provisions and impairments	2.2	2.2	-0.1%	245	245	-0.1%
Net income	0.7	1.0	35.7%	80	108	35.7%
Net assets	753.7	781.7	3.7%	83,105	86,190	3.7%
Loans and adv. to customers (net)	405.6	405.2	-0.1%	44,720	44,684	-0.1%
Customer deposits	645.7	672.6	4.2%	71,202	74,168	4.2%

Exchange rate EUR/CVE – 110.26574 in jun/16 and in jun/17.

BCA's contribution to CGD Group's consolidated net income in the first half amounted to €568 thousand.

Banco Interatlântico

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

Loans and advances to customers (net) were up 3.7% over June 2016 to CVE 17,213 million with the housing segment being responsible for the largest growth.

Customer deposits were, in turn, slightly down by 1.8% over June 2016 to CVE 22,873 million.

The loans-to-deposits ratio was up by around 4 pp to 75.3%, as a consequence of the increase in credit and decrease of deposits.

Lower borrowing rates permitted an 8.7% decrease in financial costs over the same period 2016.

Cost-to-income was down 10.6 pp owing to the 25% growth of total operating income, essentially influenced by net interest income at higher levels than the increase of operating costs.

The net result for the period under analysis amounted to CVE 67 million against losses of CVE 3 million for the same period 2016.

			(EUR Million)			(CVE Million)
BANCO INTERATLÂNTICO			Change			Change
MAIN INDICATORS	2016-06	2017-06	(%)	2016-06	2017-06	(%)
Net interest income	2.1	2.6	26.1%	231	291	26.1%
Total operating income	2.9	3.7	25.2%	323	404	25.2%
Operating costs	2.6	2.8	10.0%	282	311	10.0%
Net op. income before impairments	0.4	0.9	131.3%	41	94	131.3%
Provisions and impairments	0.4	0.2	-38.4%	44	27	-38.4%
Net income	0.0	0.6	-	-3	67	-
Net assets	238.7	234.7	-1.7%	26,316	25,877	-1.7%
Loans and adv. to customers (net)	150.5	156.1	3.7%	16,598	17,213	3.7%
Customer deposits	211.3	207.4	-1.8%	23,295	22,873	-1.8%

Exchange rate EUR/CVE – 110.26574 in jun/16 and in jun/17.

Banco Interatlântico contributed €394 thousand to CGD Group's consolidated net income in first half 2017.

BCG Brazil

In the current context of the Brazilian economy, Banco Caixa Geral – Brasil continued to adopt a highly cautious approach to the expansion of its credit portfolio. BCG Brasil focused its lending operations on backing Portuguese companies and sectors with low levels of exposure to the decelerating climate in the Brazilian economy.

The net credit portfolio at the end of June 2017 was down 39.6% over the preceding year to 467 million reais (BRL).

Customer deposits, in turn, grew 52.0% to BRL 795 million.

Total operating income was down 11% over first half 2016 to BRL 41 million, owing to the drop in the credit portfolio.

Operating costs, down by a year-on-year 6.7%, remained under control. Cost-to-income for first half 2017 was 57.6%.

Net operating income before impairment was down 15.5% to BRL 17 million.

Reflecting a prudent approach owing to the possible impacts deriving from the current economic scenario, credit impairment for first half 2017, totalled BRL 14 million in comparison to BRL 9 million for first half 2016.

The net result was BRL 1.3 million.

			(EUR Million)			(BRL million)
BCG BRAZIL			Change			Change
MAIN INDICATORS	2016-06	2017-06	(%)	2016-06	2017-06	(%)
Net interest income	12.2	6.3	-47.8%	50.2	21.8	-56.6%
Total operating income	11.0	11.8	7.4%	45.6	40.7	-10.6%
Operating costs	6.1	6.8	12.2%	25.2	23.5	-6.7%
Net op. income before impairments	4.9	5.0	1.6%	20.4	17.3	-15.5%
Provisions and impairments	2.6	4.3	63.0%	10.8	14.6	35.5%
Net income	1.2	0.4	-69.1%	5.0	1.3	-74.3%
Net assets	642.6	527.7	-17.9%	2,306.7	1,984.1	-14.0%
Loans and adv. to customers (net)	215.3	124.2	-42.3%	772.8	466.9	-39.6%
Customer deposits	145.7	211.4	45.1%	523.1	794.8	52.0%

Exchange rate EUR/BRL - Balance sheet: 3.5898 in jun/16 and 3.76001 in jun/17; P&L: 4.13491 in jun/16 and 3.43929 in jun/17.

BCG Brasil contributed €369 thousand to CGD Group's consolidated net income in first half 2017.

1.5.2. SEPARATE ACTIVITY

RESULTS

Caixa Geral de Depósitos's separate activity, in first half 2017, generated a core operating result (i.e. the sum of net interest income and commissions net of recurring operating costs) of €179.2 million, an expressive €120.5 million up over the same period of the preceding year.

This performance benefited both from the 25.7% growth of €83.6 million in interest margin over first half 2016 and 7.0% increase of €11.5 million in results from services and commissions and the 5.9%

reduction of €25.4 million in recurring[1] operating costs.

Income from equity instruments was up 12.4% by €5.2 million over first half 2016 to €47.0 million.

Results from financial operations were also up to a highly favourable €160.1 million, fundamentally deriving from the performance of market interest rates and adequate management of interest rate hedging instruments in the securities portfolio.

Such performance levels fuelled a 65.9% increase of €301.3 million in total operating income from CGD's separate activity over the half to €759.0 million over the same half year 2016.

Operating costs were up 2.8% by €12.6 million. On a component by component basis, reference should be made to the 10.2% increase of €26.8 million in employee costs and 10.0% reduction of €15.4 million in administrative expenses. Not including provisions of €20 million in first half 2016 and €58 million in first half 2017 incurred in the sphere of the early retirement and the termination by mutual agreement programmes, employee costs and operating costs would have been down 4.6% by €11.2 million and 5.9% by €25.4 million, respectively, over the same half 2016.

(EUR thousand)

SEPARATE INCOME STATEMENT (1)			Change	
	2016-06	2017-06	Value	(%)
Interest and similar income	1,014,228	-868,926	-1,883,155	-
Interest and similar costs	689,280	460,350	-228,930	-33.2%
Net interest income	324,949	-1,329,276	-1,654,225	-
Income from equity instruments	41,824	-47,005	-88,828	-
Net interest income incl. income from eq. investm.	**366,772**	**-1,376,281**	**-1,743,053**	**-**
Income from services and commissions	205,468	-217,610	-423,077	-
Costs of services and commissions	40,749	41,386	637	1.6%
Results from services and commissions	164,719	-258,995	-423,714	-
Income from financial operations	-62,271	-160,140	-97,870	-
Other Operating Income	-11,600	32,981	44,581	-
Non-interest income	**90,848**	**-386,155**	**-477,002**	**-**
Total operating income	**457,620**	**-758,964**	**-1,216,584**	**-**
Employee costs	264,092	290,922	26,829	10.2%
Administrative expenses	154,685	139,240	-15,445	-10.0%
Depreciation and amortisation	32,268	33,469	1,201	3.7%
Operating costs	451,045	463,631	12,585	2.8%
Net operating income before impairments	**6,574**	**-1,222,595**	**-1,229,169**	**-**
Credit impairment (net)	292,671	43,866	-248,806	-
Provisions and impairments of other assets (net)	35,346	60,199	24,853	70.3%
Provisions and impairments	**328,017**	**104,064**	**-223,953**	**-68.3%**
Net operating income	**-321,443**	**-191,269**	**130,174**	**-**
Tax	**-18,903**	**111,446**	**130,349**	**-**
Current	41,434	78,615	37,181	89.7%
Deferred	-96,797	-679	96,118	-
Special contrib. on the banking sector	36,460	33,509	-2,950	**-8.1%**
Net income	**-302,540**	**-79,823**	**222,716**	**-**

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

Provisions and impairments for the half year were down 68.3% over the same period of the preceding year to €104.1 million.

[1] Excluding the non-recurrent costs related to the 2016 and 2017 early retirement program and the termination program by mutual agreement.

Net operating income for the half year were €191.3 million. Net of €111.4 million in tax of which €33.5 million comprised the special contribution of the banking sector, the net income was €79.8 million.

BALANCE SHEET

Net assets of €86,320 million from CGD's separate activity at the end of June 2017, were up 4.1% by €3,412 million over the amount registered in December 2016. This progression translated the impact of the above referred to recapitalisation operations whose financial settlement took place on 30 March. Reference should also be made to the 310.6% increase of €2,694 million in the cash and cash balances at central banks and 18.3% increase of €2,932 million in securities investments.

(EUR million)

SEPARATE BALANCE SHEET (1)				Change 2017-06 vs 2016-06		Change 2017-06 vs 2016-12	
ASSETS	2016-06	2016-12	2017-06	Value	(%)	Value	(%)
Cash and equival. with central banks	609	867	3,561	2,953	485.2%	2,694	310.6%
Loans and advances to cred. inst.	4,515	4,553	4,637	122	2.7%	84	1.8%
Securities investments	21,173	15,999	18,932	-2,241	-10.6%	2,932	18.3%
Loans and advances to customers	53,629	52,042	50,107	-3,522	-6.6%	-1,935	-3.7%
Assets with repurchase agreement	493	422	0	-493	-100.0%	-422	-100.0%
Non-current assets held for sale	394	341	335	-59	-14.9%	-6	-1.9%
Intangible and tangible assets	413	397	377	-36	-8.7%	-20	-5.0%
Inv. in subsid. and assoc. companies	3,791	3,664	4,048	257	6.8%	384	10.5%
Current and deferred tax assets	1,387	2,329	2,298	911	65.7%	-31	-1.3%
Other assets	3,050	2,293	2,026	-1,025	-33.6%	-267	-11.6%
Total assets	**89,454**	**82,908**	**86,320**	**-3,133**	**-3.5%**	**3,412**	**4.1%**
LIABILITIES							
Central banks' and cred. inst. resources	5,838	5,954	5,520	-318	-5.5%	-434	-7.3%
Customer resources	61,289	58,649	59,759	-1,530	-2.5%	1,109	1.9%
Debt securities	6,115	4,217	4,081	-2,034	-33.3%	-136	-3.2%
Financial liabilities	2,242	1,676	1,254	-988	-44.1%	-422	-25.2%
Provisions	781	1,073	1,174	393	50.4%	100	9.4%
Subordinated liabilities	2,577	2,622	1,669	-908	-35.2%	-953	-36.3%
Other liabilities	6,182	6,300	5,820	-362	-5.8%	-479	-7.6%
Sub-total	**85,024**	**80,491**	**79,277**	**-5,747**	**-6.8%**	**-1,214**	**-1.5%**
Shareholders' equity	**4,430**	**2,417**	**7,043**	**2,613**	**59.0%**	**4,626**	**191.4%**
Total	**89,454**	**82,908**	**86,320**	**-3,133**	**-3.5%**	**3,412**	**4.1%**

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

This was offset by loans and advances to customers, which, in reflecting the volume of disposals and write-offs, as well as a rate of repayments higher than the amount of new lending operations, were down 3.7% by €1,935 million across the half year to €50,107 million.

Total liabilities of €79,277 million, particularly originating from the 36.3% reduction of €953 million of subordinated liabilities reflecting the cancellation of Coco bonds, were down 1.5% by €1,214 million across the half year. Customer resources, essentially comprising deposits, were up 1.9% by €1,109 million over December 2016.

(EUR million)

SEPARATE SHAREHOLDERS' EQUITY	2016-06	2016-12	2017-06
Share capital	5,900	5,900	3,844
Other equity instruments	0	0	500
Revaluation reserves	237	116	218
Other reserves and retained earnings	-1,405	-1,548	2,401
Net income	-303	-2,050	80
Total	**4,430**	**2,417**	**7,043**

CGD's separate shareholders' equity in reflecting the two already implemented phases of the above referred to Recapitalisation Plan agreed between the Portuguese State and the European Commission (DG Comp), was up €4,626 million over December 2016 to €7,043 million at the end of June 2017.

The other reserves and retained earnings account, up €3,949 million in the half year, largely derived from the extinguishing of 1,200 million shares in the first stage of the recapitalisation process, for the coverage of negative retained earnings and setting up a free reserve.

The €500 million in securities representing additional tier 1 own funds issued in the market at the end of March are recognised in the other equity instruments account.

The phased-in common equity tier 1 (CET 1) and Total capital ratios calculated under CRD IV/CRR rules were 14.5% and 16.8%, respectively, in June 2017.

(EUR million)

SOLVENCY RATIOS (SEPARATE)			
Phased-in (CRD IV / CRR)	2016-06	2016-12	2017-06
Own funds			
Common equity tier 1 (CET 1)	5,155	2,891	6,173
Tier 1	5,155	2,891	6,659
Tier 2	798	665	515
Total	**5,953**	**3,557**	**7,174**
Weighted assets	**47,686**	**43,644**	**42,590**
Solvency ratios			
CET 1	10.8%	6.6%	14.5%
Tier 1	10.8%	6.6%	15.6%
Total	**12.5%**	**8.1%**	**16.8%**
Fully Implemented (CRD IV / CRR)			
Own funds			
Common equity tier 1 (CET 1)	4,947	2,554	6,089
Weighted assets	**47,705**	**43,630**	**42,590**
CET 1 ratio	10.4%	5.9%	14.3%

The evolution of the CET1 ratio between December 2016 and June 2017 reflects the combined effects of the following factors:

- Progression over time associated with phasing-in, leading to regulatory reductions of €168 million in CET1 and €7 million in RWA (risk-weighted assets) translating into a decrease of 38 basis points in the CET1 ratio;
- Recapitalisation of CGD, resulting in a 733 basis points improvement of the CET1 ratio, with special reference to the effect of the €2.5 billion share capital increase (equivalent to a 597 basis points increase in the CET1 ratio);
- Change in own funds resulting from the evolution of activity with a positive influence of €146 million on the CET1 ratio, corresponding to a 92 basis points increase of the CET1 ratio, with special reference to the contribution made by the revaluation reserves (up €81 million) and the gains deriving from a smaller deduction of intangibles and deferred tax assets (€65 million);
- A reduction of €1,053 million in RWA essentially resulting from the decrease of around €2,100 million in net credit in which asset disposals and write-offs were, inter alia, contributory factors. Irrevocable commitments were also down, particularly on a level of securities subscriptions (€187 million) and bank guarantees (€198 million). Reference should also be made to the reduction of around €120 million of investment in venture capital funds. This was offset by a €785 million increase of RWA in respect of deferred tax assets which are

not contingent upon future profitability and a €500 million increase deriving from the increased investment in PARCAIXA, as part of the recapitalisation process.

The improvement of CGD's total capital ratio reflects the improvement of its CET1 ratio on account of the referred to facts and market issuance of securities representing additional Tier 1 own funds.

SREP capital requirements applicable to separate activity in 2017

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

CGD's minimum CET1 phased-in capital requirement on a separate basis is 7.00% and includes: i) a minimum CET1 capital ratio of 4.5% required by Pillar 1; ii) a minimum CET1 capital ratio of 1.25% required by Pillar 2 (P2R) and iii) a capital conservation buffer (CCB) of 1.25%.

CGD must also comply with a minimum Tier 1 capital ratio of 8.50% and a total capital ratio of 10.50% in 2017.

SREP - CAPITAL REQUIREMENTS (SEPARATE)	2017
Common Equity Tier 1 (CET1)	**7.00%**
Pillar 1	4.50%
Pillar 2 Requirement	1.25%
Capital Conservation Buffer (CCB)	1.25%
Tier 1	**8.50%**
Total	**10.50%**

The capital conservation buffer (CCB), is expected to increase by 0.625% per annum on a phased basis up to 2.5% in 2019.

The ratio levels achieved in CGD's separate activity for the first half year exceeded minimum SREP capital requirements in 2017, making a decisive contribution to its financial strength.

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

Under the terms of sub-paragraph c) of no. 1 of article 246 of the Securities Market Code, we declare that the condensed financial statements for 1st half 2017, 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, 27 September 2017

Board of Directors

Chairman

Emílio Rui Vilar

Vice-Chairman

Paulo José Ribeiro Moita de Macedo

Members

Francisco Ravara Cary

João Paulo Tudela Martins

José António da Silva de Brito

José João Guilherme

Maria João Borges Carioca Rodrigues

Nuno Alexandre de Carvalho Martins

Ana Maria Machado Fernandes

Maria dos Anjos Melo Machado Nunes Capote

João José Amaral Tomaz

José Maria Monteiro de Azevedo Rodrigues

Alberto Souto Miranda

Carlos António Torroaes Albuquerque

1.7. 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 30/06/2017
Emílio Rui Vilar	Subordinated bonds CGD – 2009/2019 – Anniversary	100
José António da Silva de Brito	Subordinated bonds CGD – 2009/2019 – Anniversary	45

1.8. Information on CGD's Shareholders

(ARTICLE 448 OF THE COMMERCIAL COMPANIES CODE)

Shareholders	Share Capital at 30/06/2017	% Equity Stake at 30/06/2017
Portuguese State	€ 3,844,143,735	100%

1.9. Individual and Condensed Consolidated Financial Statements

CAIXA GERAL DE DEPÓSITOS, S.A.

INDIVIDUAL BALANCE SHEET AT JUNE 30, 2017 AND DECEMBER 31, 2016

(EUR)

ASSETS	30-06-2017 Amounts before impairment, amortisation and depreciation	30-06-2017 Impairment, amortisation and depreciation	30-06-2017 Net assets	31-12-2016 Net assets
Cash and cash equivalents at central banks	3,561,362,419	-	3,561,362,419	867,353,054
Cash balances at other credit institutions	420,046,110	-	420,046,110	372,437,105
Loans and advances to credit institutions	4,224,257,093	(7,125,000)	4,217,132,093	4,180,772,166
Financial assets held for trading	8,038,413,200	-	8,038,413,200	6,969,362,361
Available-for-sale financial assets	9,847,276,537	(565,724,536)	9,281,552,001	9,029,913,409
Financial assets with repurchase agreement	-	-	-	421,943,549
Hedging derivatives	7,430,868	-	7,430,868	9,541,270
Held-to-maturity investments	1,611,736,502	-	1,611,736,502	-
Loans and advances to customers	54,459,505,152	(4,352,908,335)	50,106,596,817	52,042,092,658
Non-current assets held for sale	523,689,276	(188,614,730)	335,074,546	341,485,590
Investment properties	3,336,623	-	3,336,623	3,336,623
Other tangible assets	1,222,395,430	(917,540,554)	304,854,876	318,935,876
Intangible assets	718,373,827	(646,447,521)	71,926,306	77,782,119
Investments in associates, subsidiaries and joint ventures	4,808,025,769	(760,114,010)	4,047,911,759	3,664,332,754
Current tax assets	23,428,770	-	23,428,770	9,548,262
Deferred tax assets	2,274,575,341	-	2,274,575,341	2,319,512,461
Other assets	2,419,893,022	(404,971,695)	2,014,921,327	2,279,803,271
Total Assets	94,163,745,939	(7,843,446,381)	86,320,299,558	82,908,152,528

LIABILITIES AND EQUITY	30-06-2017	31-12-2016
Resources of central banks	5,520,113,502	5,953,868,657
Resources of other credit institutions	59,758,606,830	58,649,320,230
Debt securities	4,080,840,567	4,216,640,865
Financial liabilities at fair value through profit or loss	1,253,651,223	1,675,736,682
Financial liabilities associated with transferred assets	3,943,671,538	4,087,764,305
Hedging derivatives	3,902,666	2,196,746
Provisions	1,173,875,482	1,073,415,829
Current tax liabilities	74,707,968	10,693,451
Deferred tax liabilities	148,344,855	152,158,782
Other subordinated liabilities	1,669,387,166	2,622,284,634
Other liabilities	1,649,810,096	2,047,083,595
Total Liabilities	79,276,911,893	80,491,163,776
Share capital	3,844,143,735	5,900,000,000
Other equity instruments	500,000,000	-
Revaluation reserves	218,320,705	115,882,937
Other reserves and retained earnings	2,401,099,739	(1,548,481,165)
Net income for the period	79,823,486	(2,050,413,020)
Total Equity	7,043,387,665	2,416,988,752
Total Liabilities and Equity	86,320,299,558	82,908,152,528

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

Chairman: Emílio Rui Vilar

Deputy Chairman: Paulo José Ribeiro Moita de Macedo

Members:
Francisco Ravara Cary
João Paulo Tudela Martins
José António da Silva de Brito
José João Guilherme
Maria João Borges Carioca Rodrigues
Nuno Alexandre de Carvalho Martins
Ana Maria Machado Fernandes
Maria dos Anjos Melo Machado Nunes Capote
João José Amaral Tomaz
José Maria Monteiro de Azevedo Rodrigues
Alberto Souto Miranda
Carlos António Torroaes Albuquerque

CAIXA GERAL DE DEPÓSITOS, S.A.

INDIVIDUAL INCOME STATEMENT FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016

(EUR)

	30-06-2017	30-06-2016
Interest and similar income	868,926,439	1,014,228,247
Interest and similar costs	(460,349,941)	(689,279,614)
Income from equity instruments	47,004,725	41,823,620
NET INTEREST INCOME	455,581,223	366,772,253
Income from services and commissions	217,609,608	205,467,665
Costs of services and commissions	(41,385,811)	(40,749,100)
Results from financial operations	160,140,360	(62,270,797)
Other operating income	(32,981,132)	(19,329,211)
TOTAL OPERATING INCOME	758,964,248	449,890,810
Employee costs	(290,921,739)	(264,092,329)
Other administrative costs	(139,240,168)	(154,685,345)
Depreciation and amortisation	(33,468,667)	(32,267,819)
Provisions net of reversals	(65,417,592)	12,886,318
Loan impairment, net of reversals and recoveries	(43,865,821)	(284,942,351)
Impairment of other assets net of reversals	5,218,985	(48,232,371)
INCOME BEFORE TAX	191,269,246	(321,443,087)
Income tax	(111,445,760)	18,903,372
NET INCOME FOR THE PERIOD	79,823,486	(302,539,715)
Average number of ordinary shares outstanding	538,074,679	1,180,000,000
Earnings per share (in Euros)	0.15	(0.26)

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

Chairman: Emílio Rui Vilar

Deputy Chairman: Paulo José Ribeiro Moita de Macedo

Members:

Francisco Ravara Cary
João Paulo Tudela Martins
José António da Silva de Brito
José João Guilherme
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CAIXA GERAL DE DEPÓSITOS, S.A.

INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016

(EUR thousand)

	30-06-2017	30-06-2016
Balances subject to reclassification to profit or loss		
Adjustments to fair value of available-for-sale financial assets		
Gains / (losses) arising during the period	155,658	(143,280)
Adjustments of fair value reserves reclassified to net income		
Impairment recognized in the period	2,877	36,420
Disposal of available-for-sale financial assets	(15,073)	(75,270)
Tax effect	(41,025)	51,244
Currency changes in Branches	12,676	1,521
Other	93	(2,518)
Subtotal	115,206	(131,883)
Balances not subject to reclassification to profit or loss		
Benefits to employees - actuarial gains and losses		
Change in the period	-	(8,493)
Tax effect	-	15,674
Subtotal	-	7,181
Total comprehensive net income for the period recognised in reserves	115,206	(124,702)
Net income for the period	79,823	(302,540)
Total comprehensive net income for the period	195,030	(427,241)

CAIXA GERAL DE DEPÓSITOS, S.A.

INDIVIDUAL CASH FLOW STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2017 AND 2016

(EUR thousand)

	30-06-2017	30-06-2016
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	1,099,534	1,267,276
Interest, commissions and similar costs paid	(450,828)	(615,629)
Recovery of principal and interest	35,765	7,729
Payments to employees and suppliers	(331,338)	(376,266)
Payments and contributions to pensions funds and other benefits	(57,316)	(49,605)
Other results	(1,191)	1,608
	294,627	235,113
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	2,024,352	1,062,124
Assets held for trade and other assets at fair value through profit or loss	(1,359,315)	(3,080,800)
Other assets	(1,332,031)	(843,003)
	(666,994)	(2,861,679)
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	(432,166)	134,940
Customer resources	1,132,140	(600,806)
Other liabilities	(351,446)	(191,265)
	348,529	(657,131)
Net cash from operating activities before taxation	(23,839)	(3,283,698)
Income tax	(57,504)	(52,569)
Net cash from operating activities	(81,343)	(3,336,267)
INVESTING ACTIVITIES		
Capital gains from subsidiary and associated companies	40,052	38,099
Capital gains from available-for-sale financial assets	6,953	3,724
Acquisition of investments in subsidiary and associated companies, net of disposals	55,000	(8,641)
Acquisition of available-for-sale financial assets, net of disposals	(53,429)	2,581,537
Acquisition of tangible and intangible assets, net of disposals	(13,839)	(18,462)
Net cash from investing activities	34,737	2,596,257
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(21,677)	(64,133)
Interest on debt securities	(105,593)	(135,482)
Issue of subordinated liabilities, net of repayments	-	(21,000)
Issue of debt securities, net of repayments	(83,274)	(520,173)
Capital increase	2,500,000	-
Issue of other equity instruments	500,000	-
Net cash from financing activities	2,789,456	(740,788)
Increase (decrease) in cash and cash equivalents	2,742,850	(1,480,798)
Cash and cash equivalents at beginning of the period	1,239,790	2,223,258
Effects of the exchange rate change on cash and cash equivalents	(1,232)	(281)
Net change of cash and cash equivalents	2,742,850	(1,480,798)
Cash and cash equivalents at end of the period	**3,981,409**	**742,179**

CAIXA GERAL DE DEPÓSITOS, S.A.

INDIVIDUAL STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016

(EUR thousand)

	Share capital	Other equity instruments	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 and retained earnings	Total		
Balances at December 31, 2015	5,900,000	-	354,576	(96,977)	110,425	368,025	862,906	(3,336,598)	(2,473,691)	12,211	3,806,544
Effects of accounting policy change (Notice 5/2015)	-	-	-	-	-	-	-	887,288	887,288	163,502	1,050,790
Balances at December 31, 2015	5,900,000	-	354,576	(96,977)	110,425	368,025	862,906	(2,449,310)	(1,586,404)	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)
Net income for the period	-	-	-	-	-	-	-	-	-	(302,540)	(302,540)
Balances at June 30, 2016	5,900,000	-	172,445	(45,732)	110,425	237,138	865,348	(2,269,855)	(1,404,506)	(302,540)	4,430,092
Balances at December 31, 2016	5,900,000	-	7,698	(2,240)	110,425	115,883	865,348	(2,413,829)	(1,548,481)	(2,050,413)	2,416,989
Appropriation of net income for 2016:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	-	(2,050,413)	(2,050,413)	2,050,413	-
Other entries directly recorded in equity:	-	-	-	-	-	-	-				
Measurement gain / (losses) on available-for-sale financial assets	-	-	143,463	(41,025)	-	102,438	-	-	-	-	102,438
Currency changes in Branches	-	-	-	-	-	-	-	12,676	12,676	-	12,676
Other	-	-	-	-	-	-	-	93	93	-	93
Total gains and losses for the period recognised in equity	-	-	143,463	(41,025)	-	102,438	-	12,768	12,768	-	115,206
Capital increase	3,944,144	-	-	-	-	-	-		-	-	3,944,144
Capital decrease	(6,000,000)	-	-	-	-	-	(865,348)	6,865,348	6,000,000	-	-
Issue of other equity instruments (AT1)	-	500,000	-	-	-	-	-		-	-	500,000
Dividends and other charges associated with the issue of other equity instruments	-	-	-	-	-	-	-	(12,774)	(12,774)	-	(12,774)
Net income for the period	-	-	-	-	-	-	-		-	79,823	79,823
Balances at June 30, 2017	3,844,144	500,000	151,161	(43,265)	110,425	218,321	-	2,401,101	2,401,100	79,823	7,043,388

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED BALANCE SHEET AT JUNE 30, 2017 AND DECEMBER 31, 2016

(EUR)

ASSETS	Notes	30-06-2017 Amounts before impairment, amortisation and depreciation	30-06-2017 Impairment, amortisation and depreciation	30-06-2017 Net assets	31-12-2016 Net assets	LIABILITIES AND EQUITY	Notes	30-06-2017	31-12-2016
Cash and cash equivalents at central banks	4	4,438,203,786	-	4,438,203,786	1,840,559,558	Resources of central banks and other credit institutions	18	5,337,409,377	5,799,711,598
Cash balances at other credit institutions	5	727,228,780	-	727,228,780	757,725,926	Customer resources and other loans	19	69,914,779,324	69,680,129,918
Loans and advances to credit institutions	6	3,112,232,671	(7,125,000)	3,105,107,671	3,217,796,545	Debt securities	20	4,078,243,299	4,183,728,713
Financial assets at fair value through profit or loss	7	8,227,308,594	-	8,227,308,594	7,153,925,169	Financial liabilities at fair value through profit or loss	10	1,265,714,548	1,695,481,388
Available-for-sale financial assets	8	8,374,561,895	(456,967,742)	7,917,594,153	7,429,511,767	Hedging derivatives	10	3,902,666	2,196,746
Financial assets with repurchase agreement	9	330,990,908	(580,023)	330,410,885	799,731,581	Non-current liabilities held-for-sale	13	719,189,849	693,368,617
Hedging derivatives	10	7,430,868	-	7,430,868	9,541,270	Provisions for employee benefits	21	657,615,214	613,093,998
Held-to-maturity investments	11	2,056,950,914	-	2,056,950,914	433,130,778	Provisions for other risks	21	807,762,571	514,217,921
Loans and advances to customers	12	65,366,409,191	(4,890,632,678)	60,475,776,513	62,866,825,488	Current tax liabilities	16	122,260,025	50,784,075
Non-current assets held-for-sale	13	1,945,940,224	(518,562,460)	1,427,377,764	1,426,071,739	Deferred tax liabilities	16	199,709,068	191,045,337
Investment properties	14	953,999,649	-	953,999,649	978,263,387	Other subordinated liabilities	22	1,470,073,954	2,424,133,457
Other tangible assets		1,647,058,172	(1,094,233,052)	552,825,120	576,502,820	Other liabilities	23	3,536,625,335	3,816,579,962
Intangible assets		854,585,125	(746,326,274)	108,258,851	116,178,493	Total liabilities		88,113,285,230	89,664,471,730
Investments in associates and jointly controlled entities	15	362,293,319	(128,177)	362,165,142	312,337,565	Share capital	24	3,844,143,735	5,900,000,000
Current tax assets	16	51,946,867	-	51,946,867	41,778,055	Other equity instruments	24	500,000,000	-
Deferred tax assets	16	2,486,667,030	-	2,486,667,030	2,545,785,070	Revaluation reserves	25	238,242,706	87,268,261
Other assets	17	3,080,064,650	(301,438,623)	2,778,626,027	3,041,647,654	Other reserves and retained earnings	25	2,998,506,333	(1,109,321,446)
						Net income attributable to the shareholder of CGD	25	(49,925,053)	(1,859,522,727)
						Shareholders' equity attributable to CGD		7,530,967,721	3,018,424,088
						Non-controlling interests	26	363,625,663	864,417,047
						Total equity		7,894,593,384	3,882,841,135
Total assets		104,023,872,643	(8,015,994,029)	96,007,878,614	93,547,312,865	**Total liabilities and equity**		96,007,878,614	93,547,312,865

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

Chairman: Emílio Rui Vilar

Deputy Chairman: Paulo José Ribeiro Moita de Macedo

Members:
Francisco Ravara Cary
João Paulo Tudela Martins
José António da Silva de Brito
José João Guilherme
Maria João Borges Carioca Rodrigues
Nuno Alexandre de Carvalho Martins
Ana Maria Machado Fernandes
Maria dos Anjos Melo Machado Nunes Capote
João José Amaral Tomaz
José Maria Monteiro de Azevedo Rodrigues
Alberto Souto Miranda
Carlos António Torroaes Albuquerque

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016

(EUR)

	Notes	30-06-2017	30-06-2016 (restatement)
Interest and similar income	27	1,240,799,253	1,351,367,735
Interest and similar expenses	27	(584,847,299)	(796,520,828)
Income from equity instruments	28	23,785,730	29,640,442
NET INTEREST INCOME		679,737,684	584,487,349
Income from services rendered and commissions	29	283,695,265	282,661,424
Cost of services and commissions	29	(59,030,506)	(58,224,177)
Results from financial operations	30	275,514,317	(49,253,311)
Other operating income	31	(25,809,600)	(24,859,315)
TOTAL OPERATING INCOME		1,154,107,160	734,811,970
Employee costs	32	(396,809,858)	(366,939,445)
Other administrative costs	33	(192,269,026)	(213,171,227)
Depreciation and amortisation		(49,108,267)	(46,497,382)
Provisions net of reversals	21	(317,812,721)	17,425,172
Loan impairment, net of reversals and recoveries	34	(54,762,611)	(301,798,524)
Other assets impairment, net of reversals and recoveries	34	(25,931,051)	(43,323,647)
INCOME BEFORE TAX AND NON CONTROLLING INTERESTS		117,413,626	(219,493,083)
Income tax	16	(165,960,921)	14,363,859
Results of associates and jointly controlled entities	15	11,006,168	19,920,279
RESULTS OF CONTINUING ACTIVITIES		(37,541,127)	(185,208,945)
Results of subsidiaries held-for-sale	13	7,299,544	4,584,525
CONSOLIDATED NET INCOME FOR THE PERIOD of which:		(30,241,583)	(180,624,420)
Non-controlling interests	26	(19,683,470)	(24,618,995)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD		(49,925,053)	(205,243,415)
Average number of ordinary shares outstanding	24	538,074,679	1,180,000,000
Earnings per share (in Euros)		(0.09)	(0.17)

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

Chairman: Emílio Rui Vilar

Deputy Chairman: Paulo José Ribeiro Moita de Macedo

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CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016

(EUR thousand)

	30-06-2017			30-06-2016 (restatement)		
	Current operations	Non-current operations	Total	Current operations	Non-current operations	Total
Amounts that may be reclassified to net income						
Adjustments to the fair value of financial assets						
Gains / (losses) arising during the period	189,485	(27)	189,458	(186,776)	434	(186,342)
Adjustments of fair value reserves reclassified to net income						
Impairment recognized in the period	3,631	-	3,631	36,427	-	36,427
Disposal of financial assets	(16,138)	-	(16,138)	(75,270)	-	(75,270)
Tax effect	(44,491)	18	(44,472)	47,167	(158)	47,009
Foreign exchange difference resulting from consolidation	(58,418)	-	(58,418)	(65,241)	-	(65,241)
Other	47,679	-	47,679	(3,759)	-	(3,759)
	121,749	(9)	121,740	(247,453)	277	(247,176)
Amounts that will not be reclassified to net income						
Employee benefits - actuarial gains and losses						
Gains / (losses) arising during the period	-	-	-	(8,493)	-	(8,493)
Tax effect	-	-	-	15,674	-	15,674
	-	-	-	7,181	-	7,181
Total comprehensive net income for the period recognised in reserves	121,749	(9)	121,740	(240,272)	277	(239,995)
Net income for the period	(37,541)	7,300	(30,242)	(185,209)	4,585	(180,624)
TOTAL COMPREHENSIVE NET INCOME FOR THE PERIOD of which:	84,208	7,291	91,498	(425,481)	4,861	(420,619)
Non-controlling interests	(17,976)	-	(17,976)	18,588	-	18,588
TOTAL COMPREHENSIVE NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	66,231	7,291	73,522	(406,892)	4,861	(402,031)

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016

(EUR thousand)

	30-06-2017	30-06-2016
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	1,535,603	1,709,659
Interest, commissions and similar expenses paid	(597,977)	(764,031)
Recoveries of principal and interest	41,804	10,131
Payments to employees and suppliers	(493,540)	(564,545)
Payments and contributions to pension funds and other benefits	(57,316)	(49,605)
Other results	19,740	17,862
	448,314	359,471
(Increases) decreases in operating assets		
Loans and advances to credit institutions and customers	2,626,948	1,354,504
Assets held-for-trading and other assets at fair value through profit or loss	(1,250,369)	(2,969,788)
Other assets	(1,408,934)	(1,077,176)
	(32,355)	(2,692,459)
Increases (decreases) in operating liabilities		
Resources of central banks and other credit institutions	(463,072)	337,706
Customer resources	262,585	(929,614)
Other liabilities	(288,800)	(230,654)
	(489,287)	(822,561)
Net cash from operating activities before taxation	(73,328)	(3,155,549)
Income tax	(75,376)	(101,925)
Net cash from operating activities	(148,704)	(3,257,474)
INVESTING ACTIVITIES		
Dividends received from equity instruments	23,786	29,640
Acquisition of investments in subsidiaries and associated companies, net of disposals	(55,000)	(8,614)
Acquisition of available-for-sale financial assets, net of disposals	(47,214)	2,457,162
Acquisition of tangible and intangible assets and investment property, net of disposals	(9,200)	(39,720)
Net cash from investing activities	(87,628)	2,438,469
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(22,051)	(64,405)
Interest on debt securities	(104,966)	(137,389)
Issue of subordinated liabilities, net of repayments	(358)	(21,449)
Issue of debt securities, net of repayments	(52,964)	(527,647)
Capital increase	2,500,000	-
Issue of other equity instruments	500,000	-
Net cash from financing activities	2,819,661	(750,889)
Increase (decrease) in cash and cash equivalents	2,583,329	(1,569,894)
Cash and cash equivalents at the beginning of the period	2,598,285	3,652,808
Foreign exchange differences in cash and cash equivalents	(16,182)	(140,063)
Net change of cash and cash equivalents	2,583,329	(1,569,894)
Cash and cash equivalents at the end of the period	5,165,433	1,942,851

CAIXA GERAL DE DEPÓSITOS, S.A.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017 AND 2016

(EUR thousand)

	Share capital	Other equity instruments	Revaluation reserves	Other reserves and retained earnings	Net income for the period	Subtotal	Non-controlling interests	Total
Balances at December 31, 2015	5,900,000	-	386,797	(818,683)	(171,453)	5,296,661	887,048	6,183,710
Appropriation of net income for 2015:								
Transfer to reserves and retained earnings	-	-	-	(171,453)	171,453	-	-	-
Other entries directly recorded in equity:								
Gain/(losses) on financial assets	-	-	(151,156)	(25,076)	-	(176,232)	(1,944)	(178,176)
Employee benefits - actuarial gains and losses	-	-	-	7,181	-	7,181	-	7,181
Foreign currency differences in subsidiaries and branches	-	-	-	(26,718)	-	(26,718)	(38,523)	(65,241)
Other	-	-	-	(1,018)	-	(1,018)	(2,740)	(3,759)
Net income for the period	-	-	-	-	(205,243)	(205,243)	24,619	(180,624)
Total gains and losses for the period recognised in equity	-	-	(151,156)	(45,632)	(205,243)	(402,031)	(18,588)	(420,619)
Written-put over non-controlling interests - Mercantile	-	-	-	(1,925)	-	(1,925)	-	(1,925)
Investments carried out by non-controlling interests	-	-	-	-	-	-	(2,212)	(2,212)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(13,933)	(13,933)
Balances at June 30, 2016	5,900,000	-	235,641	(1,037,693)	(205,243)	4,892,705	852,315	5,745,020
Balances at December 31, 2016	5,900,000	-	87,268	(1,109,321)	(1,859,523)	3,018,424	864,417	3,882,841
Appropriation of net income for 2016:								
Transfer to reserves and retained earnings	-		-	(1,859,523)	1,859,523	-	-	-
Other entries directly recorded in equity:								
Gain/(losses) on financial assets	-		133,192	-	-	133,192	(714)	132,478
Foreign currency differences in subsidiaries and branches	-	-	-	(55,287)	-	(55,287)	(3,131)	(58,418)
Other	-		(463)	46,005	-	45,542	2,138	47,679
Net income for the period	-	-	-	-	(49,925)	(49,925)	19,683	(30,242)
Total gains and losses for the period recognised in equity	-	-	132,729	(9,282)	(49,925)	73,522	17,976	91,498
Capital increase	3,944,144	-	-	-	-	3,944,144	(505,160)	3,438,984
Capital decrease	(6,000,000)	-	-	6,000,000	-	-	-	-
Issue of other equity instruments (AT1)	-	500,000	-	-	-	500,000	-	500,000
Dividends and other charges associated with the issue of other equity instruments	-	-	-	(12,774)	-	(12,774)	-	(12,774)
Equity transactions with non-controlling interests	-	-	-	7,652	-	7,652	-	7,652
Dividends paid to non-controlling interests	-	-	-	-	-	-	(13,608)	(13,608)
Reclassifications between reavaluation reserves and retained earnings	-	-	18,245	(18,245)	-	-	-	-
Balances at June 30, 2017	3,844,144	500,000	238,243	2,998,506	(49,925)	7,530,968	363,626	7,894,593

2. NOTES AND REPORTS ON THE ACCOUNTS

2.1. Notes to the Condensed Consolidated Financial Statements

(Amounts expressed in thousand euros – unless otherwise indicated)

1. INTRODUCTORY NOTE

Caixa Geral de Depósitos, S.A. (Caixa or CGD), formed in 1876, is an exclusively State-owned public liability limited company. Caixa became a public liability company on September 1, 1993 under Decree Law 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, 2017, CGD operated a nationwide network of 657 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.

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

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

The condensed consolidated financial statements, at June 30, 2017, were approved by the Board of Directors on September 29, 2017.

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

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

In spite of having fulfilled almost all of its commitments, CGD continued to account for losses across the period 2013 to 2015. This partly derived from the effects of the monetary policy being followed by the ECB which originated a sharp fall in market interest rates and a much lower than expected level of economic growth. Also of relevance to the losses, across the referred to years, was the deterioration of the quality of CGD's assets which resulted in high levels of annual impairment. This was accompanied by an increase in regulatory requirements across the period, to strengthen capital ratios.

As a consequence, efficiency levels were lower than initially agreed and CGD found itself unable to pay its CoCos undertakings.

To ensure an adequate level of recapitalisation for CGD in light of the solvency levels required of it, the Portuguese State as its sole shareholder and the European Commission's Directorate General for Competition ("DGComp") approved a recapitalisation plan in March 2017. This involved the production of a strategic 4 year plan (2017-2020) based on a prudent macroeconomic scenario evidencing the capacity to generate a level of return on capital similar to that required of a private investor, with the current plan no longer considered as being state aid.

CGD's new Recapitalisation Plan comprised two phases, occurring at different times.

The first phase, completed on January 4, 2017, comprised:

- The use of free reserves and the legal reserve for the amount of €1,412,460 thousand to cover negative retained earnings for past years;

- An increase in CGD's share capital to €7,344,144 thousand, comprising the issuance of 288,828,747 shares through the transfer of 490,000,000 Parcaixa, SGPS, S.A. equity shares for the amount of

€498,996 thousand and the transfer of CoCos bonds for the amount of €900,000 thousand (Note 22), plus the respective accrued interest for the amount of €45,148 thousand; and

- A €6,000,000 thousand reduction in share capital through the extinguishing of 1,200,000,000 shares to cover negative retained earnings of €1,404,506 thousand and to set up free reserves for the amount of €4,595,494 thousand.

The second stage, completed on March 30, 2017, comprised:

- An increase in share capital of €2,500,000 thousand, through the issuance of 500,000,000 new ordinary shares with a nominal value of €5 each, subscribed for and paid up by the sole shareholder (Portuguese State) and the issuance of €500,000 thousand in securities representing Additional Tier 1 own funds, fully subscribed for by private investors.

Under the recapitalisation plan agreed upon conditions, Caixa will also issue additional subordinated debt instruments for the amount of €430,000 thousand within a period of 18 months from the date of this first issuance.

The completion of this important phase of the recapitalisation plan and consequent strengthening of its solvency will enable Caixa to concentrate on implementing its Strategic Plan 2017-2020. This plan, designed to strengthen CGD's own funds solvency ratios, is based on four pillars:

Pillar 1

Pillar 1 focuses on restructuring CGD asset portfolio and strengthening its risk management and governance models through the reduction of balance sheet risk, new credit management policies and new specialised recovery processes. The following measures will be implemented to achieve this aim:

a) Integrating finance and business priorities with risk management, namely in the context of strategy/risk appetite, budgeting and performance management;
b) Implementation a full three lines of defence risk management model;
c) Improvement of the internal control system;
d) Revising all the risk management processes;
e) Adjustment of risk management models to the highest sector standards (SERP);
f) Implementation of a new risk-driven credit analysis model; and,
g) Strengthening credit monitoring and recovery.

Pillar 2

The second pillar of the Strategic Plan focuses on the adjustment of the operational infrastructure of CGD to increase efficiency. The key initiatives to be implemented in order to adjust the operational infrastructure focus on the following:

a) Adjusting the branch office network and central support areas;
b) Organisational restructuring;
c) Improving the management of human resources, including training; and
d) Improving service levels and customer service through process digitalization.

Pillar 3

Pillar 3 is centred in the restructuring of the international portfolio with the aim of focusing in selected geographies.

CGD's international portfolio, at the end of 2015, mainly comprised nine subsidiaries and nine branches. Pursuant to the comprehensive principle of reducing international risk and focusing on core geographies, the restructuring of the international portfolio is characterized by:

a) Carrying out a focused approach and maintaining assets only in specific, pre-determined geographies, ensuring a review of their business and governance models is undertaken in order to warrant a positive contribution to the Group's profitability; and
b) Selling or rationalizing other geographies, ensuring a framework agreement to support domestic clients.

Pillar 4

Pillar 4 of the Strategic Plan focuses on the modernization of the commercial franchise of domestic operations to ensure sustainability. The aim, in this case, is:

a) Revision of the segmentation and upgrade of the retail offer;
b) Digitalization of the customer experience;
c) Revision of bancassurance and asset management models to support retail value propositions and the penetration of off-balance sheet products;
d) The definition of a plan to improve share of wallet (SoW) in small and medium sized enterprises (SMEs), capturing treasury and/or cash management fees;
e) The introduction of a risk-and capital-adjusted performance management system; and,
f) Credit process optimization.

One of the conditions of CGD's recapitalisation process defined in the agreement set between the Portuguese State and the European Commission, in order not to be classified as State aid was to carry out an independent valuation of the asset portfolio. The Executive Committee, herein, decided to review the assets portfolio, with reference to June 30, 2016, employing the criteria and assumptions that a private investor would use if intending to make a major investment in CGD. The criteria used also reflected the objective of reducing NPL (non-performing loans) levels, in order to increase the pace of deleveraging on such asset types. This change of approach led to a review of several impairment measurement criteria in force up to June 30, 2016.

The following asset categories were subject to review:

- Loans and advances to customers
- Real estate assets;
- Securities portfolio
- Other assets and contingencies.

For the purposes of the 2016 end of year accounts, a new exhaustive review of the criteria and methodologies used in the assets valuation exercise was undertaken, with a revaluation of the main customers subject to individual impairment assessments, backed by proposals issued by the Commercial and Recovery Divisions and revised by the Risk Management Division, in addition to a reassessment of the impairment on real estate by the Real Estate Business Division. The results were received by CGD's Executive Committee, in due consideration of the occurrence of events following the date of the completion of the former review.

For the purposes of signing off the accounts at June 30, 2017, the Group consistently applied the measurement criteria and methodologies on the various assets (loans and advances to customers, real estate assets, securities portfolio and other assets and contingencies), assessed for the period ended December 31, 2016. The evolution occurring in first half 2017, was in line with the projections of the Strategic Plan, approved in March 2017.

CGD is now totally focused on the effective implementation of its Strategic Plan 2017-2020, to ensure the structural transformation of its efficiency and profitability levels.

2. ACCOUNTING POLICIES

2.1. Presentation bases

The condensed consolidated financial statements, at June 30, 2017, were prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted in the European Union, following European Council and Parliament Regulation 1606/2002(EC) of July 19 and Decree Law 35/2005 of February 17.

These condensed 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 condensed financial statements.

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

2.2. Consolidation principles

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

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

The accounts of CGD’s subsidiaries were consolidated by the global integration method. Transactions and significant balances between the consolidated companies were eliminated. Consolidation adjustments are also made, when applicable, to ensure consistency in the application of the Group’s accounting principles.

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

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

2.3. Concentrations of business activities and goodwill

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

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

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

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

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

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

Accounting of written put options on non-controlling interests

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

2.4. Investments in associates and jointly controlled enterprises

“Associates” are companies over which the Group wields significant influence but whose management it does not effectively control. Significant influence is presumed to exist whenever the Group has a direct or indirect equity stake or voting rights of 20%, unless it can be clearly shown that this is not the case. In parallel, no significant influence is considered to exist whenever the referred to investment is less than 20%, unless the opposite, in this case, can also be clearly shown.

According to the requirements of IAS 28, a significant influence by the Group is usually evidenced in one of the following forms:

- A seat on the Board of Directors or equivalent management body;
- Participation in the process for defining policies, including resolutions on dividends or other appropriations;
- Occurrence of material transactions between the associate and the Group;
- Existence of interchange between members of management; and
- Supply of essential technical information.

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

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

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

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

Unrealised profit or loss on transactions with associates and jointly controlled enterprises 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 environment in which they operate (the "functional currency"). In the consolidated accounts, the results and financial position of each entity are expressed in euros as CGD Group's functional currency.

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

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

Exchange rate differences, assessed on translation, are recognised in profit and loss for the period, except for differences deriving from non-monetary financial instruments recognised at fair value, such as shares classified as 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, exchange rate gains/losses are recognised in equity in "Other reserves" with their respective balance being transferred to profit and loss at the time of the disposal of the respective subsidiaries.

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

2.6. Financial instruments

a) <u>Financial assets</u>

Financial assets are recognised at their respective fair value at the agreement date. In the case of financial assets measured at fair value through profit or loss, the costs directly attributable to the transaction are recognised in "Cost of services and commissions". In other cases, such costs are added to the asset's book value. Upon initial recognition, such assets are classified in one of the following IAS 39 categories:

i) <u>Financial assets at fair value through profit or loss</u>

This category includes:

- Financial assets held-for-trading, essentially comprising securities acquired for the purpose of making a profit on short term market price fluctuations. This category also includes financial derivatives, excluding those used for hedge accounting requirements; and,

- Financial assets irrevocably designated at fair value through profit or loss ("Fair Value Option") upon initial recognition. This designation is restricted to situations in which their adoption results in the production of more relevant financial information, i.e.

  - If their application eliminates or significantly reduces an accounting mismatch which would otherwise have occurred as a result of measuring related assets and liabilities or an inconsistency in the recognition of profit or loss thereon.

  - Groups of financial assets, financial liabilities, or both, which are managed and whose performance is assessed on a fair value basis, in accordance with formally documented risk management and investment strategies and when information thereon is internally distributed to management bodies.

  - Financial instruments containing one or more embedded derivatives may also be classified herein, unless:

    - The embedded derivatives do not significantly modify the cash flows which would otherwise have been produced under the contract; and

    - It is evident, with little or no analysis, that the implicit derivatives should not be separated out.

Financial assets in this category are recognised at fair value with profit and loss on their subsequent valuation being recognised in profit and loss for the period in "Results from financial operations". Interest is recognised in appropriate "Interest and similar income" accounts.

ii) <u>Held-to-maturity Investments</u>

Fixed-income securities the Group intends and is able to hold to maturity are recognised in this category.

These financial assets are recognised at amortised cost. In accordance with this method, the financial instruments' carrying amount at each balance sheet date comprises their initial cost, net of repayments of principal and impairment losses and adjusted for amortisation, based on the effective interest rate method on any difference between the initial cost and the amount of the repayment.

iii) <u>Loans and accounts receivable</u>

These are financial assets with fixed or determinable payments which are not listed in an active market. This category includes loans and advances to Group customers (including securitised credit), amounts to be received from other credit institutions and provision of services or disposals of assets, recognised in "Other assets".

These assets are initially recognised at fair value, net of any commissions included in the effective rate, plus all incremental costs directly attributable to the transaction. The assets are subsequently recognised in the balance sheet at amortised cost, net of impairment losses.

iv) <u>Available-for-sale financial assets</u>

This category includes the following financial instruments:

- Variable-income securities not classified as financial assets at fair value through profit or loss, including stable equity investments;

- Bonds and other fixed-income securities; and

- Investment units in unit trust investment funds.

Available-for-sale financial assets are measured at fair value, except for equity instruments not listed in an active market whose fair value cannot be reliably measured, which continue to be recognised at cost. Profit or loss on the revaluations are recognised directly in the “Fair value reserve” in shareholder’s equity. At the time of sale or if impairment is declared, accumulated fair value changes are transferred to profit or costs for the period and recognised in “Results from financial operations” or “Impairment of other assets, net of reversals and recoveries”, respectively.

To assess the proceeds on sale, assets sales are measured at their average weighted acquisition cost.

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

Dividends from equity instruments in this category are recognised as “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. Latter reclassifications had an impact on the referred to transfer between different categories of financial instruments as from the reference date.

Information on reclassifications made under the terms of the referred to amendment is set out in Note 8.

Fair value

As referred to above, financial assets recognised in “Fair value through profit or loss” and “Available-for-sale financial assets” categories are measured at fair value.

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

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

- The closing price at the balance sheet date, for instruments traded in active markets;
- Measurement methods and techniques are used for debt instruments not traded in active markets (including unlisted securities or securities with low liquidity) and include:
  - Bid prices published by financial information services such as Bloomberg and Reuters, including market prices available on recent transactions;
  - Bid prices obtained from financial institutions operating as market-makers; and

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

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

- The value of unlisted equity instruments allocated to venture capital activity is measured by the following:

  - Prices of materially relevant transactions made by independent entities over the last six months;

  - Multiples of comparable companies in terms of sector of activity, size and profitability; and

  - Discounted cash flows, whose discount rates are tailored to the risk attached to the assets held.

  Measurements incorporate discount factors reflecting the securities’ lack of liquidity. In the event of a right or contractual obligation to dispose of a specific asset, its respective measurement will also lie in a range between the values resulting from the above referred to measurement methods and the present value of the asset’s disposal price, adjusted, when applicable, to reflect counterparty credit risk.

- Other unlisted equity instruments whose fair value cannot be reliably measured (e.g. no recent transactions) continue to be recognised at cost, net of any impairment losses.

Amortised cost

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

Whenever estimated payments or collections associated with financial instruments measured at amortised cost are revised, their respective book value is adjusted to reflect the revised cash flows. The new amortised cost is calculated on the present value of future cash flows discounted at the financial instrument’s initial effective interest rate. The adjustment of amortised cost is recognised in profit and loss.

b) Financial liabilities

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

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivatives with a negative revaluation value, in addition to the short selling of fixed and variable-income securities. These liabilities are recognised at fair value. Profit or loss resulting from their subsequent measurement are recognised in “Results from financial operations”.

ii) Other financial liabilities

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

The value of these financial liabilities is measured at amortised cost with any interest thereon being recognised by the effective interest rate method.

c) Derivatives and hedge accounting

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

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

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

Embedded derivatives

Derivatives embedded in other financial instruments are separated out from the host contract and processed separately under IAS 39, whenever:

- The embedded derivative's economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract as defined in IAS 39; and
- The total combined financial instrument is not recognised at fair value, with the respective changes being recognised in profit and loss.

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

Hedge derivatives

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

At June 30, 2017 and 2016, the Group only hedged its exposure to changes in the fair value of financial instruments recognised in its balance sheet, referred to as "Fair value hedges".

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

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

To enable the use of hedge accounting under IAS 39, the ratio should lie within a range of 80% to 125%.

Hedge derivatives are recognised at fair value, with the results being assessed daily in income and costs for the year. 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 “Results from financial operations”. In the case of instruments with an interest component (e.g. interest rate swaps), accrued interest for the current period and realised cash flows are recognised in “Interest and similar income” and “Interest and similar costs” in net interest income.

Hedge accounting is discontinued whenever hedges cease to meet the hedge accounting requirements defined in the Standard or if Caixa revokes this designation. In such situations the adjustments made to hedged items up to the date upon which hedge accounting ceases to be effective or if the designation is revoked, are 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 accounts, respectively.

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

Trading derivatives

Trading derivatives include all derivatives not associated with effective hedge relationships in accordance with IAS 39, i.e.

- Derivatives hedging the risk on assets or liabilities recognised at fair value through profit or loss, thus rendering hedge accounting unnecessary;
- Risk hedging derivatives which do not meet IAS 39 hedge accounting requirements, owing to the difficulty in specifically identifying the hedged items, in cases other than micro-hedges or if the results of the effectiveness tests fall outside the range permitted by IAS 39; and
- Derivatives contracted for trading purposes.

Trading derivatives are recognised at fair value, with daily changes being recognised in income and costs for the period in “Results from financial operations”, except for the part relating to accrued and liquidated interest, which is recognised in “Interest and similar income” and “Interest and similar costs”. Positive and negative revaluations are recognised in “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss”, respectively.

d) Impairment of financial assets

Financial assets at amortised cost

The Group periodically analyses impairment on its financial assets recognised at amortised cost, namely: “Loans and advances to credit institutions, “Loans and advances to customers” and amounts receivable, recognised in “Other assets”.

Signs of impairment are assessed individually in the case of financial assets with significant exposure amounts and collectively in the case of like-for-like assets, whose debtor balances are not individually relevant.

Under IAS 39, the following events are considered to be signs of impairment on financial assets at amortised cost:

- Breach of contract, such as overdue payments of interest or principal;
- Incidents of default in the financial system;
- Any existing operations deriving from credit restructuring operations or from credit restructuring negotiations in progress;

- Difficulties in terms of the capacity of partners and management, i.e. when key partners or principal senior staff leave the company and disagreements between partners;
- A debtor's or debt issuing entity's significant financial difficulties;
- Strong probability of a debtor's or debt issuing entity's bankruptcy;
- A decrease in the debtor's competiveness;
- Historical records of collections suggesting that the nominal value will never be fully recovered.

Whenever there are any signs of impairment on individually assessed assets, any impairment loss comprises the difference between the present value of cash flow receivable projections (recoverable value) discounted at the asset's effective original interest rate and book value at the time of the analysis.

Assets which have not been specifically analysed are included in a collective impairment analysis, having, for the said purpose, been classified in like-for-like groups with similar risk characteristics (based on counterparty and credit type) assessed on the basis of the identification of the above referred to impairment indices. Cash flow is projected on the basis of historical information on defaults and recoveries of assets with similar characteristics.

Individually analysed assets on which no objective signs of impairment have been identified are also included in collective impairment assessments, as described in the preceding paragraph.

Impairment losses, calculated in the collective analysis, include the time effect of the discounting of cash flow receipt projections on each operation at the balance sheet date.

The amount of impairment is recognised in "Credit impairment, net of reversals and recoveries" and "Impairment of other assets, net of reversals and recoveries", in costs and recognised separately in the balance sheet as a deduction from the amount of the respective assets.

Write-offs/downs of principal and interest

The Group periodically writes off/down its non-recoverable credit from assets by declaring impairment after a specific analysis has been performed by the structural bodies responsible for the oversight and recovery of loans and the Board of Directors' approval. The following are also eligible to be written off from assets by Caixa, implying an impairment level of 100%: i) loans in arrears for more than 24 months; ii) loans not collateralised by a real guarantee.

Any recoveries of credit written-off/down from assets are recognised in profit and loss in "Credit impairment, net of reversals and recoveries".

In accordance with the policies in force, interest on overdue credit not collateralised by a real guarantee is written-off/down within three months from an operation's due date or first overdue instalment. Unrecognised interest on the above referred to loans is only recognised in the period in which it is collected.

Interest on overdue credit on mortgage-backed loans or loans with other real guarantees is not written-off/down if the accumulated amount of outstanding principal and overdue interest is less than the amount of the collateral.

<u>Available-for-sale financial assets</u>

As referred to in Note 2.6. a), available-for-sale financial assets are recognised at fair value. Changes in fair value are recognised in the "Fair value reserve" in equity.

Whenever there is any objective evidence of impairment, accumulated capital losses recognised in reserves, are transferred to costs for the period in the form of impairment losses and recognised in "Impairment of other assets, net of reversals and recoveries".

In addition to the above referred to signs of impairment on financial assets at amortised cost, IAS 39 also provides for the following specific signs of impairment on equity instruments:

- Information on significant changes having an adverse effect on the technological, market, economic or legal environment in which the issuing entity operates, indicating that the cost of the investment may not be fully recovered;
- A significant or prolonged decline in market value at below cost.

The Group performs an impairment analysis on available-for-sale financial assets at each financial statement's reference date, taking the referred to assets' nature and specific, individual 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; and
- When the fair value of a financial instrument remains below its respective acquisition cost for a period of more than 24 months.

The existence of unrealised capital losses of more than 30% for a period of more than nine months was also considered to be objective evidence of impairment.

As impairment losses on equity instruments cannot be reversed, any unrealised capital gains arising after the recognition of impairment losses are recognised in the "Fair value reserve". Impairment is always considered to exist if additional capital losses are assessed at a later stage, recognised in profit and loss for the period.

The Group also performs periodic impairment analyses on financial assets recognised at cost, i.e. unlisted equity instruments whose fair value cannot be reliably measured. The recoverable value, herein, is the highest projection of the cash flows receivable on the asset, discounted at a rate that adequately reflects the risk attached to holding the asset.

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

2.7. 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 single assets as well as groups of assets for disposal, either by sale or another aggregate means, in a single transaction, in addition to all liabilities directly associated with such assets, which may be transferred in the transaction (referred to as "groups of assets and liabilities for disposal").

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

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

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

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

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

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

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

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

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

(i) The last available valuation; and

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

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

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

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

2.8. Investment properties

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

Investment properties are not depreciated and are recognised at fair value, by appraisers.

Investment properties acquired on loan recovery operations are also included in the scope of the analysis of the individual and collective impairment assessment model applied to property classified as non-current assets held-for-sale (Note 2.7), whose fair balance sheet carrying amount is defined by reference to the assessment of its respective recoverable value.

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

2.9. Other tangible assets

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

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

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

	Years of useful life
Property for own use	50 - 100
Equipment:	
Furniture and material	8
Machines and tools	5 - 8
Computer equipment	3 - 8
Interior fittings	3 - 10
Transport material	4 - 6
Security equipment	4 - 10

Land is not depreciated.

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

Depreciation is recognised as a cost for the period.

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

The Group periodically assesses the adequacy of its tangible assets' estimated useful lives.

2.10. 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, as their respective repayments are processed.

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

<u>As lessor</u>

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

2.11. Intangible assets

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

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

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

Software maintenance expenses are recognised as a cost for the year 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 entitles it to more than 50% of the voting rights.

The Group's taxable profit is calculated on the algebraic sum of the taxable profit and 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 resulting from expenses or income which are not relevant for fiscal purposes or only considered in future 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 therein 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 period in which the referred to profits may eventually be distributed to Caixa.

  Credit impairment

  During the course of 2016, owing to the application of the Bank of Portugal's *Official Notice* 5/2015, Caixa started to prepare its condensed financial statements on its separate activity in accordance with the dispositions of the International Financial Reporting Standards as adopted at any time under a European Union Regulation, considering IAS 39 requirements on provisions for loans and other amounts receivable from January 1 of the referred to year.

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

The referred to Regulatory Decree, in line with the taxpayer's option, also included a transitory regime on write-offs or reductions of impairment losses recognised by the change in the accounting reference, as the result of the application of *Official Notice* 5/2015. Under the transitional regime, the positive difference between the amount of impairment losses on credit assessed with reference to the dispositions of *Official Notice* 3/95 and the impairment assessed in accordance with the new accounting standard, at January 1, 2016, is considered when assessing taxable income but only in respect of the part which exceeds the carry-back of still unused fiscal losses in taxation periods beginning on or after January 1, 2012.

Caixa exercised its option to apply the referred to transitional regime on its taxable income for 2016, having, for the purpose, used up the carry-back of its still unused tax losses balance, originating in 2013 and 2014 for the amount of €1,531,349 thousand.

In the absence of specific rules on the regime in force in 2017, in the processing of impairment losses on loans and other amounts receivable for fiscal purposes, Caixa considered the criteria established in the preliminary draft law regarding a change to article 28 C of the CIRC (Corporate Tax Code) in the preparation of its condensed financial statements for the half year ended June 30. 2017. Special reference should be made to the following:

- The impairment appropriations deriving from the individual analysis of loans are fully deductible;
- 75% of the amount of the impairment appropriations deriving from the collective analysis of loans are deductible; and
- The non-tax deductible loan impairment balance at December 31, 2016 which is now deductible under the new regime, will be a component part of taxable material over a period of 15 years, in accordance with the percentages defined in the referred to document.

The referred to regime aims to improve the level of correspondence between fiscal and accounting rules in order to ensure a smaller formation of deferred tax assets for temporary differences. Impairment herein, will only be declared on non-collateralised credit.

Caixa retains deferred tax assets associated with non tax deductible impairment on credit operations already written-off from assets, as it expects them to be included as taxable material in taxation periods in which the conditions required for the deduction thereof have been met, both on a level of the delay period (24 months), as in compliance with the limits provided for by current legislation, that, at December 31, 2016, comprised Regulatory Decree 5/2016 (referred to above), or, furthermore, in the event of the occurrence of any of the conditions provided for in article 41 of the Corporate Tax Code (bad debts).

- *Impairment of financial investments*

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

With the publication of Law 42/2016, article 51-C of the Corporate Tax Code was changed by an addendum to no. 6, which rules that, for 2017 and following periods, impairment losses and other value adjustments of equity investments or other own equity instruments included as part of taxable income, are considered to be positive components of the taxable profit for the taxation period in which the respective sale took place. As a result of this situation, in 2016, Caixa recognised deferred tax liabilities for the impairment of financial investments, deductible as a tax expense at the time of the formation thereof when the intention involves a sale or liquidation (or when in progress), for the amount of €95,906 thousand.

At June 30, 2017 and December 31, 2016, the amount of unrecognised deferred tax liabilities on impairment of tax deductible financial investments, to the extent of the unlikelihood of any changes to the Board of Directors' strategy regarding the management of such investments, namely no prospects of sale or liquidation in the foreseeable future, amounted to €71,348 thousand.

- *Employee costs*

CGD has considered its employee costs, processed and recognised in the accounts, including, *inter alia*, the costs associated with pension liabilities and other post-employment benefits to be tax deductible, up to the limit of the contributions effectively made. 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, are tax deductible, under article 43 of the IRC Code.

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 pension liabilities complied with the requirements of article 183 of Law 64-B/2011 of December 30, which approved 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.

At June 30, 2017 and December 31, 2016 Caixa had not recognised deferred tax on actuarial or financial profit and loss on its pension plan for active workers.

- *Settlement results*

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

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

CGD did not make any adjustment to its assessment of taxable income for the period ended June 30, 2017 and in 2016 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 their 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 there is a current (legal or constructive) obligation resulting from past events involving the probable future expenditure of resources and when this may be reliably assessed. The amount of the provision comprises the best estimate of the amount to be paid to liquidate the liability at the date of the balance sheet.

When not probable, the future expenditure of resources is considered to be a contingent liability. Contingent liabilities 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; and
- Legal, fiscal and other contingencies resulting from the Group's activity.

2.14. Employee benefits

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

Pensions and healthcare liabilities

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

Healthcare for CGD headquarters' active and retired employees is also provided by Caixa Geral de Depósitos's Social Services and funded by contributions from CGD headquarters and 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 assumptions. The rate used for liabilities discounting procedures is based on market interest rates on investment grade corporate bonds denominated in the currencies in which the liabilities are paid and with similar periods to maturity to the average settlement period on liabilities.

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

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

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

The impact of employees' early retirements, as defined in the actuarial study, is directly recognised in "Employee costs". Caixa also recognises a specific liability for the impact of the change to "no longer employed" status of employees with whom it has entered into voluntary redundancy agreements. This provision is also recognised as a charge to profit and loss in "Employee costs".

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

Other long term benefits

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

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

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

Short term benefits

Short term benefits, including employees' merit-based productivity bonuses, are recognised on an accrual basis in "Employee costs" for the respective period.

Voluntary redundancy benefits

Redundancy benefits include the costs deriving from voluntary redundancy agreements between Caixa and its employees. These costs are recognised in "Employee costs" in profit and loss.

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, in "Interest and similar income".

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

2.16. 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 and/or redemptions of dividends are exclusively at the Group's discretion, the securities issued are considered to be equity instruments. Preference shares issued by subsidiaries complying with these requirements are recognised in "Non-controlling interests" in the consolidated balance sheet.

2.17. 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, preferably at their fair or nominal value.

2.18. Cash and cash equivalents

For the preparation of its condensed consolidated statement of cash flow, the Group considers "Cash and cash equivalents" to be the "Cash and cash equivalents at central banks" and "Cash balances at other credit institutions" total.

2.19. Critical accounting estimates and more relevant judgmental aspects for the application of accounting policies

The application of the above described accounting policies requires Caixa' s Executive Committee and Group companies to make estimates. The following estimates have the greatest impact in the Group's condensed consolidated financial statements set out below.

Measurement of impairment losses on loans and other amounts receivable

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

Collective impairment is assessed on historical parameters for comparable types of operations, considering default and recovery estimates.

Caixa considers that the measurement of impairment based on this methodology enables the risks on its loan portfolio to be adequately recognised, in line with the rules defined in IAS 39.

Measurement of impairment losses on assets as a charge to fair value reserves

According to the measurement requirements on such assets, capital losses on the depreciation of the assets' market value are recognised as a charge to the Fair value reserve. Whenever objective evidence of impairment exists, the accumulated capital losses recognised in the Fair value reserve are transferred to costs for the period.

The measurement 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 criterion, impairment is assessed whenever the amount invested is unlikely to be fully recovered owing to the size of the capital loss.

In the case of debt instruments recognised in this category, capital losses are transferred from the "Fair value reserve" to profit and loss, whenever there are any signs of a possible default on contractual cash flows, i.e. owing to an issuing entity's financial difficulties, defaults on other financial liabilities or a significant rating downgrade.

Measurement of financial instruments not traded in active markets

Under IAS 39, the Group measures all financial instruments at fair value, unless recognised at amortised cost. The valuation models and techniques described in Note 2.6. are used to measure the value of financial instruments not traded in liquid markets. The valuations obtained comprise the best estimate of the fair value of the referred to instruments, at the date of the balance sheet. To guarantee adequate separation between functions, the measurement of such financial instruments is assessed by a body that is independent from the trading function.

Employee benefits

As referred to in Note 2.14. above, the Group's liabilities for its employees' post-employment and other long term benefits are assessed on an actuarial basis. The actuarial calculations incorporate, *inter alia,* financial and actuarial assumptions on mortality, disability, wages and pension growth, asset yields for hedging this liability and discount rates. The assumptions adopted are the Group's and its actuaries' best estimates of the future performance of the respective variables.

Income tax assessment

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

The Group's recognition of deferred tax assets, including those in respect of the carry-back of tax losses, is based on the expectation of future taxable profit enabling them to be realised, assessed on the basis of more up-to-date projections on accounting income and considering the plan for the reduction of non-performing assets submitted to the supervisors.

3. GROUP COMPANIES AND TRANSACTIONS IN PERIOD

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

Activity / Entity	Head office	30-06-2017			31-12-2016	
		% Effective participating interest	Equity (a)	Net income	Equity (a)	Net income
Holding Companies						
Caixa - Gestão de Activos, SGPS, S.A.	Lisbon	100.00%	26,852	(97)	26,949	9,245
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	74,877	7,953	66,253	(2,574)
Caixa Desenvolvimento, SGPS, S.A.	Lisbon	99.75%	315	(0)	315	(48)
Caixa Seguros e Saúde, SGPS, S.A.	Lisbon	100.00%	1,302,202	13,465	1,248,638	32,492
Parbanca, SGPS, S.A.	Madeira	100.00%	48,030	7,687	35,593	12,222
Parcaixa SGPS, S.A.	Lisbon	100.00%	1,019,687	4,030	1,010,697	(5,419)
Partang, SGPS, S.A.	Lisbon	100.00%	175,951	11,527	175,465	33,541
Wolfpart, SGPS, S.A.	Lisbon	100.00%	(118,311)	(21)	(118,289)	(133,471)
Banking						
Banco Caixa Geral, S.A.	Vigo	99.79%	503,946	12,758	462,626	25,400
Banco Comercial do Atlântico, S.A.	Praia	57.91%	47,823	734	47,869	3,121
Banco Comercial e de Investimentos, S.A.R.L.	Maputo	52.13%	184,186	15,953	149,639	19,661
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	107,244	20,828	98,060	2,621
Banco Interatlântico, S.A.R.L.	Praia	70.00%	16,494	606	15,871	108
Banco Nacional Ultramarino, S.A. (Macau)	Macau	100.00%	713,229	32,215	776,987	63,356
Caixa - Banco de Investimento, S.A. (b)	Lisbon	99.75%	352,870	28,147	316,929	1,433
CGD - North America Finance	Delaware	100.00%	1	-	1	-
CGD Investimentos CVC, S.A.	São Paulo	99.87%	38,452	40,991	1,049	244
Mercantile Bank Holdings, Ltd. (b)	Johannesburg	100.00%	148,853	6,987	149,124	10,821
Banco Caixa Geral Angola, S.A.	Luanda	51.00%	273,363	34,562	297,360	72,433
Specialised Credit						
Caixa Leasing e Factoring - Instituição Financeira de Crédito, S.A.	Lisbon	100.00%	115,938	8,403	107,535	141
Promoleasing - Sociedade de Locação Financeira, S.A.	Praia	57.91%	304	2	303	9
Asset Management						
Caixagest - Técnicas de Gestão de Fundos, S.A.	Lisbon	100.00%	29,714	1,465	28,707	2,207
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	8,613	962	7,651	1,448
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisbon	100.00%	4,383	575	3,808	1,608
Venture Capital						
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	45.30%	3,277	132	3,145	(47)
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	99.75%	8,868	1,553	27,315	2,462
Real Estate						
Imobci, Lda.	Maputo	45.21%	(983)	(1,052)	116	(123)
Imocaixa - Gestão Imobiliária, S.A.	Lisbon	100.00%	(11,912)	(104)	(11,808)	(18,626)
Caixa Imobiliário, S.A.	Lisbon	100.00%	(76,596)	(223)	(43,077)	(63,215)
Inmobiliaria Caixa Geral S.A.U.	Madrid	100.00%	(73,960)	(4,222)	(69,738)	(8,214)
Cibergradual, Investimento Imobiliário, S.A.	Lisbon	100.00%	(98,880)	(2,120)	(96,760)	(37,326)
Other Financial Entities						
CGD Finance	Cayman	100.00%	2,538	(11)	2,549	(20)
Caixa Geral Finance (c)	Cayman	0.00%	111,215	825	111,215	(4)
Interbancos, S.A.R.L.	Maputo	29.71%	1,636	312	1,586	398

(a) Equity includes net income for the year.

(b) Data taken from consolidated financial statements.

(c) Share capital comprises 1 000 ordinary shares of EUR 1 and 110 728 non-voting preference shares of EUR 1 000 each (110 728 preference shares in 31-12-2016).

Activity / Entity	Head office	30-06-2017 % Effective participating interest	30-06-2017 Equity (a)	30-06-2017 Net income	31-12-2016 Equity (a)	31-12-2016 Net income
Other Companies						
Caixanet - Telemática e Comunicações, S.A.	Lisbon	80.00%	1,894	23	1,871	37
Caixatec, Tecnologias de Comunicação, S.A.	Lisbon	100.00%	(1,706)	(362)	(1,371)	85
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%	153,757	2,276	206,482	(25,006)
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	21,930	(1,654)	17,978	(2,820)
Fundo de Capital de Risco Caixa Fundos	Lisbon	100.00%	138,701	1,044	202,657	7,006
Fundo de Capital de Risco Caixa Crescimento	Lisbon	100.00%	89,984	(1,322)	91,306	(558)
Fundo de Capital de Risco Caixa Tech Trsf Accelerator Ventures	Lisbon	-	-	-	5,607	(289)
Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	Lisbon	100.00%	112,682	1,876	110,805	(3,636)
Fundo Especial de Investimento Aberto Estratégias Alternativas	Lisbon	74.08%	12,167	43	12,333	(449)
Caixa Imobiliário - Fundo de Investimento Fechado de Arrendamento Habitacional	Lisbon	100.00%	38,057	(329)	38,387	(3,708)
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	38.94%	112,749	9,033	116,108	5,236
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Lisbon	40.60%	190,892	5,322	199,348	(2,184)
Caixagest Infra-Estruturas - Fundo Especial de Investimento	Lisbon	21.87%	106,785	4,601	106,433	12,567
Beirafundo - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	(1,233)	(716)	(517)	(712)
Cidades de Portugal - Fundo de Investimento fechado de Arrendamento Habitacional	Lisbon	100.00%	30,065	187	29,878	175
Fundolis - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	49,241	(503)	49,744	(7,506)
Fundimo - Fundo de Investimento Imobiliário Aberto	Lisbon	58.07%	571,176	11,556	562,723	404
Fundo especial de investimento - Obrigacoes Rendimento Nacional	Lisbon	31.51%	100,178	(29)	100,371	3,669
Fundiestamo - Fundo de Investimento Imobiliário Fechado	Lisbon	78.08%	148,885	3,602	145,283	4,026
Fundo Especial de Investimento Imobiliário Fechado - Iberia	Lisbon	100.00%	81,535	(627)	82,162	(1,276)

(a) Equity includes net income for the year.

Information on the principal movements in the Group's subsidiaries for the first six months ended June 30, 2017 and in 2016 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 as an incorporation of reserves and 1,789,709,460 MZN based on the issuance of 72,752,418 new shares. The Group's investment in this operation was made through Parbanca, SGPS, S.A., which has a 51% equity stake in BCI, based on a subscription for 912,751,820 MZN in new shares at a unit price of 24.60 MZN (including a share issuance premium of 14.60 MZN).

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

Ibéria - Fundo Especial de Investimento Imobiliário

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

Fundo de Capital de Risco Caixa Crescimento

Fundo Caixa Crescimento, FCR, formed on June 28, 2013, operates in the venture capital area by investing in SMEs or midcaps headquartered in Portugal which require funding for their respective investment plans to strengthen their production capacity, expand into new markets, sustain their growth strategies or reinforce structural funding needs for their operating cycle.

An increase in the Fund's capital was approved in first half 2016, based on the issuance of 30,000 investment units for a nominal amount of €1,000 each, fully paid up by Caixa. This capital increase follows the €30,000 thousand capital increase made in 2015, which was also subscribed for by CGD.

Fundo de Capital de Risco Caixa Fundos

During the course of first half 2017, based on a resolution passed at its general meeting, Caixa Capital (Fund manager) reduced the subscribed for capital of FCR Caixa Fundos, by extinguishing 107,640 investment units all of which subscribed for by Caixa Geral de Depósitos, S.A. This reduction occurred on account of the fact that it was considered that the outstanding subscribed for capital exceeded the amount of the commitments and that the Fund was not likely to be making new investments.

Fundo de Capital de Risco Caixa Tech Transfer Accelerator Ventures

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

The Fund's corporate object is to perform a venture capital activity by investing in technology companies with medium to high growth potential, with projects in the scientific field originating in the domestic and international science-technology system. June 22, 2017 witnessed its merger with Fundo de Capital de Risco Empreender +, to which its equity and current profit for the period were transferred. On the basis of this merger the capital structure of *Fundo de Capital de Risco Empreender* + was held by Caixa Geral de Depósitos and *Fundo de Capital de Risco Caixa Fundos*, in a ratio of 76.23% (500 investment units) to 26.77% (155.9277 investment units), respectively.

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

CGD took a minority stake of 8.83% in *FIIAH - Caixa Arrendamento* for the amount of €10,278 thousand from Fidelidade - Companhia de Seguros, S.A. during the course of 2015. This transaction was complemented by the acquisition of residual equity investments from *Fundo de Pensões Império Bonança* and FIIF - Fundicapital (3.09% and 0.23%, respectively). These operations gave Caixa full ownership of the Fund's capital.

Fundo Especial de Investimento Imobiliário Fechado (FEII – Caixa Reabilita)

Based on a resolution of its sole shareholder, Caixa Geral de Depósitos, Caixa Reabilita, formed as a corporate vehicle for the Group's equity investment in the sphere of the JESSICA Community initiative, sold its equity investment in *Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional - Cidades de Portugal* to CGD (*Fundo Cidades de Portugal*), representing 30% of its capital, at the Fund's closing value at November 30, 2016. This operation gave Caixa Geral de Depósitos direct title to the full amount of the equity of *Fundo Cidades de Portugal.*

Following the completion of this operation, Caixa Reabilita ceased its operations, with the liquidation proceeds being paid into the disbursement accounts of the JESSICA (*Fundo de Desenvolvimento Urbano FDU*) line of credit.

Fundo de Capital de Risco Grupo CGD

Formed in 1995, CGD Group's venture capital fund has a subscribed and paid up capital of €296,145 thousand in the form of 5,680 investment units. On October 2015 CGD approved a capital reduction through the 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.

During the course of first half 2017, based on a resolution passed at the general meeting, Caixa Capital reduced FCR Grupo CGD's capital by €78,885 thousand, with the distribution of €55,001 thousand to free up excess capital which is now down from €296,145 thousand to €217,260 thousand, comprising 4,167 investment units fully held by Caixa Geral de Depósitos, S.A.

Parcaixa

As a result of the heads of agreement between the Portuguese State and the European Commission and as part of Caixa Geral de Depósitos, S.A.'s recapitalisation process, the State shareholder passed a resolution on January 4, 2017, indirectly transferring its equity investment in Parcaixa, SGPS, S.A. to CGD, comprising the payment in kind of 490,000,000 equity shares for the amount of €498,996 thousand, as the book value of the Portuguese State's investment in the referred to company. As result of this transaction Caixa Geral de Depósitos, S.A. now owns 100% of the share capital of this holding company.

4. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This account comprises the following:

	30-06-2017	31-12-2016
Cash	630,619	710,051
Demand deposits in central banks	3,807,568	1,130,502
	4,438,187	1,840,553
Interest on demand deposits in central banks	17	6
	4,438,204	1,840,560

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

The funds deposited at central banks by Caixa and Group banks at June 30, 2017 and December 31, 2016, complied with the minimum limits defined by the regulations in force in the countries in which they operate.

5. CASH BALANCES AT OTHER CREDIT INSTITUTIONS

This account comprises the following:

	30-06-2017	31-12-2016
Cheques for collection		
- Portugal	69,544	69,112
- Abroad	29,161	37,401
	98,704	106,513
Demand deposits		
- Portugal	186,782	158,935
- Abroad	440,925	491,086
	627,707	650,022
Accrued interest	817	1,192
	727,229	757,726

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

6. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This account comprises the following:

	30-06-2017	31-12-2016
Interbank money market	25,000	-
Term deposits		
- Portugal	3,165	31,095
- Abroad	1,256,796	1,286,027
Loans		
- Portugal	306	332
- Abroad	139,794	152,800
Other applications		
- Portugal	17,525	2,506
- Abroad	1,485,580	1,588,983
Purchase operations with resale agreement	175,839	157,598
Overdue loans and interest	7,152	7,152
	3,111,156	3,226,492
Accrued interest	3,201	2,215
Deferred income	(2,124)	(3,786)
	3,112,233	3,224,922
Impairment (Note 34)	(7,125)	(7,125)
	3,105,108	3,217,797

At June 30, 2017 and December 31, 2016, the accumulated impairment balance on loans and advances to credit institutions included €7,125 thousand, on exposures to banks headquartered in the Republic of Iceland.

At June 30, 2017 and December 31, 2016, the "Purchase operations with resale agreements" account referred to contracts for the acquisition of financial instruments with a resale agreement at a future date at a predefined price. The financial instruments acquired in these operations are not recognised in the balance sheet and their purchase price continues to be recognised as a loan to credit institutions, measured at their respective amortised cost. The referred to operations were contracted for under GMRAs (Global Master Repurchase Agreements) providing for mechanisms to strengthen the collateral associated with such transactions on the basis of the evolution of their respective market value which is assessed on the specifications agreed between the counterparties and usually takes the form of surety deposits.

Information on impairment movements on loans and advances to credit institutions, for the half years ended June 30, 2017 and 2016, is set out in Note 34.

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

These accounts comprise the following:

	30-06-2017			31-12-2016		
	Held for trading	At fair value through profit or loss	Total	Held for trading	At fair value through profit or loss	Total
Debt instruments						
- Public issuers:						
. Public debt securities	2.353	-	2.353	2.655	-	2.655
. Treasury bills	3.625.604	-	3.625.604	2.296.420	-	2.296.420
. Bonds of other public						
Foreign	2.698.600	-	2.698.600	2.569.590	-	2.569.590
- Other issuers:						
. Bonds and other securities:						
Issued by residents	128	-	128	587	-	587
Issued by non-residents	14.364	-	14.364	17.747	4.969	22.715
	6.341.049	-	6.341.049	4.886.999	4.969	4.891.968
Equity instruments						
Residents	3.715	55.515	59.230	2.729	57.602	60.332
Non-residents	29.863	109.100	138.963	34.438	107.759	142.198
	33.578	164.614	198.192	37.168	165.361	202.529
Other financial instruments						
- Trust fund units						
Residents	-	94.801	94.801	-	100.343	100.343
Non-residents	-	422.652	422.652	-	449.219	449.219
	-	517.453	517.453	-	549.562	549.562
Derivatives with positive fair value (Note 10)						
- Swaps	957.352	-	957.352	1.203.386	-	1.203.386
- Futures and other forward operations	15.312	-	15.312	21.884	-	21.884
- Options - shares and currency	44.770	-	44.770	64.269	-	64.269
- Caps and floors	153.179	-	153.179	220.328	-	220.328
	1.170.614	-	1.170.614	1.509.867	-	1.509.867
	7.545.241	682.067	8.227.309	6.434.034	719.892	7.153.925

Financial assets held-for-trading and other financial assets at fair value through profit or loss at June 30, 2017 and December 31, 2016, include investment units in unit trust and property investment funds managed by Group entities, for the amounts of €47,249 thousand and €49,269 thousand, respectively.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account comprises the following:

	30-06-2017	31-12-2016
Debt instruments		
- Public debt	3,521,987	3,436,812
- Other public issuers	1,371,318	1,399,105
- Other issuers	1,878,636	1,432,236
	6,771,942	6,268,153
Equity instruments		
- Measured at fair value	254,352	263,557
- Measured at historical cost	177,823	178,335
	432,175	441,891
Other instruments	1,170,445	1,198,344
	8,374,562	7,908,388
Impairment (Note 34)		
- Equity instruments	(113,918)	(126,238)
- Debt instruments	(5,546)	(9,927)
- Other instruments	(337,504)	(342,711)
	(456,968)	(478,876)
	7,917,594	7,429,512

At June 30, 2017 and December 31, 2016 the “Debt instruments – public debt” account included securities allocated to the issuance of covered bonds with a book value of €141,657 thousand and €142,693 thousand, respectively (Note 20).

The bonds issued by Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. under the reorganisation process of the liquidity re-organisation support operations with the former BPN (Note 6) are covered by a Portuguese-State-backed guarantee. The bonds were reclassified in 2016 to loans and advances to customers.

At June 30, 2017, “Other instruments” and “Impairment - other instruments” included €771,817 thousand and €240,496 thousand, respectively (€779,414 thousand and €241,297 thousand respectively at December 31, 2016) in subscriptions for investments in corporate vehicles set up in the sphere of assignments of financial assets (loans and advances to customers).

Following the transfer of the referred to assets (to the company itself or other companies held by the corporate vehicle in which the Group has a stake), the latter were derecognised from the balance sheet, as it was considered that the respective IAS 39 requirements, i.e. the transfer of a substantial part of the risks and benefits associated with the credit operations and their respective control, had been met. The corporate vehicles in which CGD has a non-controlling interest continue to be autonomous in terms of management. To ensure the neutrality of operations, at the time of performance, impairment on the estimated losses on the transferred assets was set against the amount of the equity investment in the associated corporate vehicles. Following their initial recognition, these positions reflect the revaluation of such companies' equity.

Group exposure at June 30, 2017 and December 31, 2016 was as follows:

	30-06-2017			
	Securities acquiried on asset transfer operations			
	Value before impairment	Accumulated impairment	Net	Fair value reserve
Fundo Imobiliário Aquarius	163,962	(46,797)	117,164	-
Fundo Recuperação, FCR	153,277	(45,856)	107,421	-
Flit-Ptrel SICAV	110,580	(21,442)	89,138	-
Discovery Portugal Real Estate Fund	110,834	(25,121)	85,712	7,600
OXI Capital, SCR	79,313	(3,476)	75,837	-
Fundo Recuperação Turismo, FCR	46,105	(13,597)	32,508	338
Fundo Imobiliário Vega	32,874	(13,663)	19,212	1,358
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	6,383	(2,053)	4,330	-
Vallis Construction Sector	68,491	(68,491)	-	-
	771,817	(240,496)	531,321	9,297

	31-12-2016			
	Securities acquiried on asset transfer operations			
	Value before impairment	Accumulated impairment	Net	Fair value reserve
Fundo Imobiliário Aquarius	163,961	(46,797)	117,164	-
Fundo Recuperação, FCR	161,629	(46,805)	114,824	-
Flit-Ptrel SICAV	110,243	(21,442)	88,801	-
Discovery Portugal Real Estate Fund	110,514	(25,121)	85,393	7,600
OXI Capital, SCR	79,388	(3,329)	76,059	56
Fundo Recuperação Turismo, FCR	46,159	(13,597)	32,562	392
Fundo Imobiliário Vega	32,645	(13,663)	18,983	1,358
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	6,383	(2,053)	4,330	-
Vallis Construction Sector	68,491	(68,491)	-	-
	779,414	(241,297)	538,116	9,407

At December 31, 2016 the measurement of the asset transfer funds considers an analysis carried out by Caixa on the recoverable value of each fund's equity, for which the amount recognised may be less than the respective NAV, as calculated and disclosed by the management companies. At June 30, 2017 and December 31, 2016 provisions for additional depreciation were also recognised in "Provisions for other risks and liabilities" for the amount of €5,000 thousand and €5,019 thousand, respectively. During the course of 2016 a part of the balance on this provision was used to reduce the net balance sheet carrying amount of these funds.

Complementary to the equity stakes in these corporate vehicles, in the case of certain operations Caixa also made shareholders' loans and accessory capital payments, recognised in "Other assets", with a balance sheet carrying amount of €52,361 thousand and €51,857 thousand, respectively, at June 30, 2017 and December 31, 2016, fully provisioned (Note 17).

At June 30, 2017 and December 31, 2016, the balance sheet carrying amount and impairment value of securities and property funds managed by Group entities and recognised in the available-for-sale financial assets portfolio, were as follows:

	Balances at 30-06-2017		Balances at 31-12-2016	
	Securities Investment Funds	Real Estate Investment Funds	Securities Investment Funds	Real Estate Investment Funds
Book value	11.117	30.721	10.257	30.450
Impairment	-	(12.108)	-	(12.108)
	11.117	18.613	10.257	18.342

At June 30, 2017 and December 31, 2016, equity instruments included the following investments:

	30-06-2017						
	Banking	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net amounts	Fair value reserve	Effective participating interest (%)
Measured at fair value							
Inapa - Investimentos, Participações e Gestão, S.A.	-	32,756	32,756	(16,378)	16,378	5,956	16.84
Galp Energia, SGPS, S.A.	-	14,124	14,124	-	14,124	1,548	0.07
La Seda Barcelona, S.A.	52,878	-	52,878	(52,878)	-	-	14.24
A.Silva & Silva - Imobiliário e Serviços, S.A.	-	21,300	21,300	(21,300)	-	-	19.64
VISA Inc Classe C (série US92826C3007)	16,016	-	16,016	-	16,016	14,551	
VISA Inc Classe C (série US92826C7974)	8,658	-	8,658	-	8,658	1,258	
Foreign entities' shares	1,513	-	1,513	-	1,513	793	
Other	-	107,109	107,109	(17,653)	89,456	28,633	
	79,064	175,288	254,352	(108,208)	146,144	52,739	
Measured at historical cost							
Águas de Portugal, S.A.	153,003	-	153,003	-	153,003	-	9.69
VAA - Vista Alegre Atlantis, S.A.	4,058	-	4,058	(1,178)	2,880	-	4.48
Other	-	-	20,762	(4,531)	16,231	-	
	157,061	-	177,823	(5,709)	172,114	-	
	236,125	175,288	432,175	(113,918)	318,257	52,739	

	31-12-2016						
	Banking	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net amounts	Fair value reserve	Effective participating interest (%)
Measured at fair value							
SICAR NovEnergia II	-	68,654	68,654	-	68,654	26,231	11.12
Inapa - Investimentos, Participações e Gestão, S.A.	-	26,800	26,800	(14,889)	11,911	-	16.84
Galp Energia, SGPS, S.A.	-	15,120	15,120	-	15,120	2,544	0.07
La Seda Barcelona, S.A.	52,878	-	52,878	(52,878)	-	-	14.24
Finpro, SGPS, S.A.	-	23,818	23,818	(23,818)	-	-	17.17
A.Silva & Silva - Imobiliário e Serviços, S.A.	-	21,300	21,300	(21,300)	-	-	19.64
VISA Inc Classe C (série US92826C3007)	14,433	-	14,433	-	14,433	12,848	
VISA Inc Classe C (série US92826C7974)	7,520	-	7,520	-	7,520	(492)	
Foreign entities' shares	1,605	21,415	23,020	(2,375)	20,645	6,396	
Other	-	10,015	10,015	(5,236)	4,779	(812)	
	76,435	187,122	263,557	(120,495)	143,062	46,716	
Measured at historical cost							
Águas de Portugal, S.A.	153,003	-	153,003	-	153,003	-	9.69
VAA - Vista Alegre Atlantis, S.A.	4,058	-	4,058	(1,178)	2,880	-	4.48
Other	-	-	21,274	(4,565)	16,709	-	
	157,061	-	178,335	(5,743)	172,592	-	
	233,496	187,122	441,891	(126,238)	315,653	46,716	

The following criteria were used to prepare the above tables:

- The “Investment banking and venture capital” column includes the securities held by Caixa - Banco de Investimento and the Group’s venture capital area, including consolidated venture capital funds (Note 3);
- Securities held by other entities were allocated to “Banking activity”.

Information on the available-for-sale financial assets fair value reserve at June 30, 2017 and December 31, 2016 is given below.

	30-06-2017	31-12-2016
Fair value reserve (Note 25)		
(gross amount before non-controlling interests)		
Debt instruments	37,790	(146,242)
Equity instruments	52,739	46,716
Other instruments	45,523	50,714
	136,052	(48,813)
Deferred tax reserve	(36,177)	5,207
	99,875	(43,607)
Balance attributable to non-controlling interests	5,027	3,058
	104,902	(40,548)

The principal movements relating to equity instruments classified as available-for-sale financial assets for the half years ended June 30, 2017 and at December 31, 2016, were as follows:

VISA Europe Limited and VISA Incorporated Category C

Deriving from the reorganisation process on its operations undertaken by the Visa network and after obtaining the necessary approvals from the relevant regulatory authorities, Visa Inc's proposal for the acquisition of Visa Europe was brought to a successful conclusion in June 2016. As a result of this transaction, Caixa recognised capital gains of €36,256 thousand on the transfer of ownership of its investment in Visa Europe with a nominal value of €10 (Note 30).

The assessment of the profit made on the operation included the valuation of the diverse components incorporated in the procedure agreed for the settlement of the transaction, including (i) a cash payment made on the sale's closure date, (ii) a deferred cash payment to be made on the sale's third anniversary and (iii) the delivery of 9,608 convertible preference shares (Category C).

The referred to preference shares' balance sheet carrying amount, at June 30, 2017 and December 31, 2016, totalled €8,658 thousand and €7,520 thousand, respectively.

Reclassification of securities

Caixa Geral de Depósitos

In 2008 and first half 2010, under the terms of the October 2008 amendments to IAS 39, as described in further detail in Note 2.6. 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" categories.

Caixa' s reclassifications, deriving from the instability of and volatility in the financial markets, particularly in 2010, as regards the evolution of credit markets which were badly affected by the disturbances in the funding of Euro Zone countries' sovereign debt, changed Caixa' s outlook on the disposal of these assets which were no longer expected to be sold over the short term. The transfer of securities in first half 2010 essentially comprised sovereign debt instruments, securities issued by government agencies and other credit instruments issued by financial institutions directly affected by the turmoil in Euro Zone public debt markets.

Caixa also reclassified bonds from "Available-for-sale financial assets" to "Loans and advances to customers" in first half 2010.

The bonds issued by the companies Parvalorem S.A., Parups S.A. and Parparticipadas S.A. were also reclassified from “Available-for-sale financial assets” to “Loans and advances to customers” in the last quarter of 2016. The referred to vehicles were created to manage the assets portfolios acquired by the Portuguese State as part of the reprivatisation of the former BPN, with the referred to issuance being collateralised by a State-backed guarantee. The reclassification was decided on account of the specific characteristics of the origin of such issuances, not tradable by nature and considering CGD’s intention and capacity to hold on to these securities in the foreseeable future.

The impact of the reclassification of these securities in profit and loss and the fair value reserve was as follows:

Securities reclassified in 2008

	30-06-2017	31-12-2016
	Financial assets at fair value as a charge to revaluation reserves	Financial assets at fair value as a charge to revaluation reserves
Book value at reclassification date	55,369	57,491
Book value	59,125	60,098
Fair value of securities reclassified	59,125	60,098
Fair value reserve of securities reclassified	3,539	3,252
Gains / (losses) associated with the change of the fair value of securities		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	287	(24,244)
Impairment for the year	-	-
Other gains and losses recognised as a charge to net income	572	25,616

Securities reclassified in 2010

	30-06-2017	31-12-2016
	Financial assets at fair value as a charge to revaluation reserves	Financial assets at fair value as a charge to revaluation reserves
Book value at reclassification date	-	101
Book value	-	136
Fair value of securities reclassified	-	136
Fair value reserve of securities reclassified	-	(113)
Gains / (losses) associated with the change of the fair value of securities		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	113	(18)
Other gains and losses recognised as a charge to net income	(147)	-

Securities reclassified in 2016

	30-06-2017	31-12-2016
	Financial assets at amortised cost	Financial assets at amortised cost
Book value at reclassification date	2,246,210	2,246,210
Book value	1,816,579	1,797,173
Fair value of securities reclassified	1,816,616	1,810,914
Fair value reserve of securities reclassified to be amortized	73,754	81,656

The amounts do not include the fiscal effect.

“Profit/(loss) as a charge to results, includes the proceeds from the disposal of securities after the reclassification date and foreign exchange revaluations and excludes income and costs on interest and commissions.

The reclassification of bonds issued by the companies Parvalorem S.A., Parups S.A. and Parparticipadas S.A., from “Available-for-sale financial assets” to “Loans and advances to customers", was followed by repayments of principal and the payment of interest for the amounts of €383,350 thousand and €70,610 thousand, respectively.

The amounts of securities reclassified as financial assets at fair value as a charge to reserves, in 2008, include investment units in funds latterly included in the consolidation perimeter. Information on this asset, at June 30, 2017 and December 31, 2016, is set out below:

	30-06-2017	31-12-2016
Financial assets at fair value as a charge to revaluation reserves		
Book value	9,388	11,128
Fair value of securities reclassified	9,388	11,128
Fair value reserve of securities reclassified	3,599	3,948
Gains / (losses) associated with the change of the fair value of securities		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	(349)	(5,419)
Other gains and losses recognised as a charge to net income	507	7,358

9. FINANCIAL ASSETS WITH REPURCHASE AGREEMENTS

Information on financial assets with repurchase agreements at June 30, 2017 and December 31, 2016, is set out below:

	30-06-2017	31-12-2016
At fair value through revaluation reserves		
Debt instruments		
- From public issuers:		
. Portuguese debt securities	301.403	354.252
. Foreign debt securities	4.420	4.431
- From other issuers:		
. Bonds and other securities:		
Residents	-	187.114
Non-residents	25.168	19.793
	330.991	565.590
At amortised cost		
Loans and advances to customers		
Residents	-	234.830
	-	234.830
Impairment (Note 34)	(580)	(688)
	330.411	799.732

The Group entered into financial assets sale operations with purchase agreements at a future date at a predefined price with financial institutions and customers in the six months period ended June 30, 2017 and in 2016.

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

Liabilities on the repurchase agreement are recognised in “Other credit institutions’ resources – Sales operations with repurchase agreements” (Note 18) and “Customer resources and other loans – Other resources – Sales operations with repurchase agreements” (Note 19).

10. DERIVATIVES

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

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

At June 30, 2017 and December 31, 2016, these operations were valued in accordance with the criteria described in Note 2.6. c). Information on the operations' notional and book values at the said dates is given below:

	30-06-2017							
	Notional value			Book value				
						Hedging derivatives		
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Assets	Liabilities	Total
Forward foreign exchange transactions								
Forwards exchange				3,700	(7,612)	-	-	(3,912)
Purchase	1,347,391	-	1,347,391					
Sale	1,352,498	-	1,352,498					
NDF's (Non Deliverable Forward)				545	(949)	-	-	(404)
Purchase	33,057	-	33,057					
Sale	31,564	-	31,564					
Swaps								
Currency swaps				5,217	(9,175)			(3,958)
Purchase	659,974	-	659,974					
Sale	663,895	-	663,895					
Shares and indexes				60	(26)	-	-	34
Purchase	2,318	-	2,318					
Sale	2,317	-	2,317					
Interest rate swaps and cross currency interest rate swaps				952,075	(1,031,928)	7,431	(3,903)	(76,325)
Purchase	52,230,150	75,664	52,305,814					
Sale	52,153,997	80,767	52,234,764					
Futures								
Currency				-	-	-	-	-
Long positions	116,943	-	116,943					
Short positions	34,562	-	34,562					
Interest rate				6	-	-	-	6
Long positions	-	-	-					
Short positions	3,332,218	-	3,332,218					
Shares and indexes				923	-	-	-	923
Long positions	8,954	-	8,954					
Short positions	10,579	-	10,579					
Other			-	10,139	-	-	-	10,139
Long positions	140,120		140,120					
Short positions	589,350		589,350					
Options								
Currency				898	(953)	-	-	(55)
Purchase	82,004	-	82,004					
Sale	61,379	-	61,379					
Shares and indexes				43,872	(48,706)	-	-	(4,834)
Purchase	561,034	-	561,034					
Sale	578,776	-	578,776					
Interest rates (Caps & Floors)				153,179	(162,664)	-	-	(9,485)
Purchase	2,067,940	-	2,067,940					
Sale	2,451,646	-	2,451,646					
Other	-	-	-	-	(3,701)	-	-	(3,701)
	118,512,666	156,431	118,669,097	1,170,614	(1,265,715)	7,431	(3,903)	(91,573)

	31-12-2016							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading	Liabilities held for trading	Hedging derivatives		Total
						Assets	Liabilities	
Forward foreign exchange transactions								
Forwards exchange				1,479	(3,356)	-	-	(1,877)
Purchase	1,147,758	-	1,147,758					
Sale	1,150,080	-	1,150,080					
NDF's (Non Deliverable Forward)				9,048	(1,894)	-	-	7,154
Purchase	107,718	-	107,718					
Sale	96,773	-	96,773					
Swaps								
Currency swaps				22,283	(1,456)	-	-	20,827
Purchase	724,257	-	724,257					
Sale	703,404	-	703,404					
Shares and indexes				-	(19)	-	-	(19)
Purchase	2,041	-	2,041					
Sale	2,041	-	2,041					
Interest rate swaps and cross currency interest rate swaps				1,181,103	(1,382,482)	9,541	(2,197)	(194,035)
Purchase	51,921,273	128,628	52,049,901					
Sale	51,818,663	132,293	51,950,956					
Credit default swaps				-	(69)	-	-	(69)
Purchase	75,894	-	75,894					
Sale	47,434	-	47,434					
Futures								
Currency				-	-	-	-	-
Long positions	126,105	-	126,105					
Short positions	99,092	-	99,092					
Interest rate				-	(155)	-	-	(155)
Long positions	150,382	-	150,382					
Short positions	3,720,197	-	3,720,197					
Shares and indexes				1,105	(343)	-	-	762
Long positions	7,816	-	7,816					
Short positions	5,420	-	5,420					
Other			-	10,252	-	-	-	10,252
Long positions	366,856	-	366,856					
Short positions	814,139	-	814,139					
Options								
Currency				1,608	(1,774)	-	-	(166)
Purchase	78,936	-	78,936					
Sale	68,221	-	68,221					
Shares and indexes				62,661	(68,292)	-	-	(5,631)
Purchase	700,192	-	700,192					
Sale	709,698	-	709,698					
Commodities				1	(1)	-	-	-
Purchase	90,000	-	90,000					
Sale	-	-	-					
Interest rates (Caps & Floors)				220,327	(229,673)	-	-	(9,346)
Purchase	2,268,823	-	2,268,823					
Sale	2,595,807	-	2,595,807					
Other	-	-	-	-	(3,802)	-	-	(3,802)
	119,599,020	260,921	119,859,941	1,509,867	(1,693,316)	9,541	(2,197)	(176,105)

Derivatives recognised in "Assets held-for-trading", "Liabilities held-for-trading", "Hedge derivatives - assets" and "Hedge derivatives - liabilities" at June 30, 2017 and December 31, 2016, included operations collateralised by surety accounts with the aim of hedging the fair value of lending and borrowing exposures between Caixa and various financial institutions. The balances deposited by the referred to financial institutions with Caixa and by Caixa with the referred to financial institutions on the said dates were recognised in "Other liabilities - Resources - Surety Account" (Note 23) and "Other assets - Debtors and other assets - Other debtors" accounts (Note 17), respectively.

Information on CVA (credit value adjustments) and DVA (debit value adjustments) is given in Note 37.

11. HELD-TO-MATURITY INVESTMENTS

The composition of the held-to-maturity investments balance at June 30, 2017 and December 2016, was as follows:

	30-06-2017	31-12-2016
Debt instruments		
- Public debt	506,006	-
- Other public issuers	1,521,480	413,850
- Other issuers		
Other non-residents	29,442	19,281
	2,056,929	433,131
Other	22	-
	2,056,951	433,131

Held-to-maturity investments at June 30, 2017 and December 31, 2016 include €430,678 thousand and €413,850 thousand of Angolan sovereign debt instruments.

12. LOANS AND ADVANCES TO CUSTOMERS

This account comprises the following:

	30-06-2017	31-12-2016
Domestic and foreign loans		
Loans	41,742,105	44,344,939
Current account loans	2,080,063	2,225,127
Other loans	5,738,806	6,091,760
Other loans and amounts receivable - securitised		
. Commercial Paper	2,704,276	2,774,710
. Other	4,220,228	3,978,425
Property leasing operations	997,817	1,042,915
Discounts and other loans secured by bills	897,407	1,037,704
Equipment leasing operations	688,970	708,131
Factoring	877,335	924,196
Overdrafts	255,465	322,563
	60,202,471	63,450,470
Accrued interest	159,712	184,266
Deferred income, commissions and other cost and income associated with amortised cost	(76,363)	(83,217)
	60,285,820	63,551,519
Overdue loans and interest	5,080,589	4,948,703
	65,366,409	68,500,222
Impairment (Note 34)	(4,890,633)	(5,633,397)
	60,475,777	62,866,825

"Domestic and foreign credit – Other loans", at June 30, 2017 and December 31, 2016, included €59,030 thousand and €61,797 thousand, respectively, relating to mortgage and personal loans issued by CGD to its employees.

The "Other loans and amounts receivable – securitised" account at June 30, 2017 and December 31, 2016 included €1,788,175 thousand and €1,797,173 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 the former BPN. These bonds are backed by a Portuguese state guarantee.

During the course of the former BNP's reprivatisation process, the ownership of the corporate vehicles Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A., and inherently the debts contracted for by these companies from Caixa, were transferred to the Portuguese State. The State also assumed liabilities for a commercial paper programme subscribed for by Caixa for the amount of €1,000,000 thousand, owing to the transfer of the contractual position between BPN and Parvalorem. This operation was recognised In "Other loans and amounts receivable – securitised – commercial paper" account.

The amounts owed to CGD by the vehicles are being repaid according to the terms agreed between the Portuguese State, European Central Bank, International Monetary Fund and the European Union.

As provided for in the referred to repayment plan, any amounts received from the recovery of assets held by the corporate vehicles shall be set against these loan settlements.

Caixa disposed of a collection of mortgage loans, in 2016, for the amount of €82,690 thousand, with a book value, before impairment, on the said date, of €148,060 thousand. The referred to operations were fully matured. The losses made on these loans were recognised in profit and loss as “Credit impairment, net of reversals”.

At June 30, 2017, Caixa transferred loans and economic rights to loans (including the risks and benefits attached to such loans) to Mistlegrove Issuer Holdings Designated Activity Company, with a book value of €153,600 thousand before impairment on the date of the transaction.

Other loans for a global amount of approximately €382,010 thousand from the corporate portfolio were also disposed of in first half 2017.

Deriving from the changes in loan write-off policies, in 2016, more detail on which is given in Note 37, operations for €1,747,483 thousand, fully covered by impairment, were written-off from assets by Caixa in the referred to period.

The “Loans” account, at June 30, 2017 and December 31, 2016, included mortgage loans issued by Caixa in the sphere of securitisation operations. Information on loan movements, in the half years ended June 30, 2017 and December 31, 2016, was as follows:

	Nostrum Mortgages nº2
Balances at 31-12-2015	4,265,537
Sale of new loans	109
Payments	(231,856)
Repurchase	(10,720)
Other	(27,952)
Balances at 31-12-2016	3,995,118
Sale of new loans	86
Payments	(129,585)
Repurchase	(4,267)
Other	(24,387)
Balances at 30-06-2017	3,836,965

The liabilities associated with this operation are fully held by the Group and therefore eliminated in the sphere of the preparation of the condensed consolidated financial statements.

At June 30, 2017 and December 31, 2016, the “Loans” account included mortgage loans with a book value of €8,904,971 thousand and €9,432,153 thousand, respectively, allocated to the issuance of covered bonds.

The assets pool collateralising the referred to issuances, at June 30, 2017 and December 31, 2016 also included debt securities with a book value of €141,657 thousand and €142,693 thousand, respectively (Note 8).

Information on the seniority of "Overdue loans and interest" at June 30, 2017 and December 31, 2016, is set out below:

	30-06-2017	31-12-2016
Up to three months	373,510	402,991
Three to six months	145,482	214,591
Six months to one year	844,000	464,215
One to three years	1,028,344	1,044,416
Over three years	2,689,253	2,822,490
	5,080,589	4,948,703

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

Information on the non-current assets and liabilities held-for-sale balances account, at June 30, 2017 and December 31, 2016, is set out below:

	30-06-2017	31-12-2016
ASSETS		
Property and equipment	1,082,306	1,111,959
Subsidiaries		
Mercantile Bank Holdings, Ltd	859,066	836,212
Interbancos, S.A.R.L.	4,568	-
	1,945,940	1,948,171
Impairment (Note 34)		
Property and equipment	(500,562)	(504,099)
Subsidiaries	(18,000)	(18,000)
	(518,562)	(522,099)
	1,427,378	1,426,072
LIABILITIES		
Subsidiaries		
Mercantile Bank Holdings, Ltd	716,276	693,369
Interbancos, S.A.R.L.	2,914	-
	719,190	693,369

The income generated by held-for-sale business units, in first half 2017 and in 2016, is itemised in the consolidated profit and loss statement as "Income from subsidiaries held-for-sale", as set out below:

	30-06-2017	30-06-2016 (unaudited balances)
Results of subsidiaries held for sale		
Mercantile Bank Holdings, Ltd.	6,987	4,585
Interbancos, S.A.R.L.	312	-
	7,300	4,585

Mercantile Bank Holding Ltd

Under the commitments entered into between the Portuguese State, as Caixa' s sole shareholder and the competent European authorities, for the recapitalisation of CGD (Introductory Note), Caixa initiated the procedures for the disposal of the Group's equity stake in Mercantile Bank Holdings, Ltd., in 2016, namely regarding aspects leading to the identification of and contact with potential investors, assessment of the legal aspects pertaining to the operation and informing the relevant Supervisory Bodies of its intentions.

There is also a strong possibility that the sale will take place in 2017, with no potential procedural or other type of impediments to the implementation of this schedule having, to-date, been identified.

Accordingly and in conformity with the dispositions of IFRS 5, at June 30, 2017 and December 31, 2016, the business units' assets and liabilities were aggregated and recognised in "Non-current assets and liabilities held-for-sale – subsidiaries". Also in conformity with IFRS 5 requirements, the results generated by this unit are set out in profit and loss, with the comparative periods having been re-expressed in conformity. Impairment of €18,000 thousand was also declared in 2016, in recognition of the spread between the equity value of the assets and liabilities of Mercantile Bank Holdings, Ltd and their fair value, net of disposal costs (Note 34).

Information on Mercantile Bank Holdings, Ltd.'s principal financial data, at June 30, 2017 and December 31, 2016, is set out below.

ASSETS	30-06-2017	31-12-2016
Advances and cash balances at other credit institutions	80,627	84,608
Financial assets at fair value through profit or loss	1,655	2,037
Available-for-sale financial assets	34,313	35,611
Other tangible assets	8,321	9,020
Intangible assets	10,816	12,337
Current tax assets	91	-
Loans and advances to customers	612,496	599,146
Other assets	110,746	93,453
TOTAL ASSETS	859,066	836,212
LIABILITIES AND EQUITY		
Resources of credit institutions	66,476	51,434
Customer resources	582,573	573,436
Debt securities	36,128	41,302
Financial liabilities at fair value through profit or loss	1,305	3,025
Provisions for employee benefits	2,615	2,463
Provisions for other risks	-	16
Current tax liabilities	-	460
Deferred tax liabilities	1,459	1,359
Other liabilities	25,720	19,873
TOTAL LIABILITIES	716,276	693,369
TOTAL EQUITY, of which:	142,790	142,843
Revaluation reserves	2,874	4,000
	859,066	836,212

	30-06-2017	30-06-2016 (unaudited balances)
Other income and cost		
Interest and similar income	38,676	27,155
Interest and similar costs	(20,558)	(13,403)
Income from services rendered and commissions	14,137	8,827
Cost of services and commissions	(5,952)	(3,120)
Results from financial operations	2,701	1,835
Staff costs	(10,738)	(7,589)
Other administrative costs	(4,484)	(3,529)
Depreciation of tangible and intangible assets	(2,363)	(1,544)
Impairment net of reversals and recovery	(372)	(723)
Other	(1,280)	(1,448)
	9,767	6,463
Income tax	(2,779)	(1,827)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	6,987	4,636
Non-controlling interests	-	(51)
NET INCOME	6,987	4,585

As referred to in Note 2.5., at the time of the disposal of the equity stakes denominated in a functional currency other than the euro, the exchange rate gains/losses previously recognised in "Other reserves" will be transferred to profit and loss for the period as they constitute an integral part of the profit or loss made on the transaction.

At June 30, 2017 and December 31, 2016, accumulated exchange rate gains/losses recognised as a charge to "Other reserves" in the sphere of Mercantile Bank Holdings Ltd.'s consolidation, comprised losses of approximately €60,821 thousand.

Interbancos, SARL.

At May 30, 2017, the shareholders of the company Interbancos, S.A. (Interbancos) agreed the disposal of the total number of shares held by it (representing the economic and corporate rights of Interbancos) to Sociedade Interbancária de Moçambique, S.A. (SIMO). The Interbancos sale to SIMO is to comply with the dispositions of article 7, no. 2 , of the Regulation of the Credit Institutions and Financial Corporations Law (LICSF), under the terms of *Official Notice* 2/GBM/2015, of April 22, setting out the conditions governing the conditions for the linkage between the internal banking operations and the nationwide “Single, Common, Shared Payments Network“.

Interbancos is a Mozambican company which manages the *ponto24* interbank network (including the management of the ATM and POS networks of its banking shareholders). As, at June 30, 2017, the conditions governing suspensions provided for in the contract had still not been fully met, it was still not possible to recognise the impacts inherent to the disposal of this equity investment, in the Group's consolidated accounts, although it was reclassified as a non-current asset held-for-sale under IFRS 5 requirements.

14. INVESTMENT PROPERTIES

The investment properties owned by the Group at June 30, 2017 and December 31, 2016, are recognised at their fair value. Profit and loss on the revaluation of these properties are recognised as a charge to “Other operating income” (Note 2.8.) in profit and loss.

At June 30, 2017 and December 31, 2016, "Investment properties” included €731,871 thousand and €745,875 thousand, respectively, in property owned by the Fundimo and Fundiestamo Funds. The other properties recognised in this account essentially derive from overdue credit recoveries.

Measurement methodologies and fair value assessment

The measurement of the fair value of investment properties, in addition to other relevant factors, takes into consideration the nature, characteristics and geographies of the properties, with the objective of assessing the best price to be obtained from their disposal under normal market conditions. Fair value is assessed by individual appraisers who should employ at least two of the following methods:

. Market comparison method. The market comparison method assesses the amount of a specific transaction using prices and other relevant information on market deals involving identical or comparable (similar) properties. It generally uses statistical methods after harmonising the various market data. This is the principal method used whenever there is a significant number of known transactions;

. Income method. The income method estimates the value of an item of property by capitalising the annual amount of rents or annual operating income generated by the activity being performed in the property. When, over time, the changes in income are more significant than generally expected in the market, DCF (discounted cash flows) analysis techniques are used. The income method applies in the case of an effective rental of the property, when the property is for rent, when the rental market for the type of property being valued is active or when the property is to be exploited economically;

. Cost method. The cost method estimates the value of property on the basis of the amount which would currently be needed to obtain alternative property, as a 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 costs, depreciation charges based on a property’s present physical, functional, environmental and economic conditions plus commercialisation costs and a developer's margin/risk. This method is used as the principal approach when no market information is available on transactions of similar property and no potential income associated with the property has been identified.

The availability of relevant data and its relative subjectivity may affect the choice of valuation method/techniques. The choice, in each case, should particularly be based on those which maximise the use of relevant observable variables.

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

(i) Market comparison method

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

(ii) Income method

Capitalisation technique

– the amount of the monthly rent per sqm or monthly rent per unit (when what is relevant is not the area but rather the use provided by the property, e.g. car parks). In active rental markets, these variables are provided by directly or indirectly observable data in the market, although they may need to be adjusted (harmonised) depending on the specific characteristics of the property being valued.

– variables which contribute towards the assessment of operating income generated by the property. These variables may vary in line with the function and type of property and are generally assessed on the basis of the property's potential income generating capacity, taking into account the information available on the assumptions of market players. The data supplied by the entity operating the property may be used in the absence of reasonably available information indicating that market players would employ assumptions.

– capitalisation rate – associated with the risk on capital invested, income, liquidity, tax burden, risk-free interest rate, expectations of market evolution. In active markets, it establishes the existence of a linear relationship at a certain point of time between the rental and purchase/sales market, for a certain geography and a specific property product, with an identical risk and identical evolution of rents.

Discounted cash flow technique

There may be diverse variables contributing to the cash flow projection based on the type of property. This technique is reliant on current expectations of changes in the values and times of the occurrence of future cash flows and it is usually necessary to include a risk adjustment factor based on the uncertainty of this type of measurement.

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

(iii) Cost method

– construction cost per sqm – a variable which is essentially reliant on the construction characteristics of the property but in which a contributory factor is the place of construction. It is based on directly or indirectly observable construction market data.

Investment properties acquired on credit recovery operations are also included in the analysis of the individual and collective impairment valuation model applied to property and recognised as non-current assets held-for-sale, whose principal characteristics are described in Note 2.8. In these cases, the respective fair value is assessed with reference to the assessment of the recoverable amount.

In compliance with IFRS 13 requirements, the following table sets out information on the Group's property investment portfolio, at June 30, 2017 and December 31, 2016, classified by type, development status as regards their preparation for use and current occupancy, considering the methodologies used to measure fair value:

			30-06-2017			
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Shoping center	Concluded	Rented	53,533	Income capitalisation method	Estimated rental value per m2	5
			4,752	Income capitalisation method	Estimated rental value per m2	[724 - 779]
			58,285			
Offices	Concluded	Rented	11,550	Presumed transaction value method	Unit value	[11000 - 12000]
			25,901	Presumed transaction value method	Estimated sale value per m2	[429 - 997]
			73,402	Presumed transaction value method	Estimated sale value per m2	[1101 - 1607]
			129,592	Presumed transaction value method	Estimated sale value per m2	[1607 - 2999]
			38,347	Presumed transaction value method	Estimated sale value per m2	[3100 - 3380]
			143,528	Market comparable method / Income capitalisation method	Discount rate	[6,5%-11%]
		Capitalisation / sale	6,646	Replacement cost method / DCF / Market comparable method	Estimated rental value per m2	1750-1900
	Under construction	Capitalisation / sale	12,173	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1750-1900
			441,140			
Housing	Concluded	Rented	2,029	Income capitalisation method / Market comparable method	Estimated rental value / sale value per m2	3000-17010
			55,029	Income capitalisation method / Market comparable method	Estimated sale value per m2	[240 - 2200]
			14,401	Income capitalisation method / Market comparable method	Estimated sale value per m2	[1025 - 1100]
			40	Market method / Cost method	Estimated rental value per m2	2
			240	Income capitalisation method	Estimated rental value per m2	4,2
			34,142	Income capitalisation method	Estimated rental value per m2	[1094 - 1038]
			1,461	Income capitalisation method	Estimated rental value per m2	[789 - 735]
		Capitalisation / sale	150	Income capitalisation method	Estimated rental value per m2	0,64
	Under construction	Capitalisation / sale	26,708	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[1400-1900]
			134,200			
Stores	Concluded	Rented	132	Income capitalisation method / Market comparable method	Estimated sale value per m2	10 / 970
			176	Income capitalisation method / Market comparable method	Estimated sale value per m2	2,35 / 1345
			589	Income capitalisation method / Market comparable method	Estimated sale value per m2	12,3 / 1860 - 1980
			36	Income capitalisation method	Estimated rental value per m2	2,5
			280	Market comparable method	Estimated sale value per m2	721-1700
			21,638	Presumed transaction value method	Estimated sale value per m2	373-940
			36,107	Presumed transaction value method	Estimated sale value per m2	1094-7944
			9,971	Presumed transaction value method	Estimated sale value per m2	13736 - 22078
	Under construction	Capitalisation / sale	2,775	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	800-900 1000-1650
			71,704			
Parking	Concluded	Rented	2,395	Market comparable method / Income capitalisation method	Discount rate	[6,75% - 8,5%]
			692	Presumed transaction value method	Estimated sale value per m2	530-784
			53,388	Presumed transaction value method	Estimated sale value per m2	23507-22449
	Under construction	Capitalisation / sale	814	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	600-650
			475	Replacement cost method / DCF / Market comparable method	Value of sales per parking	6.500-7.500
			57,764			
Land	n.a.	Rented	201	Replacement cost method / Market capitalisation method	Estimated value of the land per m2 of construction	70-140
		Capitalisation / sale	8,440	Replacement cost method / DCF / Market comparable method	Estimated value of the land per m2 of construction	1.050-1.200 / 900-1.000
			220	Income capitalisation method / Market comparable method	Estimated value of the land per m2	5
			13	Market comparable method	Estimated rental value per m2	6.5 - 8
			6,555	Income capitalisation method	Discount rate	5-7,5
			15,429			
Warehouses	Concluded	Rented	675	Market comparable method / Income capitalisation method	Estimated sale value per m2	405
			102,466	Presumed transaction value method	Estimated rental value per m2	[260 - 2320]
			126	Presumed transaction value method	Unit value	127000 - 124500
			103,267			
			881,789			
Other			72,211			
			954,000			

			31-12-2016			
Property type	State development	Occupation	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
Shoping center	Concluded	Rented	54,443	Income capitalisation method	Estimated rental value per m2	5
			4,752	Income capitalisation method	Estimated rental value per m2	[724 - 779]
			59,195			
Offices	Concluded	Rented	7,968	Income capitalisation method	Estimated rental value per m2	5-7,5
			2,660	Market comparable method / Income capitalisation method	Discount rate	5-7,5
			107,649	Market comparable method / Income capitalisation method	Discount rate	[6,25%-11%]
			300,595	Market comparable method	Estimated sale value per m2	[903 - 3775]
		Capitalisation / sale	6,646	Replacement cost method / DCF / Market comparable method	Estimated rental value per m2	1750-1900
	Under construction	Capitalisation / sale	12,173	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1750-1900
			437,691			
Housing	Concluded	Rented	144	Income capitalisation method	Estimated rental value per m2	4,2
			25,293	Income capitalisation method / Market comparable method	Discount rate	6,75%-7,75%
			34,078	Market method / Cost method	Estimated rental value per m2	[1025-1100] 2
			83,611	Income capitalisation method / Market comparable method	Estimated rental value per m2	[0-910] [280-2026]
		Capitalisation / sale	150	Income capitalisation method / Market comparable method	Estimated rental value per m2	0,4-4,8
	Under construction	Capitalisation / sale	19,751	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[500-625] [1400-1875]
			163,027			
Stores	Concluded	Rented	73,602	Market comparable method	Estimated sale value per m2	700-1700
			36	Income capitalisation method	Estimated rental value per m2	2,5-7,5
			190	Income capitalisation method / Market comparable method	Estimated sale value per m2	[5 -12,3]
	Under construction	Capitalisation / sale	175	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	800-900 1000-1650
			74,003			
Parking	Concluded	Rented	3,359	Market comparable method / Income capitalisation method	Discount rate	[6,25% - 8,25%]
			9,240	Market comparable method / Income	Value of sales per parking	4800-10700
			35,847	Market comparable method	Value of sales per parking	11000-47900
			14,835	Market comparable method / Income capitalisation method	Value of sales per parking	41739-47826
			1,470	Market comparable method / Income	Discount rate	6,35%-7,7%
			519	Income capitalisation method	Estimated sale value per m2	5-7,5
	Under construction	Capitalisation / sale	814	Replacement cost method / DCF / Market comparable method	Value of sales per parking	600-650
			2,292	Replacement cost method / DCF / Market comparable method	Value of sales per parking	7200-8500
			68,376			
Land	n.a.	Rented	229	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2 / housing	70-140
		Capitalisation / sale	7,928	Replacement cost method / DCF / M	Estimated sale value per m2 / housing	1700-2000
			220	Replacement cost method / DCF / M	Estimated sale value per m2 / commercial	900-1000 1050-1200
			13	Market comparable method	Estimated rental value per m2	6,5-8
			6,555	Income capitalisation method	Discount rate	5-7,5
			14,945			
Warehouses	Concluded	Rented	675	Market comparable method	Estimated rental value per m2	405
			119,117	Market comparable method	Estimated rental value per m2	266-1323
			8,824	Income capitalisation method	Estimated rental value per m2	5% / 7,5%
			128,616			
			945,853			
Other			32,411			
			978,263			

As already stated, valuations of land and buildings maximise the use of observable market data. However, as most valuation techniques also consider non-observable data, they are classified at Level 3 of the fair value ranking of IFRS 13.

15. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The composition of this account, at June 30, 2017 and December 31, 2016, was as follows:

	30-06-2017			31-12-2016		
	Effective participating interest (%)	Book Value	Contribution to the results of the group	Effective participating interest (%)	Book Value	Contribution to the results of the group
Jointly controlled entities						
Locarent, S.A.	50.00	17,169	1,112	50.00	16,057	3,350
Esegur, S.A.	50.00	8,186	69	50.00	8,123	1,006
		25,355	1,180		24,180	4,356
Associated companies						
Fidelidade – Companhia de Seguros, S.A	15.00	283,793	8,089	15.00	231,426	29,152
Fidelidade Assistence Consolidated (a)	20.00	7,160	592	20.00	6,403	345
Multicare - Seguros de Saúde, S.A.	20.00	14,516	781	20.00	13,652	1,441
SIBS - Sociedade Interbancária de Serviços, S.A.	21.60	20,216	152	21.60	27,194	10,677
Banco Internacional de São Tomé e Príncipe, S.A.	27.00	3,567	-	27.00	3,567	368
Other		7,558	212		5,915	1,140
		336,811	9,826		288,157	43,124
		362,165	11,006		312,338	47,480

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

Information on the statutory financial data (unaudited condensed financial statements) of the principal associates and jointly controlled enterprises, at June 30, 2017 and December 31, 2016, is set out below:

		30-06-2017				
Business sector / Entity	Registered office	Assets	Liabilities	Equity (a)	Net income	Total income
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	16,410,529	13,962,617	2,447,913	85,045	1,661,718
Fidelidade Assistence Consolidated (c)	Lisbon	73,972	39,625	34,347	2,960	24,443
Multicare - Seguros de Saúde, S.A.	Lisbon	168,458	98,706	69,752	3,905	157,986
Other						
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	342,403	510,710	(168,307)	(6,335)	3,132
Esegur, S.A.	Lisbon	39,917	23,546	16,371	138	21,783
Locarent, S.A.	Lisbon	261,833	227,495	34,338	2,223	37,195
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	192,037	104,437	87,600	7,594	7,594

(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.

		31-12-2016				
Business sector / Entity	Registered office	Assets	Liabilities	Equity (a)	Net income	Total income
Insurance						
Fidelidade – Companhia de Seguros, S.A (b)	Lisbon	15,741,593	13,684,589	2,012,255	247,271	2,778,672
Fidelidade Assistence Consolidated (c)	Lisbon	65,179	36,768	28,411	1,925	48,647
Multicare - Seguros de Saúde, S.A.	Lisbon	147,126	81,694	65,432	7,204	233,247
Other						
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	343,136	502,181	(159,045)	(15,103)	20,071
Esegur, S.A.	Lisbon	39,791	23,546	16,246	2,011	45,987
Locarent, S.A.	Lisbon	245,429	213,314	32,115	6,701	72,997
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	185,380	70,100	115,280	45,398	207,496

(a) Equity includes net income for the year and excludes non-controlling interests.
(b) Data taken from the consolidated financial statements.
(c) Ex-Cares - Companhia de Seguros, S.A.

The Group made losses of €2,734 thousand on the disposal of its equity stake in Prado Cartolinas da Lousã, S.A., for €1,400 thousand, during the course of first half 2016.

16. INCOME TAX

Tax assets and liabilities balances, at June 30, 2017 and December 31, 2016, were as follows:

	30-06-2017	31-12-2016
Current tax assets		
Income tax recoverable	33,489	24,355
Other	18,458	17,423
	51,947	41,778
Current tax liabilities		
Income tax payable	25,590	43,150
Other	96,670	7,634
	122,260	50,784
	(70,313)	(9,006)
Deferred tax assets		
Temporary differences	2,457,653	2,502,566
Reported tax losses	29,014	43,219
	2,486,667	2,545,785
Deferred tax liabilities	199,709	191,045
	2,286,958	2,354,740

Deferred tax movements, for the half years ended June 30, 2017 and 2016, were as follows:

	Balance at 31-12-2016	Change in		Other	Balance at 30-06-2017
		Equity	Profit or loss		
Impairment losses on credit	2,003,876	-	1,925	(1,229)	2,004,572
Employee benefits	188,854	(693)	12,588	-	200,749
Impairment and adjustments to property and tangible and intangible assets	60,530	249	(11,510)	(91)	49,180
Measurement of available-for-sale assets	34,655	(44,491)	-	112	(9,723)
Impairment and other value changes in equity stakes and other securities	(56,562)	-	2,981	5,734	(47,847)
Other provisions and impairment not tax deductible	98,605	-	(6,331)	(772)	91,503
Tax loss carry forward	43,219	-	(13,789)	(416)	29,014
Other	(18,438)	-	(4,527)	(7,524)	(30,490)
	2,354,740	(44,935)	(18,662)	(4,185)	2,286,958

	Balance at 31-12-2015	Change in		Other	Balance at 30-06-2016 (unaudited)
		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	51,845	1,426,802

The “Changes in results” column in the deferred tax movements table for first half 2016 includes the reclassification of costs of €66 thousand to “Income from subsidiaries held-for-sale” in profit and loss for the referred to period, from the transfer of the assets and liabilities of Mercantile Bank Holdings. Lda to non-current assets and liabilities held-for-sale categories (Note 13).

Special regime applicable to deferred tax assets

Caixa Geral de Depósitos and Caixa - Banco de Investimento subscribed for the special deferred tax assets regime, in 2014, following the favourable resolution passed at their respective general meetings of shareholders.

This regime, approved by Law 61/2014 of August 26, as amended by Law 23/2016 of August 19, applies to deferred tax assets resulting from the non-deduction of expenses and negative equity changes with impairment losses on loans (as provided for in nos. 1 and 2 of article 28-A of the IRC Code and respective exclusions) and with post employment or long term benefits for employees.

The time frame of the amendments to the regime brought in by Law 23/2016 of August 19, excluded the expenses and negative equity changes accounted for in the taxation periods beginning on or after January 1, 2016, as well as their associated deferred taxes. The deferred taxes protected by this regime therefore solely correspond to the assessment of expenses and negative equity changes at December 31, 2015.

The deferred tax assets resulting from the non-deduction of expenses and negative equity changes with impairment losses on loans and with post employment or long term benefits to employees are converted into tax credit when the taxpayer recognises negative net income in the respective tax period or, in the event of liquidation based on voluntary dissolution or a court ordered insolvency. In the case of a conversion resulting from negative net income, the amount of the tax credit to be attributed will be based on the ratio between such negative net income for the period and the taxpayer’s total equity (assessed prior to the deduction of the result) plus the amount of CoCos bonds, applied to the eligible deferred tax assets balance. When the conversion derives from liquidation or insolvency or the taxpayer posts negative net income, the full amount of the deferred tax assets is converted into tax credit.

In the conversion into tax credit (other than in cases of liquidation or insolvency) a special reserve, plus 10%, will be set up and adjusted, when shareholders’ equity is less than share capital, by the quotient between the first and second parties, the latter of which is deducted net of the increased tax credit, together with the issuance of securities in the form of conversion rights to be attributed to the State that, in the case of Caixa, is, at the same time, its sole shareholder. The consequence of exercising conversion rights increases the taxpayer’s share capital through the incorporation of the special reserve and issuance of new ordinary shares to be freely surrendered to the State. This special reserve cannot be appropriated. It should be noted that, on the date of the issuance of the conversion rights, shareholders have the potestative right to their acquisition in proportion to their respective investment.

Information on the type of deferred tax assets recognised 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	30-06-2017	31-12-2016
Impairment losses on credit	1,009,352	1,009,352
Employee benefits	162,716	163,410
	1,172,068	1,172,762

According to the regime’s dispositions and as a consequence of the assessment of negative net income, in 2016, by Caixa Geral de Depósitos in the sphere of its separate activity, the eligible deferred tax assets at the close of the referred to period will be converted into tax credit based on the proportion of net income to shareholders’ equity. The estimated amount of the deferred tax to be converted, with reference to the information on Caixa' s equity, at December 31, 2016, is around €446,000 thousand.

As specified in article 12 of the appendix to Law 61/2014 (of which it is an integral part), the amount of deferred tax assets to be converted into tax credit, the setting up of the special reserve and the issuance and allocation of conversion rights to the State should be certified by a statutory auditor. The representation of the State as Caixa' s sole shareholder signifies that the issuance and allocation of conversion rights will not imply any dilution of its equity status.

Income tax as a charge to shareholders' equity

The Group changed its accounting policy on the recognition of actuarial profit and loss on pension plans and other post-employment benefits in 2011, pursuant to which actuarial profit and loss arising from the revaluation of pensions and healthcare liabilities and pension fund yield forecasts were fully recognised as a charge to a shareholders' equity account. Up to 2010 such profit and loss had been processed by the corridor method.

The amount of tax associated with the contribution of the actuarial deviations component originated after the date upon which the accounting policy was changed, considered deductible under the terms of the limits of numbers 2 and 3 of article 43 of the IRC Code, or under number 8 of the referred to article are posted to an equity account in conformity with the recognition basis of their originating liabilities.

Income tax as a charge to profit and loss

Information on income tax recognised in profit and loss and the tax burden, measured by the ratio between the appropriation for tax on profit and net profit for the year before tax is set out below:

	30-06-2017	30-06-2016 (unaudited balances)
Current tax		
For the year	109,878	63,959
Extraordinary contribution on the banking sector	36,866	39,698
Prior year adjustments (net)	555	(138)
	147,299	103,520
Deferred tax	18,662	(117,884)
Total	165,961	(14,364)
Consolidated income before tax and non-controlling interests	117,414	(219,493)
Tax charge	141.35%	6.54%

Information on the "Adjustments for past years" account for the half years ended June 30, 2017 and 2016, comprised the following:

	30-06-2017	30-06-2016 (unaudited balances)
Insufficiency / (excess) of estimated tax for 2016 and 2015	583	(524)
Adjustments to previous years taxable income	(24)	395
Other	(4)	(9)
	555	(138)

The reconciliation between the nominal and effective tax rates for the half years ended June 30, 2017 and 2016 was:

	30-06-2017		30-06-2016 (unaudited balances)	
	Rate	Tax	Rate	Tax
Income before income tax		117,414		(219,493)
Tax at the nominal rate	27.35%	32,113	27.35%	(60,031)
Taxation of companies Group's results in countries with privileged tax regimes and other charges not recovered as a result of international double taxation	(9.70%)	(11,394)	(3.41%)	7,492
Definitive difference to be added:				
Non deductible provisions	78.34%	91,982	(1.52%)	3,341
Other	0.24%	284	(1.07%)	2,350
Other permanent differences to be deducted	(0.22%)	(261)	0.11%	(233)
Impairment on available-for-sale financial assets, net of write-offs	1.93%	2,266	12.94%	(28,408)
Annulment of tax losses (not recoverable)	1.23%	1,442	(0.48%)	1,059
State or Municipal subcharges (differential to the nominal rate) (**)	6.79%	7,976	0.00%	-
Differential of tax rate on tax losses carry forward (*)	(1.97%)	(2,309)	(9.59%)	21,046
Autonomous taxation	0.52%	616	(0.51%)	1,124
Contribution on the banking sector	31.40%	36,866	(18.09%)	39,698
Other	1.14%	1,338	(1.81%)	3,982
	137.05%	160,920	3.91%	(8,579)
Tax adjustments relative to prior years				
Insufficiency / (excess) of tax estimate, net of deferred tax	4.30%	5,049	2.63%	(5,776)
Other	(0.01%)	(8)	0.00%	(9)
	4.29%	5,041	2.64%	(5,785)
	141.35%	165,961	6.54%	(14,364)

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

(**) Determined as part of the individual activity of Caixa Geral de Depósitos, S.A.

CGD's nominal tax rate, in the half years ended June 30, 2017 and 2016, considering the surcharge rates applicable to its operations was 27.35%.

The assessment of CGD's nominal tax rate considers the increase in the municipal and State surcharges on taxable profit. In the case of the State surcharge, reference should be made to the amended wording of article 87-A of the IRC Code brought in under Law 2-2014 of January 16 (IRC Reform Law) whose no. 1 provides for the application of the following rates on taxable profit in the following bands:

– a rate of 3% between €1,500 thousand and €7,500 thousand;

– a rate of 5% between €7,500 thousand and €35,000 thousand;

– a rate of 7% on more than €35,000 thousand.

Amendments were also made to article 51-C of the IRC Code with the publication of Law 42/2016, on the basis of an addendum to no. 6, which rules, for 2017 and following years, that impairment losses and other value adjustments to equity investments or other own equity instruments included in the formation of taxable profit under no. 2 of article 28-A, are considered as being positive components of taxable profit for the taxation period in which the respective sale is made.

As a result of this situation, in 2016, the Group recognised deferred tax liabilities for the impairment of financial investments, deductible as a tax expense at the time of the constitution thereof when the intention involves a sale or liquidation (or when in progress), for the amount of €95,906 thousand at June 30, 2017 and December 31, 2016.

Limitations on tax deductions of impairment losses on loans and other value adjustments

As described in Note 2.12., during the course of 2016, owing to the application of the Bank of Portugal's *Official Notice* 5/2015, Caixa and other relevant financial institutions in Portugal now prepare the condensed financial statements on their separate activity in accordance with the dispositions of the International Financial Reporting Standards as adopted at any time under a European Union Regulation, considering IAS 39 requirements on provisions for loans and other amounts receivable from January 1 of the referred to year.

Regulatory Decree 5/2016, published on November 18, 2016, sets out the maximum limits on impairment losses and other value adjustments on specific credit risk, deductible for the calculation of IRC taxable profit, extending, for fiscal purposes, the framework deriving from *Official Notice* 3/95 for the taxation period beginning January 1, 2016.

The referred to Regulatory Decree also introduced, based on the taxpayer's option, a transitional regime applicable to write-offs or write-downs of impairment losses in the sphere of the adoption of *Official Notice* 5/2015. Under this regime, the positive difference computed, at January 1, 2016, between the amount of impairment losses on loans determined with reference to the dispositions of *Official Notice* 3/95 and the impairment recognized in accordance with the new accounting standard, is considered for the assessment of taxable profit, but only as regards the part in excess of the still unused fiscal losses generated in taxation periods beginning on or after January 1, 2012.

Caixa exercised its option to apply the referred to transitional regime on its taxable income for 2016, having, for the purpose, used up its carry-back of still unused tax losses balance, originating in the years 2013 and 2014.

The use of the carry-back of tax losses for 2013, whose deferred tax assets had been derecognised in 2015, resulted in the recognition of €164,896 thousand in tax gains (considering an effective tax rate of 27.35%).

Analysis of recoverability of deferred tax assets

With the requirements defined by IAS 12 as a reference, deferred tax assets are recognised to the extent of the Group's expectation of their future recoverability which is fundamentally based on, (i) the assessment of its capacity to generate sufficient taxable profit, and (ii) an interpretation of the legal framework in force in the relevant analysis period.

This assessment was made on the basis of the implementation of its Strategic Plan, developed as part of the agreement entered into between the Portuguese State and the European Authorities for the period 2017-2020, allowing the Group to ensure the existence of adequate capital levels in the referred to timeframe as well as consistency with the plan for the reduction of non-performing assets submitted to the Supervisors in February 2017.

The expectation of generating future taxable profit is based on the discussions with the European Authorities as part of CGD's recent recapitalisation process and is accordingly based on a highly conservative approach, particularly:

(i) The positive evolution of its net interest income, attributable to a sustained reduction of the financing cost, consistent with developments in the recent past and a context of more conservative interest rate curves than established by the Supervisor in the last exercise involving a review of the Capital Funding Plans;

(ii) An increase in revenue from the provision of services, aligned with a commercial strategy more geared to value creation for customers;

(iii) A reduction of the cost of risk to levels comparable to those of other leading European banks, based on a profound restructuring of its toxic assets management policy as well as the adapting of loan making and oversight processes in conformity with a duly sustainable risk appetite policy;

(iv) A major reduction of costs, aligned with measures to rationalise the operational structure to be implemented over the next four years, based on the size, type and expected evolution of business and intended improvements to the ever increasing efficiency of resource management.

(v) Achieving profitability and solvency levels aligned with the objectives and assumptions inherent to CGD's recent recapitalisation process. Based on a conservative approach, the amount of income before tax considered relevant for this purpose, was kept constant across all post 2020 taxation periods, i.e. 2021 to 2031.

The assumptions listed below, of relevance to the conclusions regarding the recoverability of deferred tax assets were also considered:

(vi) Conversion of around €446,000 thousand in eligible deferred tax assets under the special regime, in 2017, net of the balance component that, at December 31, 2016, already met the deductibility criteria but which was still not effective owing to a deficit of taxable material;

(vii) Change of the fiscal framework on impairment losses on specific credit risk, for tax periods beginning on or after January 1, 2017, in accordance with the preliminary draft law amending article 28-C of the IRC Code, produced in December 2016 by the Secretariat of State for Fiscal Affairs and the Portuguese Association of Banks for the comments and analysis of their associates. The intention to review this fiscal framework, in 2017, had already been expressed in the preamble to Regulatory Decree 5/2016, in the sphere of which the intention to favour an approximation between fiscal and accounting rules was stated.

(viii) Incorporation of fiscal income estimates deriving from the strategy for the restructuring of international operations;

(ix) Deduction of impairment losses on other financial assets (namely property received in kind, including property owned by property vehicles), based on the deleveraging objectives (and periods for the fulfilment thereof) established in the Plan for the Reduction of Non-Performing Assets;

(x) Projection in respect of the deductibility of the costs of present and future employee benefits based on an estimate of the taxation period for realising the respective payments.

It should also be noted that any changes to the assumptions used or relevant variables for the assessment of taxable profit projections may lead to substantially different results and conclusions. It should, herein, be stated that the above referred to conclusions may be different if the legislation on fiscal deductions for credit impairment, in force in 2016, is retained. In such a context of the analysis of the recoverability of deferred tax assets, Caixa has also prepared scenarios based on an assumption of the future maintenance of the fiscal regime applicable to credit impairment in 2016. According to these scenarios, it will be necessary to reduce the rate of disinvestment in loans whose impairment is still not tax deductible and take other measures to postpone the fiscal deductibility of impairment losses already recognised at December 31, 2016, with the aim of reducing the risk of the non-recovery of a part of the corresponding deferred tax assets. Although it considers such scenarios to be unlikely, Caixa' s Board of Directors considers that it is in a position to implement these measures if necessary.

Banking sector contribution

Deriving from the dispositions of article 141 of the State Budget Law for 2011 (Law 55-A/2010 of December 31), which established the introduction of a new contribution regime applicable to the banking sector, the Group recognised €36,866 thousand and €39,698 thousand for the half years ended June 30, 2017 and 2016 and 2015, respectively, on total costs to be paid for this tax in the respective tax period. The tax, regulated under the terms of Ministerial Order 121/2011 of March 30 is levied on the liabilities of credit institutions headquartered on Portuguese territory, net of the own and complementary funds therein included, as well as deposits covered by the Deposit Guarantee Fund and the notional amount of financial derivatives other than hedge derivatives. The tax is also payable by the subsidiaries of credit institutions headquartered outside Portuguese territory as well as the branches in Portugal of credit institutions headquartered outside the European Union.

The tax authorities are normally entitled to review the tax situation during a certain period, which, in Portugal, is four years (unless tax losses have been carried back, in addition to any other deduction or tax credit expiring in the same year as this right). Owing to different interpretations of the legislation, this may result in the eventual possibility of adjustments being made to the taxable profit for former years (2013 to 2016 in the case of most entities headquartered in Portugal, with Caixa Geral de Depósitos having been inspected in 2013 and 2014). Any possible adjustments, given the nature thereof, cannot be quantified at present. Caixa’ s Board of Directors considers, however, that any adjustments for the above years are unlikely to have a significant effect on the condensed consolidated financial statements.

17. OTHER ASSETS

This account comprises the following:

	30-06-2017	31-12-2016
Other assets		
Debt certificates of the Territory of Macau	865,650	893,496
Gold, precious metals, numismatics and medals	3,402	3,434
Other availabilities	30	28
Other	6,291	6,249
Debtors and other investments		
Central and local government	42,062	43,345
Shareholders' loans	208,601	217,859
Debtors - futures contracts	58,598	42,995
Amount receivable from the sale of EDP	482,004	482,457
Grants receivable from		
The State	19,880	16,922
Other entities	12,651	11,882
Amount receivable from the sale of assets received as settlement of defaulting loans	495	284
Other past due debtors	73,188	183,196
Other debtors	994,560	1,188,554
Income receivable	38,152	46,051
Deferred costs		
Rent	4,633	2,280
Other	43,952	40,768
Operations pending settlement	213,937	254,954
Stock exchange operations	11,979	9,743
	3,080,064	3,444,497
Impairment (Note 34)	(301,439)	(402,849)
	2,778,626	3,041,648

Information on impairment movements on debtors and other assets for the half years ended June 30, 2017 and 2016 is set out in Note 34.

The proceeds from the sale of EDP, at June 30, 2017 and December 31, 2016, derive from CGD's disposal of an equity stake in the company to Parpública.

At June 30, 2017 and December 31, 2016 the "Debtors and other assets – Other debtors" account included €645,386 thousand and €806,380 thousand, respectively, for surety accounts in several financial institutions. The referred to sureties derive from the liquidity injection operations collateralised by financial assets and from interest rate swap agreements (IRS) with these entities (Note 10).

The “Debtors and other assets – other debtors” account, at December 31, 2016, included €50 282 thousand for Caixa’ s surety deposit with the Tax Authorities relative to the proceedings for the suspension of the fiscal execution of a tax settlement. The referred to surety deposit was cancelled in January 2017 as a result of Caixa’ s inclusion in *PERES* (“Special Programme for the Reduction of Debt to the State”).

Under the contract to issue notes entered into between Banco Nacional Ultramarino, S.A. (Macau) and the Territory of Macau, the Bank provides the Territory with convertible currency corresponding to the counter value of notes in circulation, receiving in return, a debt certificate for an equivalent amount to cover the liability resulting from the currency issuance (Note 23). The amounts to be provided to the Territory by the Bank are reconciled on a monthly basis, in the first fifteen days of each month, based on the preceding month’s average daily balances. At June 30, 2017 and December 31, 2016 the debt certificate of the government of Macau totalled €865,650 thousand and €893,496 thousand, respectively. No interest is payable on the certificate, as the consideration for the functions attributed to Banco Nacional Ultramarino, S.A. (Macau) is given by a permanent non-interest-bearing deposit.

At June 30, 2017 and December 31, 2016 the "Debtors and other assets - other debtors" account, included outstanding balances for the calling in of guarantees provided to customers and other expenses directly associated with such operations for the amounts of €73,188 thousand and €183,196 thousand, respectively. Accumulated impairment associated with these operations on the referred to dates amounted to €49,774 thousand and €140,795 thousand, respectively.

Shareholders’ loans, at June 30, 2017 and December 31, 2016, comprised the following:

	30-06-2017	31-12-2016
Locarent - Companhia Portuguesa de Aluguer de Viaturas, S.A.	86,000	86,000
A. Silva & Silva - Imobiliário & Serviços, S.A.	28,977	28,977
Sagesecur - Estudo, Desenvolvimento e Participações em Projetos, S.A.	12,180	12,180
Visabeira Global, SGPS, SA	14,134	11,047
PP3E - Projetos e Participações em Empreendimentos de Energia Elétrica, S.A.	-	10,200
Relating to financial assets assignment operations (Note 8)		
Moretextile, SGPS, S.A.	37,440	37,006
Flitptrel Portugal , SGPS, S.A	8,825	8,825
Taem - Processamento Alimentar, SGPS, S.A	5,060	5,050
Vncork - SGPS, S.A	982	976
	52,307	51,857
Other	15,003	17,597
	208,601	217,859

Details on shareholders’ loans to Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A., at June 30, 2017 and December 31, 2016 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 1, August 1 and November 1 of each year. An addendum to the loan agreement extending its maturity 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 2016, the parties agreed another addendum to the shareholders’ loan agreement under which the scheduled maturity date of September 30 was extended for another year with no other changes to the other terms and conditions in force.

Under the financial restructuring agreement for the Coelima, JMA - José Machado de Almeida and AAF – António Almeida & Filhos textiles groups, entered into in first half 2011, Caixa made shareholders' loans of €31,182 thousand to Moretextile, SGPS, S.A. The shareholders' loans were used to pay off a part of Coelima's debt to its creditors (including CGD). 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 May 13, 2018. This 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 to provide for losses of €37,440 thousand on this asset of which €434 thousand in first half 2017.

18. RESOURCES OF CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

This account comprises the following:

	30-06-2017	31-12-2016
Resources of central banks		
Resources - European Central Bank		
Loans, deposits and other resources		
Caixa Geral de Depósitos	2,000,000	2,000,000
Other Group entities	1,497,220	1,527,220
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	2,041	285
Of foreign credit institutions	20,207	149,617
Interest payable	684	1,029
	3,520,152	3,678,151
Resources of other credit institutions		
Deposits and other resources		
Of domestic credit institutions	659,620	719,983
Of foreign credit institutions	775,657	971,299
Interbank money market resources	15,000	14,500
Immediate short term resources		
Of domestic credit institutions	141,808	22,846
Of foreign credit institutions	9,637	699
Loans		
Of foreign credit institutions	9,580	12,862
Resources of international financial entities	47,360	62,911
Sale operations with repurchase agreement	150,000	308,981
Interest payable	8,595	8,453
Charges with deferred cost	-	(973)
	1,817,258	2,121,560
	5,337,409	5,799,712

The “Central banks’ resources – Resources – European Central Bank” account at June 30, 2017 and December 31, 2016, refers to loans from the European Central Bank, collateralised by debt instruments and other loans in the Group’s portfolio. These assets are not freely transferable and are recognised at their nominal value in “Asset-backed guarantees” (Note 21) in off-balance sheet accounts.

The “Sales operations with repurchase agreements” account, at June 30, 2017 and December 31, 2016, 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 the sales and repurchase price is recognised as an interest expense and deferred over the contract's lifetime.

The referred to operations were contracted for under GMRAs ("Global Master Repurchase Agreements") or bilateral liquidity injection agreements, providing mechanisms to strengthen the collateral associated with these transactions based on the evolution of respective market value, assessed in accordance with the specifications agreed between the counterparties and usually comprising surety deposits.

19. CUSTOMER RESOURCES AND OTHER LOANS

This account comprises the following:

	30-06-2017	31-12-2016
Savings deposits	2,488,328	2,395,529
Other debts		
Repayable on demand	27,172,427	25,024,891
Term		
Deposits	38,121,383	40,033,566
Mandatory deposits	245,037	292,950
Other resources:		
Cheques and orders payable	111,017	92,785
Loans	70,030	70,030
Operations with repurchase agreement	156,000	158,965
Other	1,419,009	1,451,931
	40,122,477	42,100,227
	67,294,904	67,125,118
Interest payable	140,161	170,661
Deferred costs net of deferred income	(6,389)	(8,608)
Commissions associated with amortised cost (deferred)	(3,361)	(3,895)
Adjustments to liabilities under hedging operations	1,135	1,326
	131,548	159,484
	69,914,779	69,680,130

20. DEBT SECURITIES

This account comprises the following:

	30-06-2017	31-12-2016
Bonds in circulation:		
Bonds issued under the EMTN Programme		
- Remuneration indexed to interest rates	12,498	12,498
- Fixed interest rate	162,361	218,034
- Remuneration indexed to exchange rates	94,664	91,956
	269,523	322,488
Covered bonds	3,759,850	3,759,850
	4,029,373	4,082,338
Adjustments to liabilities under hedging operations	8,000	13,326
Deferred costs net of income	(7,590)	(9,809)
Interest payable	48,460	97,874
	4,078,243	4,183,729

The breakdown of the debt securities account, at June 30, 2017 and December 31, 2016 is net of the accumulated debt balances repurchased in the meantime, as follows:

	30-06-2017	31-12-2016
Bonds issued under the EMTN programme	15,000	15,000
Covered bonds	1,500,000	1,500,000
	1,515,000	1,515,000

CGD uses the following specific programmes to diversify its funding sources:

(i) Euro Commercial Paper and Certificates of Deposit (ECP and CCP)

Under the "€10 billion Euro Commercial Paper and Certificates of Deposit" programme, CGD (either directly or through its France branch) is entitled to issue certificates of deposit (CD) and notes with a maximum maturity of 5 years and 1 year, respectively, in euros, US dollars, pound sterling, Japanese yen or any other currency agreed between the parties. Fixed or variable-rate interest is payable on these issuances which may also be indexed to indices or shares.

(ii) Euro Medium Term Notes (EMTN)

CGD Group, through CGD (either directly or through its France and London branches) and CGD Finance, are entitled to issue a maximum amount of €15 billion in debt securities under this programme. The France branch guarantees all CGD Finance issuances.

Bonds may be issued in any currency with minimum maturities of one month and 5 years for non-subordinated and subordinated issuances, respectively. There are no maximum maturities on these operations.

These securities may be issued at a discount. Fixed or variable-rate interest is payable on these issuances which may also be indexed to indices or shares.

(iii) Covered bonds

CGD set up a covered bond programme, for the direct issuance of 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 Regulation applicable to issuances of this type of instrument, i.e. Decree Law 59/2006, *Official Notices* 5, 6, 7 and 8 and Bank of Portugal *Instruction* 13.

The bonds may be issued in any currency with a minimum term of 2 and maximum of 50 years. Fixed or variable-rate interest is payable on these issuances which may also be indexed to indices or shares.

These bonds entitle their holders to special credit rights – over any other creditors – on assets which have been set aside in the issuing entity's balance sheet to guarantee the debt and to which bondholders enjoy access in the event of insolvency.

Assets eligible for the constitution of an asset pool comprise mortgage loans for housing or commercial purposes in a European Union Member State or, alternatively, loans and advances to central governments or the regional and local authorities of one of the European Union Member States and loans with the express and legally binding guarantee of such entities. Mortgage loans cannot exceed 80% of the mortgaged assets given as collateral for property for housing (60% for other property).

In accordance with the issuance conditions defined by the programme, the following criteria must be complied with during the period of the issuance:

- The total nominal value of covered bonds in circulation may not exceed 95% of the total value of mortgage loans and other assets allocated to the referred to bonds;
- The average maturity of covered bonds issuances may not, for issuances as a whole, exceed the average life of the associated mortgage loans;
- The total amount of interest payable on the covered bonds may not, for issuances as a whole, exceed the amount of interest charged to borrowers of mortgage loans allocated to the referred to bonds;
- The present value of the covered bonds may not exceed the present value of the assets allocated to them, which ratio must be maintained for parallel shifts of 200 basis points on the yield curve.

The asset pool may also include autonomous assets, up to a maximum of 20% of its value, namely deposits at the Bank of Portugal or securities eligible for Eurosystem credit and other operations defined by law.

The nominal value of covered bonds, issued by Caixa at June 30, 2017 and December 31, 2016, remained unchanged at €5,270,000 thousand, with the following issuance characteristics:

DESIGNATION	Nominal		Date of issue	Date of redemption	Interest payment	Remuneration	Interest rate at 30-06-2017	Interest rate at 31-12-2016
	30-06-2017	31-12-2016						
Hipotecárias Série 4 2007/2022	250,000	250,000	28-06-2007	28-06-2022	Quarterly, on March 28, June, September and December	3 month Euribor rate + 0.05%	0.000%	0.000%
Hipotecárias Série 8 2008/2038	20,000	20,000	01-10-2008	01-10-2038	Annually, on October 1	Fixed rate	5.380%	5.380%
Hipotecárias Série 10 2010/2020	1,000,000	1,000,000	27-01-2010	27-01-2020	Annually, on January 27	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 January 31, April, July and October	3 month Euribor rate + 0.75%	0.421%	0.438%
Hipotecárias Série 15 2013/2018	750,000	750,000	18-01-2013	18-01-2018	Annually, on January 18	Fixed rate	3.750%	3.750%
Hipotecárias Série 16 2014/2019	750,000	750,000	15-01-2014	15-01-2019	Annually, on January 15	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 January 27	Fixed rate	1.000%	1.000%
	5,270,000	5,270,000						

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

The assets pool, used as collateral for the issuances, includes mortgage loans issued in Portugal with a book value of €8,904,971 thousand and €9,432,153 thousand (Note 12), at June 30, 2017 and December 31, 2016, respectively.

The assets pool used as collateral for the issuances also comprised debt securities, with a book value of €141,657 thousand and €142,693 thousand respectively (Note 8), at June 30, 2017 and December 31, 2016.

The Moody's and Fitch ratings on these covered bonds, at June 30, 2017 were A2 and BBB+, respectively.

Details on bond issuances, by type of interest and period to maturity, in the condensed financial statements, at June 30, 2017 and December 31, 2016, are set out below:

	30-06-2017				
	Type of asset or underlying index used to calculate the remuneration			Covered bonds	Total
	Exchange rate	Interest rate	Sub total		
Up to one year	-	69,361	69,361	749,000	69,361
One to five years	53,565	95,498	149,063	2,740,850	2,641,413
Five to ten years	17,742	-	17,742	250,000	1,265,242
Over ten years	23,357	10,000	33,357	20,000	53,357
	94,664	174,859	269,523	3,759,850	4,029,373

	31-12-2016				
	Type of asset or underlying index used to calculate the remuneration			Covered bonds	Total
	Exchange rate	Interest rate	Sub total		
Up to one year	-	119,361	119,361	-	119,361
One to five years	61,724	101,171	162,895	2,492,350	2,655,245
Five to ten years	18,156	-	18,156	1,247,500	1,265,656
Over ten years	12,076	10,000	22,076	20,000	42,076
	91,956	230,532	322,488	3,759,850	4,082,338

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 issued and redeemed in the half years ended June 30, 2017 and 2016:

	Balance at 31-12-2016	Issues	Payments	Exchange differences	Other	Balance at 30-06-2017
Bonds issued under the EMTN programme	322,488	-	(52,026)	(939)	-	269,523
Covered bonds	3,759,850	-	-	-	-	3,759,850
	4,082,338	-	(52,026)	(939)	-	4,029,373

	Balance at 31-12-2015	Issues	Payments	Exchange differences	Other	Balance at 30-06-2016 (unaudited)
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

21. PROVISIONS AND CONTINGENT LIABILITIES

Provisions

Movements in provisions for employee benefits and for other risks, for the half years ended June 30, 2017 and 2016, were as follows:

	Balance at 31-12-2016	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 30-06-2017
Provision for employee benefits	613,094	1,197	(26,807)	(96)	70,227	657,615
Provision for litigation	23,145	3,914	(5,376)	(1,005)	5,615	26,294
Provision for guarantees and other commitments	360,935	(6,907)	-	(5,864)	(7,127)	341,037
Provision for other risks and charges	130,138	319,608	(762)	243	(8,795)	440,431
	514,218	316,616	(6,138)	(6,626)	(10,307)	807,763
	1,127,312	317,813	(32,946)	(6,722)	59,921	1,465,378

	Balance at 31-12-2015	Additions and reversals	Write-offs	Exchange differences	Transfers and other	Balance at 30-06-2016 (unaudited)
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

"Provisions for employee benefits costs", in first half 2017, included an increase of €61,000 thousand recognised in employee costs (Note 32), resulting from "PPR" (early retirement plans) and voluntary redundancies.

Provisions for other risks and liabilities are for contingencies arising from the Group's activity.

Provisions for legal contingencies comprise the Group's best estimate of any amounts to be spent on the resolution thereof, based on estimates of its Legal Department and attendant lawyers.

At June 30, 2017 and in light of the developments occurring in first half 2017, the Group recognised the costs of a collection of restructuring measures provided for in the Strategic Plan for a total overall amount of €383,000 thousand. Caixa' s Board of Directors considered that the IFRS requirements for the recognition of other estimated costs for the implementation of the Strategic Plan in the condensed consolidated financial statements at June 30, 2017 had not been fully met.

Contingent liabilities and commitments

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

	30-06-2017	31-12-2016
Contingent liabilities		
Assets given as collateral	14,751,561	14,907,144
Guarantees and sureties	3,574,521	3,820,765
Open documentary credits	263,912	324,575
Stand by letters of credit	56,483	62,060
	18,646,479	19,114,544
Commitments		
Revocable commitments	9,185,822	9,983,313
Securities subscription	1,508,053	1,683,944
Irrevocable lines of credit	540,997	567,968
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	155,553	155,553
Investor Compensation System	38,584	37,760
Forward deposit agreements		
Receivable	21,309	-
To be created	40,770	218
Other	29,708	-
	11,520,796	12,428,757
Deposit and custody of securities	42,919,608	41,058,503

Asset-backed guarantees are as follows:

	30-06-2017	31-12-2016
Debt Instruments		
Consigned resources		
EIB - European Investment Bank	1,192,500	1,117,500
Council of Europe Development Bank	25,300	28,800
Bank of Portugal (*)	13,192,899	13,366,030
Agência de Gestão da Tesouraria e da Dívida Pública - IGCP, E.P.E.	127,509	181,409
Deposit Guarantee Fund	185,240	185,240
Investor Compensation System (futures)	21,000	21,000
Euronext	6,500	6,500
Other Assets		
Other	613	664
	14,751,561	14,907,144

(*) 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, 2017 and December 31, 2016, refer to debt instruments classified as assets held-for-trading, available-for-sale financial assets, loans and advances to customers and debt securities (Note 20). The market value of debt instruments given as collateral, at

June 30, 2017 and December 31, 2016, was €14,985,983 thousand and €14,948,581 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 €213,682 thousand and €203,178 thousand, at June 30, 2017 and December 31, 2016, 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 has taken the form of an irrevocable commitment to make the referred to contributions when requested by the Fund, with the amount not being recognised as a cost. Commitments assumed since 1996 totalled €155,553 thousand. At June 30, 2017 and 2016, the Group recognised liabilities of €2,706 thousand and €2,425 thousand, respectively for its annual contribution to the Deposit Guarantee Fund.

Asset-backed guarantees are not available for the Group's free use in its operations and are recognised at their nominal value in off-balance sheet accounts.

Caixa Brasil, SGPS, S.A.

CGD was notified by the Portuguese Tax Authorities of their inspection report for 2005 on an adjustment of taxable income for the year amounting to €155,602 thousand. In addition to other situations, the referred to amount included an adjustment of €135,592 thousand owing to the fact that Caixa had benefited from the full elimination of double taxation on its share of Caixa Brasil SGPS, S.A.'s results in the said period. Caixa contested the referred to adjustments, considering that the procedure adopted by it was in compliance with the fiscal legislation in force, as it was in possession of data enabling it to show that Caixa Brasil, SGPS S.A.'s earnings were subject to taxation. The Lisbon Tax Court issued a ruling, in 2014, annulling, *inter alia*, the adjustments made by the Tax and Customs Authority during the said year on the component allocated to the profit made on the liquidation of Caixa Brasil.

In April 2015, the contents of the Ruling of the Southern Central Administrative Court were made public and which, in the second instance, decided to revoke the ruling decreed in the first instance by the Lisbon Tax Court. In its reaction to this ruling of the Southern Central Administrative Court, Caixa decided to appeal and apply for a review of the rulings in first half 2015. As a result of the allegations made, the Southern Central Administrative Court recognised the legitimacy of the assumptions inherent to the appeal against the rulings whose final ruling now awaits the decision of the Supreme Administrative Court, with the appeal for a review having been considered admissible owing to the legal framework of the allegations made.

In December 2016, as a result of Caixa' s inclusion in the exceptional fiscal debt and social security contributions settlement regime (PERES – Special Programme for the Reduction of Debt to the State), approved by Decree Law 67/2016 of November 3, the amount of €34,071 thousand in tax associated with the current process was settled in full. As a result of this action Caixa also requested the cancellation of the surety deposit made in 2010 as part of the guarantee procedures for the suspension of a tax liquidation act provided for at law, for the amount of €50,282 thousand. This eventually occurred in January 2017 (Note 17).

At May 31 2017, Caixa was notified of the Supreme Administrative Court's ruling on its appeal. The decision found in favour of the arguments submitted on the correct interpretation of the effective taxation concept and consequently ruled that the proceedings should be returned to the Southern Central Administrative Court which should review its initial conclusion announced in the second instance on the basis of the referred to guidelines.

Notwithstanding the conviction of Caixa' s Board of Directors regarding the conformity of the procedures adopted, having, for the purpose taken the steps permitted by Law to contest the ruling, it considered adequate that the amount of tax surrendered to the State owing to its inclusion in PERES, recognised as a charge to "Other assets", should continue to be impaired with reference to June 30, 2017.

Competition Authority

On June 3, 2015, in addition to fourteen other credit institutions, CGD was charged by the Competition Authority, with performing certain practices, namely exchanging information with several of the said credit institutions, which, in the eyes of the said Authority, comprised collusion with the aim of significantly distorting market competition.

Based on the requests submitted by several of the referred to credit institutions, the initial period was extended on more than one occasion and has still not expired. CGD has, nevertheless, prepared its defence to comply with the initial period which expired on November 17, 2015.

On March 14, 2017, CGD was formally notified by the Competition Authority of its Board of Directors' resolution to lift the suspension of the current offence with which it had been charged, although the suspension of the period for the decision on the charge remained. A latter resolution of the Competition Authority's Board of Directors lifted the suspension of the indictment period ending on September, 27 2017. CGD submitted its defence on September 26, 2017.

CGD's defence is based on its understanding that there are no *de facto* or legal assumptions leading to Caixa Geral de Depósitos being convicted on account of any restrictive market practice, for which reason it has expressly applied for the process to be archived.

Resolution fund

The Resolution Fund was created under Decree Law 31-A/2012 of February 10. It is funded by resources from the payment of contributions by the institutions participating in the Fund and a banking sector contribution. Whenever such resources are shown to be insufficient to meet liabilities, other sources of funding may also be used, namely: (i) special contributions made by credit institutions; and (ii) amounts deriving from loans.

Application of resolution measure to Banco Espírito Santo, S.A.

On August 3, 2014, the Board of Trustees of the Bank of Portugal decided to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), transferring most of the activity and assets of BES to Novo Banco S.A., a new transitional banking institution created for the purpose, the total amount of whose capital is now owned by the Resolution Fund.

Following the resolution measure, Novo Banco, S.A. was deemed to have capital requirements of €4,900,000 thousand to be paid up by the sole shareholder under the terms of the legislation in force. Considering that the Resolution Fund did not have sufficient resources of its own for the operation at the said date, the capital was subscribed for on the basis of two loans:

– €3,900,000 thousand from the Portuguese State; and

– €700,000 thousand from eight fund member institutions (of which €174,000 thousand from CGD).

In September 2015 the Bank of Portugal suspended the sales process on the Resolution Fund's investment in Novo Banco, which started in 2014 and completed the process in progress without accepting any of the three binding proposals, considering that the terms and conditions thereof were not satisfactory. In its announcement of December 21, 2015 the Bank of Portugal disclosed information on the agreement reached with the European Commission, providing for, *inter alia*, an extension to the period for the full disposal of the Resolution Fund's equity investment in Novo Banco.

On December 29, 2015 the Bank of Portugal issued an announcement approving a series of decisions to complete the resolution measure applied to BES. The Bank of Portugal decided to return the liability for the non-subordinated bonds issued by it for institutional investors to BES. The nominal amount of the bonds reassigned to BES was €1,941 million, comprising a balance sheet carrying amount of €1,985 million. In addition to this measure, the Bank of Portugal also clarified that the Resolution Fund is responsible for neutralising any negative effects of future decisions resulting in contingent liabilities deriving from the resolution process, by compensating Novo Banco.

The disposal process of the Resolution Fund's equity investment in Novo Banco was re-launched in January 2016.

In July 2016 and deriving from the completion of the independent valuation process on the level of the recovery of loans in each category of BES creditors, in a hypothetical liquidation scenario in August 2014, as an alternative to the application of the resolution measure, the Bank of Portugal clarified, in the event of the closure or liquidation of BES, that its creditors whose loans had not been transferred to Novo Banco, S.A., would incur greater losses than otherwise would have been the case and should be compensated for the difference by the Resolution Fund.

On August 4, 2016, the Resolution Fund announced that it had changed the conditions of the loans obtained to finance the resolution measure applied (both with a maximum maturity of August 4, 2016) which would mature on December 31, 2017, without prejudice to early redemptions or the agreement of other changes.

On September 28, 2016, the Resolution Fund announced that it had reached an agreement with the Ministry of Finance on a revision of the conditions of the loans obtained to fund the BES resolution measure. According to the announcement of the Resolution Fund, the agreed revision "would permit the extension of the maturity in terms such as to guarantee the Resolution Fund's capacity to fully comply with its obligations based on its regular revenue, notwithstanding the positive or negative contingencies to which the Resolution Fund was exposed." On the same date, the Office of the Ministry of Finance also announced that: “in the sphere of the agreement with the Resolution Fund and the already established bases, any increases or reductions of liabilities deriving from the materialisation of future contingencies, shall determine the adjustment of the maturity of the State's and banks' loans to the Resolution Fund, with the contributions demanded of the banking sector remaining at their current levels."

On March 21, 2017 the Resolution Fund announced the formalising of the above referred to contractual changes, including an extension of the maturity period to December 31, 2046. On the said date the Resolution Fund used its own resources to fund this resolution measure (€300,000 thousand together with the €4,600,000 thousand). The revision of the loan terms aimed to ensure the sustainability and financial balance of the Resolution Fund, based on a stable, foreseeable and manageable cost for the banking sector.

On January 4, 2017, the Bank of Portugal concluded, on the basis of the information available at the said date, that the potential investor Lone Star would be best placed to finalise the negotiating process for the acquisition of the Novo Banco shares.

At March 31, 2017, the Bank of Portugal selected Lone Star for the completion of the Novo Banco sales operation. Following the completion of the operation, the institutions' transitional regime to Novo Banco will cease to apply. It was agreed that Lone Star would inject a total amount €1,000,000 thousand in capital in Novo Banco, of which €750,000 thousand at the time of the operation's completion and €250,000 thousand within a period of 3 years.

Therefore, following the completion of the operation, Lone Star will have 75% of the share capital of Novo Banco, with the Resolution Fund retaining 25%.

The completion of the sales operation is contingent upon obtaining the regulatory permits and the performance of a liabilities management exercise with the objective of reducing Novo Banco's liabilities based on a new bond issuance making it possible to generate at least €500,000 thousand in eligible own funds for the CET1 ratio. The bonds in question were issued by Novo Banco on July 25, 2017 with a settlement date of October 4.

Application of resolution measure to Banif - Banco Internacional do Funchal, S.A.

According to the Bank of Portugal's announcement of December 20, 2015, a decision was made to sell off the activity of Banif – Banco Internacional do Funchal, S.A. (Banif) and most of its assets and liabilities to Banco Santander Totta for €150 million. According to the referred to announcement, the impositions of European institutions and the unfeasibility of the voluntary sale of Banif led to the disposal being made under the terms of a resolution measure.

Most of the assets which were not sold were transferred to Oitante, S.A. (Oitante) an asset management vehicle which was specifically created for the purpose, with the Resolution Fund as its sole shareholder. Oitante, herein, issued debt bonds all of which were acquired by Banco Santander Totta, with a guarantee having been issued by the Resolution Fund and counter guaranteed by the Portuguese State.

The operation involved public finance of around €2,255 million to cover future contingencies of which €489 million from the Resolution Fund and €1,766 million directly from the Portuguese State, as a result of the options agreed for the delimitation of the assets and liabilities sold, as agreed between the Portuguese authorities, European instances and Banco Santander Totta.

On July 21, 2016, the Resolution Fund made a payment of €163,120 thousand to the State in the form of part early repayment of the resolution measures applied to Banif – Banco Internacional do Funchal, S.A. (Banif), enabling the amount of the debt to be reduced from €489 million to €353 million.

The amount not transferred to the Single Resolution Fund will be paid by the institutions covered by the UMR ("Unique Mechanism of Resolution") Regulation of the same Single Resolution Fund across a period of eight years (ending 2024), as provided for in the Council's Implementing Resolution 2015/81(EU) of December 19, 2014.

On March 21, 2017, the Resolution Fund announced a change to the conditions of the loans obtained to finance the Banif resolution measure, similar to the referred to financing of the BES resolution measure.

Up to the date of the approval of the accounts by the Board of Directors, CGD did not have information enabling it to estimate with a reasonable degree of assurance as to whether, following such processes, there will be any deficit in the Resolution Fund's resources.

Notwithstanding, at the present time, in light of the above referred to development: (i) it is not foreseeable whether the Resolution Fund will propose the creation of a special contribution to finance the above referred to resolution measures, for which the probability of any special contribution being charged is remote, and (ii) any Resolution Fund deficits are expected to be financed by periodic contributions under article 9 of Decree Law 24/2013 of February 19, which stipulates that the periodic contributions to the Resolution Fund will be paid by the institutions participating therein and active on the last day of the month of April of the year to which the periodic contribution refers. Such contributions, in addition to the banking sector contribution, are recognised in costs for each year in accordance with IFRIC 21 – "Levies".

22. OTHER SUBORDINATED LIABILITIES

This account comprises the following:

	30-06-2017	31-12-2016
Bonds	1,462,959	2,363,316
Loans	209	209
	1,463,168	2,363,525
Interest payable	16,045	72,990
Deferred income net of charges	(9,139)	(12,382)
	1,470,074	2,424,133

On June 29, 2012, CGD issued a total amount of €900,000 thousand in hybrid financial instruments eligible as Core Tier 1 own funds, fully subscribed for by the Portuguese State (conditions defined in Ministerial Order 8840-C/2012 of June 28, 2012). These bonds were convertible into shares in the following circumstances:

- CGD's full or part cancellation or suspension of the payment of interest on the hybrid financial instruments;
- A materially relevant breach of the recapitalisation plan;
- CGD's failure to repurchase the full amount of the hybrid financial instruments up to the term of the investment period (five years);
- Exercising of conversion rights specified in the issuance conditions, by the State;
- If the hybrid financial instruments cease to be eligible as Core Tier 1 own funds.

Following the authorisation of the European Central Bank and the Bank of Portugal on December 6, 2016, obtained in the sphere of the new recapitalisation process negotiated with the European authorities, Caixa Geral de Depósitos, S.A. received the hybrid financial instruments eligible as Core Tier 1 own funds (CoCos bonds), plus the corresponding accrued and unpaid interest up to January 4, 2017, the date upon which the operation was finalised, as a capital increase in kind.

Following this process the European Commission also lifted the interdiction in force on the payment of discretionary coupons on subordinated debt. CGD resumed payment of the coupons, suspended since 2013, with an amount of €1,321 thousand having been paid by June 30, 2017.

The following is a summary of the principal issuance conditions:

Issuer	Bonds	Currency	Value of issue	Book value at 30-06-2017	Book value at 31-12-2016	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	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	536,729	536,729	11-05-2009	13-05-2019	12 month Euribor rate + 1.15%. If there is no early redemption, 12 month Euribor rate + 1.65%. Annual interest payment on 11 May.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 11 May 2014.
Caixa Geral de Depósitos	Caixa Subordinadas CGD 2008/2018 (1st issue)	EUR	369,045	368,522	368,522	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 30-06-2017	Book value at 31-12-2016	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.
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.

Issuer	Bonds	Currency	Value of issue	Book value at 30-06-2017	Book value at 31-12-2016	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
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.
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.

Issuer	Bonds	Currency	Value of issue	Book value at 30-06-2017	Book value at 31-12-2016	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
CGD Finance	Floating Rate Undated Subordinated Notes	EUR	110,000	743	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.
Banco Comercial e de Investimentos	Subordinanted bonds BCI 2008-2018	MZN	216,000	2,970	2,664	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.
Banco Comercial do Atlântico	Bonds BCA Crescente 2017	CVE	500,000	449	897	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

Issuer	Bonds	Currency	Value of issue	Book value at 30-06-2017	Book value at 31-12-2016	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Banco Interatlântico	Bonds BI 2014	CVE	500,000	4,255	4,255	08-07-2008	08-07-2018	6 month Euribor rate + 0.9% until the 2nd coupon. 6.0% until July 2013 . From this date on, the rate of the last five year Treasury Bonds issue + 0,5%. Half yearly interest payment on 8 January and July.	The issuer has an early redemption option at nominal or partly value of the outstanding debt at the end of the 1st year and, after this date, every six months, with a 0.5% premium payment over the nominal value of the bonds that would be amortised in subsequent periods.
Banco Comercial e de Investimentos	Subordinated loan BPI	USD	3,704	3,326	3,520	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 comprises the following:

	30-06-2017	31-12-2016
Creditors		
Consigned resources	871,145	801,844
Resources - collateral account	74,213	146,148
Resources - subscription account	47,420	49,368
Resources - secured account	14,091	2,919
Suppliers of finance leasing assets	5,148	5,277
Creditors for factoring ceded	93,940	72,246
Caixa Geral de Aposentações	15,215	5,246
CGD's Pension Fund	43,368	182,004
Creditors for futures contracts	30,940	20,277
Creditors for transactions in securities	91	94
Creditors for sale of assets received as settlement of defaulting loans	10,286	5,789
Other suppliers	27,304	50,215
Other creditors	134,143	717,435
Other liabilities		
Notes in circulation - Macau (Note 17)	856,392	926,285
Withholding taxes	40,421	34,564
Social Security contributions	12,920	14,396
Other taxes payable	8,394	9,209
Collections on behalf of third parties	105	105
Other	3,834	3,490
Accrued costs	237,743	206,633
Deferred income	70,682	67,939
Liabilities pending settlement	916,637	483,287
Stock exchange operations	22,193	11,813
	3,536,625	3,816,580

The “Resources – collateral account” account at June 30, 2017 and December 31, 2016, included €68,102 thousand and €143,722 thousand, respectively, relating to interest rates swap (IRS) contracts deposits deposited with CGD by several financial institutions.

The "Miscellaneous creditors - other" account, at June 30, 2017 and December 31, 2016, included €572,153 thousand and €573,410 thousand, respectively, of financial liabilities with minority investors in the unit trust investment funds included in CGD Group’s consolidation perimeter.

24. CAPITAL AND OTHER INSTRUMENTS

At June 30, 2017 and December 31, 2016, CGD's share capital was totally held by the Portuguese State, as follows:

	30-06-2017	31-12-2016
Number of shares	768,828,747	1,180,000,000
Unit price (Euros)	5	5
Share capital	3,844,143,735	5,900,000,000

At March 30, 2017 Caixa increased its share capital by €2,500,000 thousand, through the issuance of 500,000,000 new ordinary shares with a nominal value of €5 each, subscribed for and paid up by the Portuguese State as its sole shareholder and €500,000 thousand in securities representing Additional Tier 1 own funds, fully subscribed for by private, professional investors. A coupon rate of 10.75% was paid on this issuance.

25. RESERVES, RETAINED EARNINGS AND NET INCOME ATTRIBUTABLE TO CGD'S SHAREHOLDER

Reserves and retained earnings, at June 30, 2017 and December 31, 2016, were as follows:

	30-06-2017	31-12-2016
Revaluation reserves		
Legal revaluation reserve of fixed assets	128,355	119,672
Revaluation reserves associated with foreign exchange differences in equity instruments, net of deferred tax	5,495	9,179
Fair value reserve, net of deferred tax		
Available-for-sale financial assets (Note 8)	104,902	(40,548)
Assets with repurchase agreement	2,478	2,202
Other revaluation reserves	(2,987)	(3,237)
	238,243	87,268
Other reserves and retained earnings		
- Legal reserve - CGD	-	865,348
- Other reserves	4,434,592	300,831
- Retained earnings	(1,436,086)	(2,275,501)
	2,998,506	(1,109,321)
Net income attributable to the shareholder of CGD	(49,925)	(1,859,523)
	3,186,824	(2,881,576)

In the sphere of the recapitalisation process which took place in first quarter 2017, the Portuguese State, as CGD's sole shareholder, decided to use the free reserves and legal reserve, for the amount of €1,412,460 thousand, to cover the same amount in negative retained earnings.

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.

"Other reserves and retained earnings" at December 31, 2016 included CGD's legal reserves for the amount of €865,348 thousand and the legal reserves, free reserves and legal revaluation reserves of its subsidiaries, jointly controlled enterprises and associates.

The currency translation reserve, which recognises the effect of translating subsidiaries' financial statements in foreign currency, is included in "Other reserves".

The legal revaluation reserves may only be used to cover accumulated losses or increase capital. CGD's non distributable reserves therefore totalled €110,425 thousand in compliance with the following legislation:

Tangible fixed assets	
Decree-Law nº 219/82, of June 2	1,752
Decree-Law nº 399 - G/84, of December 28	1,219
Decree-Law nº 118 - B/86, of May 27	2,304
Decree-Law nº 111/88, of April 2	8,974
Decree-Law nº 49/91, of January 25	22,880
Decree-Law nº 264/92, of November 24	24,228
Decree-Law nº 31/98, of February 11	48,345
Financial fixed assets	723
	110,425

The net contribution to CGD's consolidated results made by branches and subsidiaries, at June 30, 2017 and 2016, was as follows:

	30-06-2017	30-06-2016 (unaudited balances)
Caixa Geral de Depósitos, S.A.		
Caixa Geral de Depósitos	(248,936)	(327,549)
France Branch	20,705	55,296
Cayman Branch	(10,535)	579
Spain Branch	3,293	(1,136)
East Timor Branch	2,199	1,818
London Branch	1,414	2,486
Luxembourg Branch	(915)	(911)
New York Branch	189	1,850
Zhuhai Branch	(104)	(38)
Macau Branch	87	143
	(232,604)	(267,462)

	30-06-2017	30-06-2016 (unaudited balances)
Contribution to net income		
Subsidiaries:		
CGD Investimentos CVC, S.A.	40,940	288
Caixa – Banco de Investimento, S.A. (a)	36,008	(24,231)
Banco Nacional Ultramarino, S.A. (Macau)	28,769	30,972
Banco Caixa Geral, S.A.	12,766	10,489
Banco Caixa Geral Angola, S.A.	12,095	6,912
Caixa Seguros e Saúde, SGPS, S.A. (a)	9,364	10,675
Caixa Leasing e Factoring – Instituição Financeira de Crédito, S.A.	8,464	6,858
Mercantile Bank Holdings, Ltd.	6,987	4,585
Banco Comercial e de Investimentos, S.A.R.L.	6,579	6,675
Fundimo - Fundo de Investimento Imobiliário Aberto	5,280	(7,227)
Caixa Imobiliário - Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional	713	(258)
Inmobiliaria Caixa Geral, S.A.U.	(4,222)	(3,655)
Parcaixa, SGPS, S.A. (a)	4,030	3,619
Caixagest Private Equity - Fundo Especial de Investimento	3,517	713
Fundo de Capital de Risco – Grupo CGD - Caixa Capital	3,097	2,575
Fundiestamo - Fundo de Investimento Imobiliário Fechado	2,812	781
Partang, SGPS, S.A.	(2,354)	(1,008)
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	2,161	2,095
Cibergradual, Investimento Imobiliário, S.A.	(2,120)	(747)
Ibéria - Fundo Especial de Investimento Imobiliário Fechado	(1,523)	(688)
Caixagest - Técnicas de Gestão de Fundos, S.A.	1,465	731
Fundo de Capital de Risco Empreender Mais	(1,202)	(573)
Caixagest Infra-Estruturas - Fundo Especial de Investimento	1,006	1,456
Fundo de Capital de Risco Caixa Fundos	759	(561)
Caixa Imobiliário, S.A.	756	2,020
Beirafundo - Fundo de Investimento Imobiliário Fechado	(716)	(1,378)
CGD Pensões, S.A.	702	957
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	575	1,000
Banco Comercial do Atlântico, S.A.R.L.	568	419
Fundolis - Fundo de Investimento Imobiliário Fechado	(503)	(476)
Imobci, Lda.	(476)	(98)
Fundo de Investimento Imobiliário de Arrendamento Habitacional - Cidades de Portugal	395	645
Banco Caixa Geral Brasil, S.A.	369	1,197
Imocaixa - Gestão Imobiliária, S.A.	(104)	(949)
Caixa Arrendamento - Fundo Investimento Imobiliário Fechado para Arrendamento Habitacional	4,351	(344)
Other	(179)	97
	181,129	53,567
Associates and jointly controlled entities:		
Locarent, S.A.	1,112	1,449
Fundo Turismo	219	325
SIBS – Sociedade Interbancária de Serviços, S.A.	152	6,468
Esegur – Empresa de Segurança, S.A.	69	230
Other	(1)	180
	1,550	8,651
Consolidated net income attributable to the shareholder of CGD	(49,925)	(205,243)

(a) Data taken from the consolidated financial statements.

The amounts were assessed prior to the elimination of intragroup operations involved in the consolidation process.

Appropriation of net income for period

2016

A resolution was passed at the general meeting of shareholders, held in May 2017, to include €2,050,413 thousand in losses, made in 2016, in the "Other reserves and retained earnings" balance sheet account.

2015

A resolution was passed at the general meeting of shareholders, held in May 2016, to include earnings of €12,211 thousand made in 2015, appropriated on the basis of the incorporation of €2,442 thousand in the "Legal reserve" and €9,769 thousand in "Other reserves and retained earnings".

26. NON-CONTROLLING INTERESTS

Third party investments in subsidiaries are distributed among the following entities:

	30-06-2017	31-12-2016
Banco Caixa Geral Angola, S.A.	129,506	141,953
Caixa Geral Finance	96,245	96,245
Banco Comercial e de Investimentos, S.A.R.L.	82,581	68,990
Fundiestamo - Fundo de Investimento Imobiliário Fechado	32,637	31,848
Banco Comercial do Altlântico, S.A.R.L.	12,967	13,096
Banco Interatlântico, S.A.R.L.	4,970	4,610
A Promotora - Sociedade de Capital de Risco, S.A.R.L.	1,722	1,514
Interbancos, S.A.R.L.	1,139	668
Banco Caixa Geral, S.A.	1,058	990
Caixa – Banco de Investimento, S.A.	913	764
Parcaixa, SGPS, S.A. (a)	-	505,181
Caixagest Rendimento Nacional - Fundo de Investimento Alternativo Estruturado Aberto de Obrigações	-	(2,001)
Other	(112)	560
	363,626	864,417

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

Caixa Geral Finance, with a share capital of €1,000, is headquartered in the Cayman Islands. On June 28, 2004, the company issued €250,000 thousand in non-voting preference shares. If a decision is made by its directors to pay dividends, a quarterly dividend equivalent to annual interest at the 3 month Euribor rate plus 0.8% up to June 28, 2014 and 1.8% thereafter, will be paid to shareholders, as from the said date. Caixa Geral Finance may redeem the preference shares, in part or in full, from June 28, 2014, at their nominal price of €1,000 per share plus the monthly payment of dividends accrued since the last payment.

On September 30, 2005 Caixa Geral Finance issued €350,000 thousand in non-voting preference shares. If a decision is made to pay dividends, a quarterly dividend equivalent to annual interest at the 3 month Euribor rate plus 0.77% up to September 30, 2015 and 1.77% thereafter, will be paid to shareholders, as from the said date. Caixa Geral Finance may redeem the preference shares, in part or in full, from September 30, 2015, at their nominal value of €50 per share, plus the monthly payment of dividends accrued since the last payment.

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, 2017 and December 31, 2016.

The payment of dividends to holders of Caixa Geral Finance's preference shares was suspended from January 1, 2013 following Caixa Geral de Depósitos, S.A.'s recapitalisation process, in June 2012. Considering the nature of preference shares, dividends are not mandatory and not cumulative. CGD resumed payment of the referred to dividends, for the period December 30, 2016 to June 30, 2017 , for the amount of €820 thousand with the lifting of the interdiction by the European Commission, on March 10, 2017, in the sphere of the new recapitalisation plan.

Information on the amount of consolidated profit attributable to non-controlling interest shareholders, in the half years ended June 30, 2017 and 2016, is set out below:

	30-06-2017	30-06-2016 (unaudited balances)
Banco Caixa Geral Angola, S.A.	11,620	6,641
Banco Comercial e de Investimentos, S.A.R.L.	6,042	6,129
Caixa Geral Finance Limited	825	(4)
Fundiestamo - Fundo de Investimento Imobiliário Fechado	790	221
Banco Comercial do Atlântico, S.A.R.L.	413	304
Parcaixa, SGPS, S.A. (a)	-	11,467
Other	(6)	(89)
	19,683	24,670

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

27. INTEREST AND SIMILAR INCOME AND INTEREST AND SIMILAR COSTS

These accounts are made up as follows:

	30-06-2017	30-06-2016 (unaudited balances)
Interest and similar income		
Interest on loans and advances to domestic credit institutions	463	2,344
Interest on loans and advances to foreign credit institutions	26,320	19,982
Interest on domestic credit	353,817	438,627
Interest on foreign credit	301,329	290,226
Interest on overdue credit	22,279	17,726
Interest on financial assets held for trade		
- Derivatives	237,052	275,540
- Securities	11,023	9,037
Interest on financial assets at fair value through profit or loss	28	46
Interest on available-for-sale financial assets	103,568	159,110
Interest on hedging derivatives	4,004	6,432
Interest on debtors and other investments	3,115	3,520
Interest on cash equivalents	1,249	655
Interest on other loans and other amounts receivable	80,171	60,887
Other interest and similar income	276	382
Commissions received relating to amortised cost	63,459	66,853
Other	32,645	-
	1,240,799	1,351,368
Interest and similar costs		
Interest on deposits of		
- Central and local government	47	228
- Other residents	79,867	182,846
- Emigrants	7,341	11,933
- Other non-residents	139,865	123,884
- Other	51	61
Interest on resources of foreign credit institutions	11,541	17,443
Interest on resources of domestic credit institutions	7,916	10,074
Interest on swaps	252,402	289,181
Interest on other trading liabilities	3,667	3,231
Interest on unsubordinated debt securities	55,298	84,268
Interest on hedging derivatives	(146)	918
Interest on subordinated liabilities	10,254	54,761
Other interest and similar costs	8,903	9,816
Commissions paid relating to amortised cost	7,842	7,878
	584,847	796,521

The "Interest and similar costs - interest on subordinated liabilities" account at June 30, 2016 included €40,411 thousand 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 comprises the following:

	30-06-2017	30-06-2016 (unaudited balances)
ADP - Águas de Portugal, S.A.	4,953	8,896
Ascendi Beiras Litoral e Alta, Auto Estradas das Beiras Litoral e Alta, S.A	1,072	607
EDP - Energias de Portugal, S.A.	-	1,308
Income received from investment funds	12,517	14,326
Other	5,243	4,503
	23,786	29,640

29. INCOME AND COSTS OF SERVICES AND COMMISSIONS

These accounts are made up as follows:

	30-06-2017	30-06-2016 (unaudited balances)
Income from services rendered and commissions:		
On guarantees provided	22,319	26,645
On commitments to third parties	7,544	8,620
On operations on financial instruments	453	610
On services provided		
Deposit and safekeeping of valuables	10,477	8,345
Collection of valuables	3,186	3,415
Management of securities	8,022	7,874
Collective investment in transferable securities	13,740	12,417
Transfer of valuables	9,254	9,503
Cards managements	6,758	7,872
Annuities	30,793	28,104
Assembly operations	4,070	3,565
Credit operations	19,815	21,777
Other services rendered	82,541	82,412
On operations carried out on behalf of third parties	4,022	2,915
Other commissions received	60,701	58,588
	283,695	282,661
Cost of services and commissions:		
On guarantees received	1,127	1,366
On commitments assumed by third parties	20	16
On operations on financial instruments	95	139
On banking servicers rendered by third parties	50,495	48,974
On operations carried out by third parties	2,523	2,415
Other commissiond paid	4,771	5,313
	59,031	58,224

30. RESULTS FROM FINANCIAL OPERATIONS

These accounts are made up as follows:

	30-06-2017	30-06-2016 (unaudited balances)
Result from foreign exchange operations:		
Revaluation of foreign exchange position	83,885	47,293
Results from currency derivatives	(62,801)	(52,083)
	21,084	(4,790)
Result from financial assets and liabilities held for trading:		
Securities:		
Debt instruments	7,216	151
Equity instruments	3,403	(2,976)
Other instruments	(24)	1,110
	10,596	(1,715)
Derivatives:		
Interest rate	169,242	(223,565)
Shares and indexes	4,942	9,910
Credit default	260	339
Other	1,992	50,888
	176,437	(162,428)
	187,033	(164,143)
Result from other financial assets at fair value through profit or loss:		
Debt instruments	53,024	818
Equity instruments	(621)	4,499
Other securities	17,336	6,844
	69,739	12,161
Result from available-for-sale financial assets:		
Debt instruments	11,338	13,712
Equity instruments		
VISA Europe Limited (Note 8)	-	36,256
Other	(174)	357
	(174)	36,613
	11,163	50,325
Other securities	4,975	19,136
	16,138	69,461
Result of hedging operations:		
Hedging derivatives	(5,048)	(20,785)
Value adjustments of hedged assets and liabilities	3,057	20,328
	(1,991)	(457)
Other		
Results in the repurchase of liabilities issued	(988)	42,482
Other	(15,500)	(3,967)
	(16,488)	38,515
	275,514	(49,253)

At June 30, 2017 and 2016, the "Other" account included losses of €16,189 thousand and €3,886 thousand, respectively, on income with minority investors included in CGD Group's consolidation perimeter.

During the course of first half 2017, Caixa Group, through its subsidiary CVC Corretora, completed the process for the disposal its economic rights over Rico Corretora, under the purchase and sales agreement for securities and other retainers entered into on November 29, 2016 and after obtaining the relevant regulatory authorisations. The transaction amounted to approximately R$209,000 thousand reais, in which the Group recognised capital gains of €53,054 thousand (at the average reference exchange rate for the period), included in “Income from financial assets at fair value through profit or loss”.

31. OTHER OPERATING INCOME

These accounts are made up as follows:

	30-06-2017	30-06-2016 (unaudited balances)
Other operating income:		
Rendering of services	15,145	21,961
Expense reimbursement	4,739	4,715
Lease income under operating lease agreements	25,390	26,189
Gains on non-financial assets:		
- Non-current assets held for sale	29,019	12,871
- Other tangible assets	103	292
- Investment property	79,904	13,978
- Other	226	311
Secondment of employees to Caixa Geral de Aposentações	418	1,266
Sale of cheques	4,471	4,925
Other	17,436	23,272
	176,853	109,779
Other operating costs:		
Donations and subscriptions	3,582	1,696
Losses on non-financial assets:		
- Non-current assets held for sale	31,927	28,468
- Other tangible assets	(71)	232
- Investment property	76,449	37,417
- Other	19	31
Other taxes	23,073	14,879
Contribution to the Deposit Guarantee Fund	2,706	2,425
Contribution to the Resolution Fund	39,300	34,934
Administrative expenditure of the Unified Council Resolution	412	270
Fines and penalties	525	146
Other	24,742	14,140
	202,663	134,638
	(25,810)	(24,859)

The Resolution Fund, created by Decree Law 31-A/2012 of February 10, introduced a resolution regime in the General Credit Institutions and Financial Corporations Regime approved by Decree Law 298/92 of December 31.

The measures provided for in the new regime have been designed, as the case may be, to recover or prepare the orderly liquidation of credit institutions and certain investment companies in financial distress. They comprise three Bank of Portugal intervention stages, in the form of corrective intervention, provisional administration and resolution.

The Resolution Fund's principal mission, herein, is to provide financial support for the application of the resolution mechanisms adopted by the Bank of Portugal.

The transposition of the Bank Recovery and Resolution Directive (Directive 2014/59/EU) into domestic legislation introduced a common European Union resolution regime to internalise losses on the bankruptcy processes of banking institutions by their shareholders and creditors. It will be financed by mandatory contributions to the Single Resolution Fund.

The Group contributed €30,500 thousand and €31,965 thousand to the Single European Resolution Fund in first half 2017 and 2016, respectively of which €26,320 thousand and €27,391 thousand, respectively, in cash and €4,180 thousand €4,574 thousand, respectively, in the form of an irrevocable commitment comprising a surety for the said purpose.

The Group’s periodic contribution to the Domestic Resolution Fund at June 30, 2017 and 2016 totalled €12,980 thousand and €7,543 thousand, respectively.

32. EMPLOYEE COSTS

This account comprises the following:

	30-06-2017	30-06-2016 (unaudited balances)
Remuneration of management and supervisory bodies	7,902	6,774
Remuneration of staff	237,809	250,634
Provision for suspension of labour agreements	58,000	20,000
	303,712	277,408
Other charges relating to remuneration	20,180	18,271
Healthcare - CGD		
- Normal cost	11,957	10,587
- Contributions relating to current staff	8,836	9,602
Pension liability - CGD		
- Normal cost	34,383	35,164
- Retirements before the normal retirement age	-	1,854
Other pension costs	1,152	1,093
Other mandatory social charges	6,560	5,515
	83,069	82,085
Other staff costs	10,029	7,447
	396,810	366,939

The approval of CGD's Restructuring Plan provided for a substantial reduction of its operating costs with adjustments to CGD's structure and resources to the present and future size of the business.

Considering the need to achieve a natural adjustment with the lowest possible impact on the social climate within the company, it was considered appropriate to set up an Employee Adjustment Programme based on retirements, early retirements and mutually agreed redundancies to be applied in the Group's domestic perimeter.

In first half 2017, CGD Group recognised a total amount of employee costs of €61,000 thousand of which €58,000 thousand for CGD and €3,000 thousand for Caixa Banco de Investimento employees.

The amount of €58,000 thousand associated with CGD was estimated in accordance with potential early retirements calculated at the said date at around €47,000 thousand in "Provisions for redundancy agreements" and the remaining €11,000 thousand in "Pension liabilities, early retirements".

At June 30, 2017, considering early retirement agreements, the amount needed to meet these liabilities was estimated to be around €33,700 thousand. However, considering that a Voluntary Redundancy Programme whose closing date for applications was at the end of September, is in progress, it was considered appropriate to use the rest of the provisions (€24,300 thousand) to pay for the costs of this process.

During the course of first half 2016, CGD recognised an increase of €20,000 thousand in employee costs in "Provisions for redundancy agreements prior to the standard retirement age" in the sphere of the *Horizonte* plan which was approved by the Executive Committee in 2015, with the aim of creating new opportunities for its employees' voluntary redundancies. The objective of the "Horizonte Plan" was to reduce the number of employees based on early retirements. The process was open to all workers over the age of 55 at December 31, 2016.

The average number of employees in Caixa and its subsidiaries, for the half years ended June 30, 2017 and 2016, by type of function, was as follows:

	30-06-2017	30-06-2016 (unaudited balances)
Senior management	528	551
Management	2,907	2,930
Technical staff	5,373	5,413
Administrative staff	6,303	6,784
Auxiliary	286	323
	15,397	16,001
Number of employees at the end of the period	15,295	16,061

These numbers, at June 30, 2017 and 2016, did not include employees from the Caixa Geral de Aposentações Support Department (219 and 234 respectively), employees assigned to CGD's Social Services (39 and 45, respectively) and other situations i.e. secondments or extended absences (138 and 136 respectively).

33. OTHER ADMINISTRATIVE COSTS

This account comprises the following:

	30-06-2017	30-06-2016 (unaudited balances)
Specialised services		
- IT services	32,826	35,950
- Safety and security	5,220	5,533
- Cleaning	3,679	3,880
- Information services	3,151	3,343
- Contracts and service fees	2,204	1,855
- Studies and consultancy	1,316	1,651
- Other	39,627	48,533
Leases	32,168	34,435
Communications and postage	16,927	16,239
Maintenance and repairs	18,730	17,837
Advertising and publications	7,710	10,694
Water, energy and fuel	9,980	10,579
Transport of cash and other values	5,063	5,474
Travel, lodging and representation expenses	3,828	5,122
Standard forms and office supplies	3,172	3,508
Other	6,668	8,538
	192,269	213,171

34. ASSETS IMPAIRMENT

Information on impairment movements for the half years ended June 30, 2017 and 2016 is set out below:

	Balances at 31-12-2016	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2017	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 12)	5,633,397	96,567	(823,330)	(13,750)	(2,250)	4,890,633	(41,804)
Impairment of loans and advances to credit institutions (Note 6)	7,125	-	-	-	-	7,125	
Impairment of available-for-sale financial assets (Note 8)							
Equity instruments	126,238	1,512	(23,821)	(181)	10,169	113,918	
Debt instruments	9,927	(3,885)	-	698	(1,194)	5,546	
Other instruments	342,711	1,709	(2,788)	(3,329)	(800)	337,504	
Impairment of financial assets with repurchase agreement (Note 9)	688	-	-	-	(108)	580	
Impairment of other tangible assets	16,922	(1,961)	-	-	3,959	18,920	
Impairment of intangible assets	32,297	(2,809)	-	-	-	29,487	
Impairment of non-current assets held for sale (Note 13)							
Properties	502,133	(5,131)	(2,042)	(30)	3,748	498,678	
Equipment	1,966	2	(84)	-	-	1,884	
Subsidiaries	18,000	-	-	-	-	18,000	
Impairment of investments in associates and jointly controlled entities (Note 15)	-	-	-	-	128	128	
Impairment of other assets (Note 17)	402,849	36,494	(133,820)	136	(4,221)	301,439	
	1,460,857	25,931	(162,555)	(2,705)	11,682	1,333,210	-
	7,094,253	122,498	(985,885)	(16,456)	9,432	6,223,843	(41,804)

	Balances at 31-12-2015	Addition and reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2016 (unaudited)	Credit recovery, interest and expenses
Impairment of loans and advances to customers	5,197,706	312,653	(100,972)	(10,093)	(9,448)	5,389,846	(10,131)
Impairment of loans and advances to credit institutions	11,394	(2,369)	(3,643)	-	1,743	7,125	
Impairment of available-for-sale financial assets							
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	-	-	-	-	967	967	
Impairment of held-to-maturity investments	-	-	-	-	-	-	
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							
Properties	409,788	(13,172)	(5,695)	(32)	(24,044)	366,846	
Equipment	1,721	83	(495)	-	-	1,308	
Impairment of other assets	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)

Credit disposals, in first half 2017, originated the use of €482,197 thousand in impairment

In first half 2016 the "Transfers and other" column includes a reclassification of €48,493 thousand in impairment on outstanding balances owing to the execution of guarantees provided to customers, transferred from "Impairment of loans and advances to customers" to "Impairment of other assets".

The “Increases, recoveries and cancellations” column of impairment movements for first half 2016 included net costs of €723 thousand, reclassified to “Income from subsidiaries held-for-sale” in profit and loss for the said period, deriving from the transfer of the assets and liabilities of Mercantile Bank Holdings, Ltd to non-current assets and liabilities held-for-sale (Note 13).

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 April 18, 2007:

- Trading and sales. This includes banking activity related to the management of the Treasury shares portfolio, management of issuances of debt instruments, money and foreign exchange market operations, repo type operations, securities lending operations and wholesale brokerage. Investments in and cash balances at other credit institutions and derivatives are included in this segment;
- Retail banking. This comprises banking activities for individual customers, the self-employed and micro enterprises. This segment also includes consumer credit, mortgage lending, credit cards and deposits taken from individual customers;
- Commercial banking. This segment includes lending activities and resource-taking from major enterprises and SMEs. The segment includes loans, current accounts, investment project finance, bills discounting operations, venture capital, factoring, equipment and property leasing, syndicated loans underwriting and loans to the public sector;
- Asset management. Asset management includes activities associated with customer portfolio management, open-ended or closed end unit trust and property funds and discretionary wealth management funds;
- Corporate Finance, Corporate finance includes activities related with acquisitions, mergers, restructuring operations, privatisations, subscriptions for and sales of securities (primary market), securitisations, preparation and organisation of syndicated loans (merchant banking – loan disposals), investment management, market and corporate financial analyses and advisory services;
- Other. This includes all operating segments not described in the preceding business segments.

Information on the appropriation of income and principal balance sheet aggregates, by business segments and geographies, at June 30, 2017 and in 2016, is given below:

<u>Business areas</u>

	30-06-2017						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	395,763	182,906	46,064	2,219	27,058	1,942	655,952
Income from equity instruments	5,642	2	3,313	9,925	281	4,623	23,786
Income from services rendered and commissions	1,581	91,737	37,035	18,077	14,297	120,968	283,695
Cost of services and commissions	(5,544)	(1,056)	(390)	(3,364)	(126)	(48,551)	(59,031)
Results from financial operations	225,995	53,838	616	(4,984)	848	(798)	275,514
Other net operating income	16,159	(7,818)	(6,311)	22,216	(541)	(49,515)	(25,810)
Net operating income from banking	637,803	319,608	80,327	44,089	43,610	28,670	1,154,107
Other costs and income							(1,204,032)
Net income attributable to the shareholder of CGD							(49,925)
Cash balances and loans and advances to credit institutions (net)	7,786,740	431,672	38,727	8,124	-	5,277	8,270,540
Investments in securities and derivatives (net)	17,027,629	158,368	426,588	481,012	182,466	263,632	18,539,695
Loans and advances to customers (net)	1,177,516	30,214,835	28,324,318	191,410	554,687	13,011	60,475,777
Total net assets	27,352,455	31,083,017	28,864,005	1,779,978	768,439	6,159,985	96,007,879
Resources of central banks and credit institutions	4,536,018	185,269	512,468	92,851	-	10,803	5,337,409
Customer resources	1,058,000	52,392,938	15,906,586	163,292	378,993	14,970	69,914,779
Debt securities	4,078,243	-	-	-	-	-	4,078,243

	31-12-2016						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	614,402	457,843	31,680	4,919	31,464	4,560	1,144,868
Income from equity instruments	13,622	122	6,614	28,389	491	3,151	52,389
Income from services rendered and commissions	21,144	192,459	84,681	33,235	42,971	209,578	584,068
Cost of services and commissions	(30,846)	(2,996)	(1,542)	(7,002)	(458)	(77,645)	(120,489)
Results from financial operations	67,522	13,729	1,987	(6,703)	5,804	(2,882)	79,457
Other net operating income	(88,231)	(15,775)	(6,393)	10,257	(17,464)	(75,536)	(193,142)
Net operating income from banking	597,613	645,382	117,027	63,095	62,808	61,226	1,547,151
Other costs and income							(3,406,674)
Net income attributable to the shareholder of CGD							(1,859,523)
Cash balances and loans and advances to credit institutions (net)	5,348,534	383,397	55,705	12,874	-	15,572	5,816,082
Investments in securities and derivatives (net)	14,252,875	160,552	420,176	508,997	210,363	272,879	15,825,841
Loans and advances to customers (net)	1,144,278	31,854,605	28,981,251	212,876	643,385	30,430	62,866,825
Total net assets	20,986,044	33,633,622	29,643,252	1,853,300	924,266	6,506,829	93,547,313
Resources of central banks and credit institutions	5,003,241	188,144	491,231	100,915	-	16,181	5,799,712
Customer resources	974,583	51,924,019	16,125,937	177,409	449,469	28,713	69,680,130
Debt securities	4,183,729	-	-	-	-	-	4,183,729

Geographies

	30-06-2017							
	Portugal	Rest of European Union	North America	Latin America	Asia	Africa	Other	Total
Net interest income	376,062	96,225	4,645	10,638	48,040	127,976	(7,633)	655,952
Income from equity instruments	66,621	421	-	-	22	17,902	(61,180)	23,786
Income from services rendered and commissions	229,493	25,974	409	1,530	20,496	22,140	(16,347)	283,695
Cost of services and commissions	58,267	5,922	82	76	8,964	4,841	(137,183)	(59,031)
Results from financial operations	217,223	5,144	(128)	56,970	(118)	12,876	(16,453)	275,514
Other net operating income	10,702	(2,983)	2	(3,691)	345	(8,997)	(21,187)	(25,810)
Net operating income from banking	958,368	130,702	5,011	65,523	77,749	176,737	(259,983)	1,154,107
Other costs and income								(1,204,032)
Net income attributable to the shareholder of CGD								(49,925)
Cash balances and loans and advances to credit institutions (net)	13,090,724	2,431,206	1,322,160	237,759	3,754,487	1,243,576	(13,809,371)	8,270,541
Investments in securities and derivatives (net)	20,756,472	1,543,048	133,920	181,075	444,812	1,091,121	(5,610,750)	18,539,696
Loans and advances to customers (net)	47,640,962	11,135,174	433,140	124,174	2,825,753	2,209,857	(3,893,282)	60,475,777
Total net assets	77,075,531	15,405,797	1,387,748	602,712	7,946,912	5,883,465	(12,294,287)	96,007,879
Resources of central banks and credit institutions	5,437,418	5,758,174	1,181,052	171,063	584,473	39,899	(7,834,669)	5,337,409
Customer resources	55,042,888	5,189,946	279,717	237,228	5,869,856	3,813,308	(518,163)	69,914,779
Debt securities	4,020,108	4,012,724	-	-	-	-	(3,954,589)	4,078,243

	31-12-2016							
	Portugal	Rest of European Union	North America	Latin America	Asia	Africa	Other	Total
Net interest income	610,510	188,877	9,886	25,647	95,092	224,418	(9,563)	1,144,868
Income from equity instruments	110,624	4,905	-	-	92	13,449	(76,681)	52,389
Income from services rendered and commissions	468,038	48,828	1,224	4,757	40,082	56,380	(35,241)	584,068
Cost of services and commissions	(123,259)	(11,722)	(127)	(231)	(17,507)	(9,634)	41,991	(120,489)
Results from financial operations	(38,003)	54,972	(35)	(1,962)	7,959	33,730	22,795	79,457
Other net operating income	(26,635)	(11,281)	(96)	(1,156)	4,023	9,611	(167,607)	(193,141)
Net operating income from banking	1,001,275	274,579	10,852	27,055	129,741	327,954	(224,305)	1,547,151
Other costs and income								(3,406,674)
Net income attributable to the shareholder of CGD								(1,859,523)
Cash balances and loans and advances to credit institutions (net)	10,819,996	2,422,199	1,508,080	218,144	4,401,931	1,125,944	(14,680,212)	5,816,082
Investments in securities and derivatives (net)	17,533,808	1,607,903	133,068	213,376	494,409	1,112,159	(5,268,883)	15,825,841
Loans and advances to customers (net)	49,598,914	11,698,575	462,164	160,686	3,115,037	2,233,311	(4,401,862)	62,866,825
Total net assets	90,870,736	16,094,124	2,103,821	660,791	8,944,235	5,761,686	(30,888,080)	93,547,313
Resources of central banks and credit institutions	9,549,783	6,292,822	1,813,560	266,344	326,750	129,691	(12,579,239)	5,799,712
Customer resources	55,580,448	5,101,961	464,962	229,515	7,014,799	3,717,253	(2,428,809)	69,680,130
Debt securities	4,142,146	4,232,347	-	-	-	-	(4,190,764)	4,183,729

The "Other” column includes balances between Group companies eliminated in the consolidation process.

The following is a breakdown of the contribution to the Group's income by business area, based on internal management criteria, for the half years ended June 30, 2017 and 2016:

	30-06-2017					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	846,601	506,167	70,660	-	(182,629)	1,240,799
Interest and similar costs	(498,997)	(219,107)	(60,772)	-	194,029	(584,847)
Income from equity instruments	2,838	990	5,058	-	14,899	23,786
Net interest income	350,442	288,050	14,947	-	26,298	679,738
Income from services rendered and commissions	197,049	70,549	14,900	-	1,197	283,695
Cost of services and commissions	(37,891)	(19,422)	(2,939)	-	1,222	(59,031)
Results from financial operations	110,341	74,744	86,898	-	3,531	275,514
Other net operating income	(29,877)	(15,325)	(1,143)	4	20,531	(25,810)
Net operating income	239,622	110,547	97,716	4	26,481	474,369
NET OPERATING INCOME FROM BANKING	590,064	398,597	112,663	4	52,779	1,154,107
Other costs and income	(839,000)	(279,049)	(74,959)	9,359	(20,383)	(1,204,032)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	(248,936)	119,547	37,704	9,364	32,396	(49,925)

	30-06-2016 (unaudited balances)					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	999,611	470,879	81,927	-	(201,049)	1,351,368
Interest and similar costs	(736,146)	(207,874)	(70,436)	-	217,936	(796,521)
Income from equity instruments	781	3,468	1,985	-	23,407	29,640
Net interest income	264,245	266,472	13,476	-	40,294	584,487
Income from services rendered and commissions	186,818	75,839	20,308	-	(304)	282,661
Cost of services and commissions	(37,956)	(18,475)	(3,546)	-	1,753	(58,224)
Results from financial operations	(87,039)	65,218	(30,568)	-	3,136	(49,253)
Other net operating income	(12,770)	(5,469)	(565)	36	(6,091)	(24,859)
Net operating income	49,052	117,114	(14,371)	36	(1,506)	150,325
NET OPERATING INCOME FROM BANKING	313,298	383,586	(896)	36	38,788	734,812
Other costs and income	(640,846)	(266,382)	(21,070)	10,639	(22,396)	(940,055)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	(327,549)	117,203	(21,965)	10,675	16,392	(205,243)

The "Other" column includes balances between Group companies eliminated in the consolidation process. As regards business segments reference should also be made to the effects of the Group's activities in the property sector.

36. RELATED ENTITIES

Associates, jointly controlled enterprises, Group companies' Boards of Directors and other entities controlled by the Portuguese State are considered to be related entities.

The Group's condensed financial statements, at June 30, 2017 and December 31, 2016, included the following balances and transactions with related entities, excluding management bodies:

	30-06-2017			31-12-2016		
	The Portuguese State (Treasury)	Other Portuguese State entities	Associates	The Portuguese State (Treasury)	Other Portuguese State entities	Associates
Assets:						
Bonds and trading derivatives	7,750,643	397,866	9,760	5,859,146	184,991	20,312
Loans and advances to customers	-	4,380,950	268,619	2,441	4,825,004	265,910
Impairment for loans and advances to customers	-	7,119	123,412	-	6,996	165,953
Other assets	319,111	222,618	456,166	363,801	16,017	14,429
Liabilities:						
Customer resources	69,221	649,213	1,366,231	37,202	652,792	404,852
Bonds and trading derivatives	107,559	49,451	-	174,359	33,292	-
Other liabilities	1,031	102,345	533	945,763	65,100	2,502
Guarantees given	1,500	169,619	34,079	1,500	98,764	33,595
Profit or loss:						
Interest and similar income	34,586	(817)	(697)	68,379	46,339	1,600
Interest and similar costs	22,836	6,445	59	32,950	14,229	2,336
Income from services rendered and commissions	-	3,720	19,725	-	2,639	45,582
Cost of services and commissions	-	11	10	-	30	-
Results from financial operations	31,788	(79,273)	(68)	(11,545)	26,952	-
Other operating costs	(54)	(1,566)	94	(97)	1,248	229
General administrative costs	-	322	633	-	506	147

Transactions with related entities are generally made on the basis of market values on the respective dates.

The "Other Portuguese State entities" column, at June 30, 2017 and December 31, 2016, did not include balances with regional or local government.

37. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Credit Risk

Maximum exposure to credit risk

The following is a breakdown of the Group's maximum exposure to credit risk at June 30, 2017 and December 31, 2016:

	30-06-2017	31-12-2016
Trading securities		
Public debt	6,326,556	4,868,665
Private debt	14,492	18,334
	6,341,049	4,886,999
Financial assets at fair value through profit or loss		
Private debt	-	4,969
	-	4,969
Available-for-sale financial assets*		
Public debt	4,889,365	4,827,582
Private debt	1,877,031	1,430,644
	6,766,396	6,258,226
Held-to-maturity investments		
Public debt	2,027,487	413,850
Private debt	29,464	19,281
	2,056,951	433,131
Financial assets with repurchase agreement		
Public debt	305,823	358,683
Private debt	24,588	206,219
Credit and securities	-	234,830
	330,411	799,732
	15,494,806	12,383,055
Derivatives	1,178,045	1,519,408
Cash balances at other credit institutions	727,229	757,726
Loans and advances to credit institutions*	3,107,232	3,221,582
Loans and advances to customers*	60,552,139	62,950,042
Other debtors*	2,494,420	2,724,210
Other operations pending settlement	225,916	264,697
	68,284,982	71,437,665
Other commitments		
Personal/Institutional guarantees given:		
Guarantees and sureties**	3,233,484	3,459,830
Stand-by letters of credit	56,483	62,060
Open documentary credits	263,912	324,575
Forward deposit agreements	40,770	218
Irrevocable lines of credit	540,997	567,968
Securities subscription	1,508,053	1,683,944
Credit default swaps	-	75,894
	5,643,700	6,174,490
Maximum exposure to credit risk	89,423,487	89,995,211

[*] Net balances of impairment
[**] Net balances of provisions

The amount of exposure to derivatives, set out in the above table, does not include the risk mitigation effect deriving from surety accounts (Note 23) and netting agreements.

Exposure to the sovereign debt of the principal Euro Zone countries

Information on the principal characteristics of these issuances within Caixa Group. at June 30, 2017 and December 31, 2016, is set out below:

	Book value net of impairment at 30-06-2017				Fair value	Accumulated impairment	Fair value reserve	Rating
	Residual maturities							
	2017	after 2017	no maturity	Total				
Financial assets at fair value trough profit or loss								
Portugal	1,464,686	2,163,270	-	3,627,956	3,627,956	-	-	
Greece	-	-	-	-	-	-	-	
Ireland	-	-	-	-	-	-	-	
Spain	225,344	1,014,608	-	1,239,953	1,239,953	-	-	
Italy	75,126	1,328,374	-	1,403,500	1,403,500	-	-	
	1,765,157	4,506,253	-	6,271,409	6,271,409	-	-	
Financial assets at fair value through revaluation reserves								
Portugal	461,580	3,867,817	-	4,329,397	3,823,391	-	(9,053)	
Greece	-	5,068	-	5,068	5,068	-	(1,276)	
Ireland	-	50,492	-	50,492	-	-	-	
Spain	55,860	924,676	-	980,536	390,681	-	(1,586)	
Italy	-	442,279	-	442,279	190,697	-	(3,520)	
	517,440	5,290,332	-	5,807,772	4,409,836	-	(15,436)	
Total								
Portugal	1,926,266	6,031,087	-	7,957,353	7,451,347	-	(9,053)	BB+
Greece	-	5,068	-	5,068	5,068	-	(1,276)	CCC
Ireland	-	50,492	-	50,492	-	-	-	A-
Spain	281,204	1,939,284	-	2,220,489	1,630,633	-	(1,586)	BBB
Italy	75,126	1,770,653	-	1,845,779	1,594,198	-	(3,520)	BBB
	2,282,596	9,796,585	-	12,079,181	10,681,245	-	(15,436)	

	Book value net of impairment at 31-12-2016				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	2,296,420	2,655	-	2,299,075	2,299,075	-	-	
Greece	-	-	-	-	-	-	-	
Ireland	-	-	-	-	-	-	-	
Spain	1,332,726	389	-	1,333,115	1,333,115	-	-	
Italy	1,171,566	408	-	1,171,973	1,171,973	-	-	
	4,800,712	3,451	-	4,804,163	4,804,163	-	-	
Financial assets at fair value through revaluation reserves								
Portugal	517,391	3,273,086	587	3,791,064	3,791,064	-	(190,719)	
Greece	-	4,432	-	4,432	4,432	-	(1,975)	
Ireland	-	-	-	-	-	-	-	
Spain	52,848	342,167	-	395,014	395,014	-	(953)	
Italy	-	172,758	-	172,758	172,758	-	(1,298)	
	570,238	3,792,443	587	4,363,269	4,363,269	-	(194,946)	
Total								
Portugal	2,813,811	3,275,741	587	6,090,139	6,090,139	-	(190,719)	BB+
Greece	-	4,432	-	4,432	4,432	-	(1,975)	CCC
Ireland	-	-	-	-	-	-	-	
Spain	1,385,574	342,555	-	1,728,129	1,728,129	-	(953)	BB
Italy	1,171,566	173,166	-	1,344,732	1,344,732	-	(1,298)	BBB
	5,370,950	3,795,894	587	9,167,432	9,167,432	-	(194,946)	

Measurement criteria

The sovereign debt issuances of the peripheral Euro Zone countries considered in the above table were measured at observable market prices, when applicable, or, in the absence of an active market, prices supplied by external counterparties. At June 30, 2017 and December 31, 2016, 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 premises used are given in the item on “Fair value”.

Exposures affected by the period of turbulence

Information on the composition of the Group's available-for-sale assets portfolio, at June 30, 2017 and December 31, 2016, including securities particularly affected by the period of financial turbulence, is set out below:

TYPE	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	30-06-2017 Book value (net of impairment)	30-06-2017 Accumulated impairment	30-06-2017 Fair value reserve	31-12-2016 Book value (net of impairment)	31-12-2016 Accumulated impairment	31-12-2016 Fair value reserve
Available-for-sale financial assets									
Residential mortgage-backed securities	A- to A+	Senior	European Union	11,380	-	(576)	11,859	-	(777)
	Lower than A-	Senior	European Union	8,656	-	(732)	13,529	-	(1,130)
		Mezzanine	European Union	1,502	(746)	(141)	1,632	(746)	-
				21,538	(746)	(1,449)	27,019	(746)	(1,907)

(a) Presentation of securities conducted in accordance with information about the ratings available on 30-06-2017, with the exception of alienated species whose information provided should be referenced 31-12-2016.

The respective securities movements in first half 2017 and in 2016 were as follows:

TYPE	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Book value (net) at 31-12-2016	Sales and amortisations	Impact on results for the year: Capital gains / (losses) recognised against results	Change in the fair value reserve	Book value (net) at 30-06-2017
Available-for-sale financial assets								
Residential mortgage-backed securities								
	A- to A+	Senior	European Union	11,859	(711)	32	201	11,380
	Lower than A-	Senior	European Union	13,529	(5,631)	361	398	8,656
		Mezzanine	European Union	1,632	-	11	(141)	1,502
				27,019	(6,342)	403	458	21,538

(a) Presentation of securities conducted in accordance with information about the ratings available on 30-06-2017, with the exception of alienated species whose information provided should be referenced 31-12-2016.

TYPE	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 year: Capital gains / (losses) recognised against results	Change in the fair value reserve	Book value (net) at 30-06-2016 (unaudited)
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 with information about the ratings available on 30-06-2016, with the exception of alienated species whose information provided should be referenced 31-12-2015.

"Profit/(loss)" recognised as a charge to the profit and loss account includes accrued interest and foreign exchange revaluation results.

Quality of loans and advances to customers

The disclosures required under the Bank of Portugal's circular letter 2/2014 on asset quality and credit risk management are set out below and are essentially based on the practices of CGD headquarters.

Qualitative

1. Credit risk management policy;

1.1 Credit risk management

In response to diverse legal and regulatory requirements and with the objective of employing best credit risk management practice, Caixa Geral de Depósitos (CGD) has implemented a credit risk management process comprising the different funding stages:

1.1.1. Issuance of loans

The way in which loans are made aims to comply with the credit risk management strategy and policy defined by CGD's competent bodies.

DRC (Credit Risks Division) was created in fourth quarter 2016 with the objective of achieving greater involvement in credit risk analysis when making corporate loans, with the following main attributes: (i) the prior, mandatory issuance of a risk opinion for the allocation of internal limits or consideration of operations outside the said limits for customers whose amount of exposure (in terms of Economic Groups), rating or specific operational characteristics (or its proponent), so justify (internal standard); (ii) to submit a redefinition of credit limits whenever deemed advisable under the circumstances up the chain of command; (iii) to approve the constitution/change of Economic Groups; (iv) to coordinate the ratings process on corporates/groups/complementary corporate groupings/funds/specialised lending operations/financial institutions/institutionals.

Credit decisions on the most relevant exposures are the responsibility of the Board of Directors or the Credit Risks Executive Committee or the Credit Board, depending upon the amounts in question. The other operations are the responsibility of Credit Risk Committees or the Business Units' Credit Committee.

The operations/limits to be submitted for a decision of the Board of Directors require the advance favourable opinion of the Financial Risks Committee.

Credit risk assessment in the retail segment is based on the use of statistical risk assessment tools (scoring and rating models), a collection of internal regulations on lending operations which establish objective criteria to be complied with and the delegation of competencies in accordance with the ratings allocated to customers.

1.1.2 Credit portfolio oversight

Credit portfolio oversight provides early warnings of potential default situations, enabling decisions for optimising debt recovery to be taken.

In 2016, following the processes implemented in 2015, the workflow process which is transversal to commercial, recovery and credit risk areas was consolidated on the basis of the Oversight and Credit Recovery Policy in force.

The workflow classifies a customer's creditworthiness on a daily basis with the identification of pre-defined events and by level of severity regarding the probability of a default situation. All portfolio customers are segmented in one of the following classifications:

a. Customers with performing loans without any additional risks being identified;
b. Customers with performing loans but with early warnings which may indicate an increased probability of customer default;
c. Customers registering serious events and a high probability of default who are classified as being in financial distress;
d. Customers on a 24 months' probation period following the occurrence of a restructuring operation owing to financial difficulties;
e. Customers classified as being in default; and
f. Customers classified as being in quarantine after a default situation has been remedied.

The workflow process prescribes actions which vary in line with the severity of the event. An automatic process immediately transfers customers from commercial to recovery areas in situations in which more serious events have been identified, to ensure that potentially more problematic cases are dealt with by specialised credit recovery managers. If such more serious events involve corporate customers with relevant exposures, the decision to transfer them from commercial structures to specialised recovery areas is the responsibility of the Credit Risks Executive Committee and Credit Board, depending on the level of the customers' liabilities in the analysis, based on a specific report to be prepared by the Risk Management Division.

In the credit portfolio oversight process, the Risk Management Division diagnoses the process as a whole and makes any necessary changes, in line with its analysis of measurements and indicators, based on monthly monitoring reports on credit portfolio quality.

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 Default Situations") – in the case of loans and advances to individual customers.

Credit recovery consists of a series of CGD Group actions on arrears of payment on one or more instalments of a credit operation. It is a fundamental function of CGD Group's credit management and is implemented at the time of the first overdue payment of an instalment and present across the whole of the loan's remaining lifetime until it has been settled. Negotiated credit recoveries comprise three types by action by order of priority in terms of their application:

- Collection of overdue payments;
- Restructuring solutions;
- Terminal solutions not involving legal proceedings.

Contacts with customers with a view to the settlement of overdue amounts at the initial credit collection phase are made by the call centre and the commercial area. If the initial contacts are not successful and the customer is in arrears for more than 30 days, the case is re-allocated to a recovery area with the objective of finding the most appropriate credit recovery solution.

In cases in which the negotiating process with the customer is not producing the desired effect for CGD Group and for its customers, credit recovery should move on to legal/pre-legal proceedings. This solution consists of the executing of assets or rights either mortgaged or pledged as loan collateral for the purpose of their judicial sale.

As an alternative credit recovery measure, CGD Group also considers the disposal of credit portfolios or individual loans whenever considered to be the most efficient solution, following an appropriate cost/benefit appraisal.

1.2 Concentration risk management

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

Concentration risk monitoring measurements to permit the monthly control of portfolio segments considered to be more critical in terms of credit risk were defined in the Risk Appetite Statement.

Decisions to enter into agreements for operations entailing materially relevant exposures (as defined in internal regulations) require the opinion of DGR. The limit naturally includes the amount of CGD Group's total exposure to a relevant customer and/or group of customers.

2. Loan write-off policy

The decision to write-off a loan from assets is taken at a senior level when expectations of credit recovery are nil or highly residual following all of the negotiating procedures and, when applicable, legal proceedings with the parties involved in a loan agreement. Loans eligible for write-offs when implying the recognition of 100% impairment, also include: i) loans with payment arrears of more than 24 months; ii) loans without a real guarantee.

3. Impairment reversal policy

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

In situations of significant improvements in the creditworthiness of debtors and/or an adequate strengthening of real guarantees, the previously recognised loss is reduced to the level of the new calculated loss, resulting in a direct reversal of impairment.

A reversal of impairment is also recognised in situations in which the loans are sold for a higher amount than net impairment exposure.

4. Description of the restructuring measures applied and respective associated risks, in addition to their respective control and monitoring mechanisms

A credit restructuring operation is understood to be any change to the conditions in force on operations involving loans and advances to customers in financial distress when resulting in a modification to the parties' rights or duties.

Specialised oversight and recovery areas endeavour to apply the best solutions to protect CGD Group's interests in any given situation, pursuant to the terms of the delegated decision and the limits defined in internal regulations.

The application of the recovery solutions always bears in mind a customer's individual circumstances and CGD's best interests, in line with three basic principles.

Impact on capital and cash flows. The first aspect to be considered should be the impact of the referred to process on CGD Group's invested capital and the cash flows produced by the operation in the future. This impact should be measured by calculating the operation's incremental NPV as opposed to a legal solution (considered to be a last recourse in terms of credit recovery);

Impact on customer. Secondly, the impact of the solution on the customer should be considered, based on two fundamental criteria:

- Payment capacity – The customer must to be able to meet its financial commitments in the new scenario, based on its expected income; and

- Sustainability of process – the process must be sustainable over time, i.e. the customer, with a high level of probability, must be able to make all necessary payments and should not relapse into a default situation.

Complexity impact. Lastly a series of factors which may add to the complexity of default situations should be considered in the processing strategy, with a different treatment from the one proposed and which solely takes the former two principles into account. Even if the solution's financial impact may not be optimal, other parameters such as a customer's specific characteristics, the impact of the process on CGD Group's public image, reputational risk or a customer's willingness to negotiate are also part of the decision-making rules on the respective treatment.

Most credit which is restructured owing to a customer's financial difficulties is subject to specific treatment for the purposes of calculating impairment, across the whole of the minimum application period of 24 months as defined in the Bank of Portugal's *Instruction* 32/2013.

5. Description of collateral valuation and management process

Property

The principal components of the valuation methodology on property within CGD Group are:

i. Appraisal of property. The property is inspected when all new mortgage lending operations are entered into, with the objective of assessing presumable transaction prices in a free market.

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

ii. Revision of the valuation of the property's worth by an expert appraiser. Mortgage lending operations whose contractual terms have been changed usually require a new valuation which is performed as if they were new operations. This is also the procedure used for operations in default, deriving from a request made by the credit recovery areas.

Property valuation procedures:

iii. CGD's property valuation area has engineers and architects with significant experience in the valuations area. Those with technical approval functions have complementary training in the form of certified property valuation courses and are registered with and certified by the CMVM as property appraisers.

iv. CGD has a network of external service providers in its property valuation area made up of around 100 external corporate and individual appraisers, registered with the CMVM and spread out over the whole of the country based on the area in which they perform their professional activity. There are several appraisers for each municipal district to ensure adequate diversification and rotation.

v. Valuation requests are received by CGD's evaluation area 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; and
- Pledges over listed shares – assessed at market value at the calculation's reference date.

6. Type of principal judgments, estimates and hypotheses used to assess impairment

CGD's Credit Impairment Model uses duly grounded, reasoned methodologies to ensure that the impairment calculation is in line with IAS 39.

There are modelling approaches CGD considers to be more adequate for assessing impairment but on which judgments in defining the processes, are made, namely:

i. Historical information considered for modelling purposes (PDs, LGDs, collateral haircuts);
ii. Workout period for the calculation of LGDs and multiple defaults assessment methodologies;
iii. Portfolio segmentation criteria used:
    a. Loans and advances to individual customers – type of product (e.g. housing), purpose of loan, type of collateral, present and past performance of the operation, length of current performance; and
    b. Loans to companies – amount of exposure, sector of economic activity, type of collateral, present and past performance of the operation, length of current performance.
iv. Loan conversion factors applied to off-balance sheet exposures; and,
v. Defined exposure level for individual impairment assessments.

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

The Credit Impairment Model used in CGD includes loans to companies and individual customers, including the provision of bank guarantees and irrevocable lines of credit and assesses each operation's risk profile which it classifies in credit portfolio sub-segments defined on the basis of the operation's current and past performance.

The following concepts are used to calculate credit impairment:

i) Individual impairment based on an assessment of customers with individually significant exposures by filling in an Impairment Form and the estimated discounted future cash flows schedule at the agreement's original interest rate; and,

ii) Collective or parametric impairment which is automatically assessed by the credit impairment model. The parametric calculation is performed by dividing the portfolio up into risk sub-segments which include assets with similar risk characteristics.

The following risk factors must be assessed for calculating impairment losses in the collective analysis:

1. Probability of default within 12 months (PD_{12m}). This is the probability of a performing loan registering a default event over the next 12 months. The impairment model incorporates PDs which are differentiated in line with the historical classification of customers or operations (e.g. performing loans with past defaults).

2. Lifetime default probability (PD_{LT}). This is the probability of a loan, conditioned by signs of impairment and an operation's track record, registering a default. Lifetime PDs are different for customers or operations with (i) external signs and, simultaneously, arrears of less than 30 days (ii) arrears of between 30 and 90 days and (iii) restructuring operations owing to financial difficulties with arrears of up to 30 days. Lifetime PDs are also differentiated for customers with a history of default.

3. Loss Given Default (LGD). A loss when an operation or customer defaults. LGD assessments involve observations of recoveries of operations or customers who default within the defined historical period, assessed in accordance with the duration of the default registered on each operation and each month of the historical period. The fact that LGDs are differentiated in line with the length of time the loan has been in default makes it possible to differentiate impairment losses based on the duration of the default. LGDs are differentiated on the basis of the type of collateral existing when impairment is assessed.

8. Indication of signs of impairment by credit segments.

Performing loans

- No signs of loss at the time of the analysis.

Performing loans with signs of impairment – with at least one of the following signs of loss:

- Credit overdue to CGD for more than 30 days but which has not been classified as being in default;
- Bank of Portugal indicators (amounts overdue to other credit institutions for more than 90 days and when customers are barred from using cheques);
- Cheques returned to CGD;
- Collectability of less than 100% assessed in the quarterly survey sent to commercial areas. This process is performed for companies not included in the individual analysis, with an exposure of more than €250 thousand;

- Identification of debts to the Tax Authorities and Social Security Services, on the basis of a quarterly survey sent to customer account managers. This process is performed for companies with an exposure of more than €250 thousand;
- A 20% decline in the value of real guarantees when resulting in an LTV of more than 80% (applicable to property projects);
- Interim grace periods; and
- Insolvency processes other than a declaration of insolvency and *PER* ("Special Revitalisation Programme") processes.

Restructured credit for customers in financial distress

- Lifetime Default Probability curves specifically estimated for the sub segments defined in the Credit Impairment Model for the respective operations are applied to loans which have been restructured owing to financial difficulties as described in item 4.

Credit in default – the following loss events are considered

- Contractual defaults to CGD Group, particularly credit materially overdue for more than 90 consecutive days;
- Existence of a material impairment provision resulting from an individual analysis on customers with individually significant exposures;
- Declaration of insolvency;
- An insolvency application (including PERs) submitted by the debtor or CGD;
- Operations at a pre-legal/legal stage in CGD;
- Contamination of loans, based on the identification of loss events on other operations involving the same customer. In the case of loans and advances to individual customers, if the amount in default represents more than 20% of a customer's total exposure, the other operations are also classified as being in default;
- Restructured operations owing to a customer's financial difficulties, in a probation period, with new restructuring operations during the surveillance period of 2 years, when classified as a non-performing exposure prior to the start of the probation period;
- Restructured operations owing to a customer's financial difficulties, in a probation period, with arrears of more than 30 days, when classified as a non-performing exposure prior to the start of the probation period;
- Restructuring operations owing to a customer's financial difficulties in the event of loss events (in accordance with the defined materiality); and
- Existence of amounts written-off from assets or cancelled interest.

The increase of collective impairment, recognised in 2016, essentially derived from a revision of the definition of default following the Executive Committee's assets review which incorporates the EBA's recommendations as defined in "*Final Report on Guidelines on Default Definition (EBA-GL-2016-07)*" issued on September 28, 2016.

9. <u>Indication of thresholds defined for individual analyses.</u>

In CGD Group, the limits on individual impairment assessments, as defined in an internal standard, take the specific characteristics of the diverse credit portfolios of each Group unit into account, with the objective of assessing all exposures considered to be individually significant in each unit and the Group. In the case of CGD, with reference to December 31, 2016, an individual analysis is performed on customers with an overall balance sheet exposure of €3 million or more

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

Pursuant to internal regulations, defaulting customers are allocated to specialised credit oversight and recovery areas. The allocation decision may be made by the Credit Board or Credit Risks Executive Committee.

It should be noted that owing to the innovation implemented by the customer oversight workflow process (item 1.1.2, above) as most defaulting customers had previously been allocated to recovery area managers, there were no breaks in the negotiating process beginning at the time of the transfer of customers from the commercial to the recovery areas.

The recovery solution considered most adequate to customers' and CGD's interests is applied, on the basis of the analysis made, with legal action for credit recovery purposes only being used as a last resort.

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 the extent to which the customer will generate 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.) and underlying collectability expectations, 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.

One of the following approaches is used to assess a company's cash flow projections:

i. The going concern approach which considers the continuation of the company's activity based on operating cash flow projections to assess whether they are sufficient to ensure the payment of the debt to all creditors. The sale or execution of collateral to offset the debt can also be considered provided that it does not have any influence and impact on the company's cash flow projections (i.e. provided that they are non-operating assets). This going concern approach is used if:

- The company's operating cash flow projections are material and can be adequately estimated;

- The repayment of the debt does not involve the execution of collateral which is decisive for the company's normal operation.

The independent valuation of the assets portfolio was followed by a deterioration of the former scenario of analyses on going concern customers on which the sensitivity analysis of several business plans were based, including, by way of example cash flow projections on emerging markets. In the case of several customers, impairment was also assessed on the basis of indicative market bids in a credit disposal scenario.

ii. A "gone concern" approach associated with a scenario of the ending of a company's activity in which the collateral is executed and the company's operating cash flows cease to exist. The application of this approach is considered on the basis of the occurrence of at least one of the following situations:

- When the customer's exposure has existed for a considerable length of time and it is presumed that the gone concern approach should be used when the credit has been in arrears for more than 18 months;

• When operating cash flow projections are residual or negative or less than the estimated amount of the collateral and clearly insufficient to permit the customer to service its debt;

• When the exposure is highly collateralised and the collateral is essential for producing cash flow;

• When the application of a going concern approach would have a material, negative impact on the recoverable amount in comparison to a gone concern approach;

• When there is a high level of uncertainty over estimated cash flow projections, namely when EBITDA over the last few years has been negative; and

• When the available information is insufficient for a going concern analysis.

Following an independent valuation of the assets portfolio, the following changes to the preceding measurement criteria were introduced:

- A gone concern approach was adopted for companies unable to generate sufficient cash flow to comply with their debt servicing needs over the next 12/18 months, without considering any potential improvements of such companies' EBITDA over the projected timeframe;
- Adoption of a settlement scenario for several companies which also led to a review of the measurement of provisions for bank guarantees provided to such customers;
- A review of the estimated recoverable value of mortgage collateral based on the application of additional haircuts reflecting a reduction of the period of property foreclosure and disposal operations. These haircuts were increased for less liquid collateral in the property market (e.g. land); and
- Use of more conservative scenarios for cases in which credit recovery is contingent upon legal rulings.

Collective impairment

Impairment on performing operations is assessed by the application of the EAD x PD_{12M} x discounted LGD formula.

For operations with signs of impairment or in default, the cash flow of the Collective Impairment Model is based on the contractual cash flow and risk factors applicable to the operation.

Cash flow projections are latterly revised at the operation's original effective interest rate to assess their respective present value.

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

For credit without any observable signs of impairment, IAS 39 provides for provisions to be set up on IBNR ("incurred but not reported") 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 latter 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.

Quantitative

The following tables provide information on the loans and advances to customers portfolio and property received in kind or repossessed, based on the contents applicable to the Group's activity:

a) Details of exposures and impairment by segment

	Exposure in 30-06-2017						Impairment in 30-06-2017		
	Performing loans			Non-performing loans		Total	Performing loans	Non-performing loans	Total
		Which of: cured	Which of: restrutured		Which of: restrutured				
Segment									
Government	7,000,764	182,422	27,578	88,256	14,894	7,089,020	7,328	10,099	17,426
Corporate	13,613,746	219,321	821,874	2,275,529	794,658	15,889,275	218,378	1,297,422	1,515,800
Construction and real estate (CRE)	4,973,895	248,840	352,806	3,246,386	1,856,159	8,220,280	172,078	1,913,059	2,085,137
Households - Housing	28,936,571	274,476	195,198	1,864,425	470,139	30,800,997	80,020	505,961	585,981
Households - Consumption and other purposes	2,098,593	36,615	44,242	615,864	437,588	2,714,457	41,521	482,796	524,317
Other	331,251	944	22,763	321,130	48,687	652,380	8,131	153,841	161,972
	56,954,820	962,618	1,464,460	8,411,589	3,622,125	65,366,409	527,455	4,363,178	4,890,633

	Exposure in 31-12-2016						Impairment in 31-12-2016		
	Performing loans			Non-performing loans		Total	Performing loans	Non-performing loans	Total
		Which of: cured	Which of: restrutured		Which of: restrutured				
Segment									
Government	6,711,178	202,011	25,578	127,903	41,336	6,839,081	7,670	31,923	39,592
Corporate	14,693,884	154,542	976,359	2,763,928	1,160,558	17,457,812	212,710	1,533,299	1,746,009
Construction and real estate (CRE)	5,437,703	394,387	368,450	3,761,572	2,101,356	9,199,275	186,410	2,325,579	2,511,988
Households - Housing	29,528,016	210,393	370,865	2,013,869	597,437	31,541,885	92,999	514,697	607,695
Households - Consumption and other purposes	2,106,406	33,001	40,543	615,468	437,877	2,721,875	46,067	484,171	530,238
Other	598,976	47,411	26,109	376,148	63,879	975,125	8,369	189,505	197,874
	59,076,164	1,041,745	1,807,905	9,658,889	4,402,443	68,735,052	554,225	5,079,172	5,633,397

	Exposure in 30-06-2017							Impairment in 30-06-2017				
	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	4,423,892	2,575,429	7,000,764	45,407	42,849	88,256	7,089,020	1,669	5,659	1,550	8,549	17,426
Corporate	12,958,835	441,097	13,613,746	1,234,850	1,040,679	2,275,529	15,889,275	185,682	32,696	676,708	620,713	1,515,800
Construction and real estate (CRE)	4,498,010	414,587	4,973,895	661,501	2,584,885	3,246,386	8,220,280	143,349	28,729	338,748	1,574,311	2,085,137
Households - Housing	27,778,815	964,677	28,936,571	369,466	1,494,960	1,864,425	30,800,997	63,563	16,457	56,178	449,783	585,981
Households - Consumption and other purposes	1,998,998	73,827	2,098,593	104,103	511,760	615,864	2,714,457	29,244	12,277	46,588	436,208	524,317
Other	268,783	61,823	331,251	57,108	264,021	321,130	652,380	7,732	399	30,082	123,759	161,972
	51,927,334	4,531,440	56,954,820	2,472,435	5,939,154	8,411,589	65,366,409	431,238	96,217	1,149,854	3,213,324	4,890,633

(*)Credit installments of principal and accrued interest less than 90 days, but about which there is evidence to justify its classification as non-performing loans, particularly bankruptcy, the debtor's liquidation or individual impairment allocation, among others.

	Exposure in 31-12-2016							Impairment in 31-12-2016				
	Performing loans			Non-performing loans				Performing loans		Non-performing loans		
	Days past due < 30 days			Days late due		Sub-total	Total exposure	Days late due		Days late due		Total impairment
	Without evidence	With evidence		<=90 (*)	>90 (*)			<30	between 30 - 90	<=90 (*)	>90 (*)	
Segment												
Government	4,075,313	2,604,299	6,711,178	53,129	74,774	127,903	6,839,081	7,640	30	1,609	30,314	39,592
Corporate	14,000,107	513,262	14,693,884	1,358,350	1,405,577	2,763,928	17,457,812	196,305	16,405	605,494	927,805	1,746,009
Construction and real estate (CRE)	4,979,104	375,796	5,437,703	1,019,303	2,742,269	3,761,572	9,199,275	168,559	17,851	596,466	1,729,113	2,511,988
Households - Housing	28,267,625	1,048,704	29,528,016	446,534	1,567,335	2,013,869	31,541,885	75,226	17,773	60,420	454,277	607,695
Households - Consumption and other purposes	1,992,893	89,779	2,106,406	104,279	511,189	615,468	2,721,875	35,873	10,194	49,823	434,348	530,238
Other	551,493	47,195	598,976	50,812	325,336	376,148	975,125	8,185	184	29,531	159,974	197,874
	53,866,535	4,679,035	59,076,164	3,032,409	6,626,480	9,658,889	68,735,052	491,789	62,436	1,343,342	3,735,831	5,633,397

(*)Credit installments of principal and accrued interest less than 90 days, but about which there is evidence to justify its classification as non-performing loans, particularly bankruptcy, the debtor's liquidation or individual impairment allocation, among others.

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																					
2005 and before	1,521	585,697	2,670	6,336	785,322	141,363	3,039	627,920	196,251	359,670	10,352,137	248,424	51,163	147,253	43,402	46	47,266	110	421,775	12,545,595	632,220
2006	165	76,059	826	2,674	721,049	106,590	1,001	730,800	470,198	43,065	2,549,705	58,742	108,968	131,597	5,905	17	39,496	3,758	155,890	4,248,706	646,020
2007	130	206,983	2,114	3,371	731,530	294,048	1,431	949,552	492,811	51,831	3,026,504	91,309	31,463	413,378	336,143	49	287,649	123,394	88,275	5,615,596	1,339,820
2008	102	260,963	98	2,912	880,678	193,951	1,303	926,212	283,566	44,569	2,659,960	63,027	32,231	78,766	9,195	43	7,310	95	81,160	4,813,888	549,932
2009	86	307,345	552	2,725	686,242	103,179	1,073	856,042	133,672	40,212	2,786,456	45,313	40,503	100,303	18,410	45	4,693	250	84,644	4,741,080	301,375
2010	83	4,178,345	3,128	3,508	487,972	110,640	1,219	420,137	70,824	31,885	2,519,845	35,394	47,078	145,738	19,742	37	1,071	91	83,810	7,753,109	239,820
2011	37	134,549	-	3,342	615,622	50,463	1,053	297,820	87,765	15,941	1,244,395	13,149	39,770	187,735	16,370	66	6,196	155	60,209	2,486,316	167,902
2012	57	38,462	1	3,974	599,525	50,849	1,055	260,996	86,090	7,664	635,485	5,967	45,814	166,334	13,370	43	19,689	77	58,607	1,720,491	156,354
2013	73	115,937	504	7,964	1,007,181	124,852	1,754	399,672	87,716	8,353	710,662	5,180	117,757	181,045	7,022	66	54,051	24,915	135,967	2,468,548	250,188
2014	90	399,961	140	11,429	1,202,879	85,890	2,517	627,318	46,968	10,346	963,907	3,895	73,583	247,995	12,938	100	46,635	157	98,065	3,488,695	149,988
2015	105	350,279	7,199	16,354	3,098,507	115,532	3,419	537,469	43,937	16,515	1,311,608	10,048	94,736	353,859	23,604	128	49,787	7,644	131,257	5,701,508	207,964
2016	155	339,502	184	17,732	2,631,693	96,201	3,994	1,004,626	71,084	25,310	1,366,147	3,689	93,852	271,576	14,436	142	76,813	989	141,185	5,690,356	186,583
2017	106	94,937	10	26,927	2,441,076	42,241	9,328	581,716	14,254	17,241	674,188	1,845	160,039	288,879	3,781	249	11,724	337	213,890	4,092,521	62,468
	2,710	7,089,020	17,426	109,248	15,889,275	1,515,800	32,186	8,220,280	2,085,137	672,602	30,800,997	585,981	936,957	2,714,457	524,317	1,031	652,380	161,972	1,754,734	65,366,409	4,890,633

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

	30-06-2017													
	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	56,396	14,249	2,018,347	1,017,629	2,356,675	1,589,018	91,332	3,944	429,031	386,649	258,455	140,808	5,210,237	3,152,297
Collective	7,032,624	3,177	13,870,928	498,171	5,863,605	496,118	30,709,665	582,037	2,285,426	137,668	393,925	21,164	60,156,172	1,738,336
	7,089,020	17,426	15,889,275	1,515,800	8,220,280	2,085,137	30,800,997	585,981	2,714,457	524,317	652,380	161,972	65,366,409	4,890,633

	31-12-2016													
	Government		Corporate		Construction and real estate (CRE)		Households - Housing		Consumer and other purposes		Other financial institutions		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Avaliation														
Individual	81,383	35,973	3,282,622	1,247,403	3,136,625	1,984,103	94,499	2,985	432,092	382,922	302,064	177,067	7,329,285	3,830,454
Collective	6,757,698	3,620	14,175,189	498,606	6,062,651	527,885	31,447,386	604,710	2,289,782	147,315	673,061	20,806	61,405,767	1,802,943
	6,839,081	39,592	17,457,812	1,746,009	9,199,275	2,511,988	31,541,885	607,695	2,721,875	530,238	975,125	197,874	68,735,052	5,633,397

	30-06-2017											
	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)	19,321	7,576	37,469	2,377	2,356,675	1,589,018	5,863,605	496,118	2,375,996	1,596,594	5,901,074	498,495
Agriculture, forestry and fishing	-	-	-	-	71,313	4,499	431,319	21,419	71,313	4,499	431,319	21,419
Mining and quarrying	-	-	-	-	2,716	48	79,439	7,496	2,716	48	79,439	7,496
Manufacturing	-	-	434	-	209,988	188,316	2,980,736	140,199	209,988	188,316	2,981,170	140,199
Electricity, gas, steam and air conditioning supply	-	-	27,292	15	128,842	3,965	654,671	6,312	128,842	3,965	681,963	6,327
Water supply	-	-	-	-	60,855	24,714	285,100	6,448	60,855	24,714	285,100	6,448
Wholesale and retail trade	-	-	1,275	43	255,060	91,896	2,375,691	131,099	255,060	91,896	2,376,967	131,142
Transport and storage	1,379	6	6,696	7	212,843	123,589	1,287,674	25,042	214,223	123,596	1,294,370	25,049
Accommodation and food service activities	-	-	50	-	191,070	73,451	1,075,248	36,786	191,070	73,451	1,075,298	36,786
Information and communication	-	-	15,704	206	12,250	1,514	314,048	17,924	12,250	1,514	329,752	18,129
Professional, scientific and technical activities	-	-	4,107,037	107	630,171	414,123	2,461,964	51,088	630,171	414,123	6,569,000	51,195
Administrative and support service activities	-	-	48,247	168	85,043	36,274	335,710	14,088	85,043	36,274	383,957	14,256
Public administration and defence, compulsory social security	21,603	1,030	2,728,277	42	-	-	2,479	30	21,603	1,030	2,730,756	71
Education	-	-	4,303	15	42,854	8,971	107,022	7,852	42,854	8,971	111,324	7,868
Human health services and social work activities	-	-	10,631	44	21,458	5,298	310,829	16,042	21,458	5,298	321,460	16,087
Arts, entertainment and recreation	-	-	881	5	24,178	11,962	112,947	2,849	24,178	11,962	113,828	2,854
Other services	14,092	5,637	44,327	149	69,705	29,010	597,598	13,473	83,798	34,647	641,925	13,623
Other financial activities	-	-	0	-	258,455	140,808	852,380	21,188	258,455	140,808	852,380	21,188
Households - housing	-	-	-	-	91,332	3,944	30,709,665	582,037	91,332	3,944	30,709,665	582,037
Households - other	-	-	-	-	429,031	386,649	2,285,426	137,668	429,031	386,649	2,285,426	137,668
	56,396	14,249	7,032,624	3,177	5,153,841	3,138,047	53,123,548	1,735,159	5,210,237	3,152,297	60,156,172	1,738,336

	31-12-2016											
	Government				Households and Corporate				Total			
	Individual		Collective		Individual		Collective		Individual		Collective	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Activity sector												
Construction and real estate (CRE)	40,999	29,101	37,712	2,525	3,136,625	1,984,103	6,062,651	527,885	3,177,623	2,013,204	6,100,363	530,409
Agriculture, forestry and fishing	-	-	3	-	120,076	27,037	452,352	19,441	120,076	27,037	452,355	19,441
Mining and quarrying	-	-	-	-	3,762	156	78,926	6,610	3,762	156	78,926	6,610
Manufacturing	-	-	1,663	3	427,943	139,824	2,932,162	125,657	427,943	139,824	2,933,826	125,660
Electricity, gas, steam and air conditioning supply	-	-	25,208	23	210,436	10,864	726,822	6,749	210,436	10,864	752,030	6,773
Water supply	-	-	-	-	72,611	27,844	362,945	6,733	72,611	27,844	362,945	6,733
Wholesale and retail trade	-	-	1,355	211	388,266	94,085	2,192,508	130,599	388,266	94,085	2,193,863	130,810
Transport and storage	-	-	9,257	27	587,757	311,240	1,103,971	25,047	587,757	311,240	1,113,229	25,074
Accommodation and food service activities	-	-	-	-	214,255	76,915	1,313,704	38,318	214,255	76,915	1,313,704	38,318
Information and communication	-	-	13,758	181	67,063	2,014	240,216	17,694	67,063	2,014	253,974	17,875
Professional, scientific and technical activities	-	-	3,703,464	207	749,799	456,703	2,985,934	73,889	749,799	456,703	6,689,398	74,096
Administrative and support service activities	-	-	13,441	179	98,105	36,985	274,530	11,164	98,105	36,985	287,971	11,343
Public administration and defence, compulsory social security	26,143	1,087	2,858,953	36	65,616	251	2,376	39	91,759	1,338	2,861,329	74
Education	-	-	4,374	19	45,529	9,217	106,252	6,202	45,529	9,217	110,626	6,220
Human health services and social work activities	-	-	5,145	47	66,041	4,137	252,098	15,376	66,041	4,137	257,243	15,423
Arts, entertainment and recreation	-	-	597	6	62,798	11,709	83,350	3,774	62,798	11,709	83,947	3,781
Other services	14,241	5,785	82,767	158	102,571	38,532	555,216	11,169	116,812	44,317	637,983	11,327
Other financial activities	-	-	-	-	302,060	176,958	1,184,889	20,950	302,060	176,958	1,184,889	20,950
Households - housing	-	-	-	-	94,499	2,985	31,447,386	604,710	94,499	2,985	31,447,386	604,710
Households - other	-	-	-	-	432,092	382,922	2,289,782	147,315	432,092	382,922	2,289,782	147,315
	81,383	35,973	6,757,698	3,620	7,247,902	3,794,481	54,648,069	1,799,323	7,329,285	3,830,454	61,405,767	1,802,943

	30-06-2017													
	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	3,988,673	2,836,319	355,341	156,434	45,170	25,517	490,377	37,830	73	73	330,602	96,123	5,210,237	3,152,297
Collective	47,863,965	1,440,235	3,594,489	67,910	3,577,154	87,277	1,813,365	69,090	2,892,437	66,837	414,762	6,987	60,156,172	1,738,336
	51,852,639	4,276,555	3,949,830	224,344	3,622,324	112,794	2,303,742	106,919	2,892,511	66,910	745,364	103,110	65,366,409	4,890,633

	31-12-2016													
	Portugal		Spain		France		Africa		Asia		Rest of the world		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Measure														
Individual	5,617,103	3,210,382	713,882	450,545	47,869	27,090	449,038	42,249	386	386	501,006	99,802	7,329,285	3,830,454
Collective	48,477,723	1,531,181	3,699,521	74,672	3,823,375	82,336	1,900,850	37,066	3,187,030	72,155	317,269	5,532	61,405,767	1,802,943
	54,094,826	4,741,564	4,413,403	525,217	3,871,244	109,426	2,349,888	79,315	3,187,417	72,541	818,275	105,334	68,735,052	5,633,397

d) Details of restructured credit portfolio by restructuring method applied

	30-06-2017											
	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	2,351	123,237	10	8,407	4,896	801,154	303,938	82,268	7,247	924,391	303,948	90,675
Grace period	1,215	579,713	207	10,724	1,463	173,725	17,971	27,606	2,678	753,438	18,178	38,331
Interest rate changes	288	57,618	94	1,477	1,129	1,279,883	842,498	58,711	1,417	1,337,501	842,593	60,188
Other	3,708	703,892	27,447	9,536	5,510	1,367,363	488,745	180,768	9,218	2,071,255	516,192	190,304
	7,562	1,464,460	27,757	30,144	12,998	3,622,125	1,653,153	349,354	20,560	5,086,584	1,680,910	379,498

	31-12-2016											
	Performing loans				Non-performing loans				Total			
	Number of operations	Exposure	Impairment individual	Impairment collective	Number of operations	Exposure	Impairment individual	Impairment collective	Number of operations	Exposure	Impairment individual	Impairment collective
Measure												
Credit term extension	3,061	719,714	14,954	15,554	5,527	1,013,478	415,274	92,252	8,588	1,733,191	430,228	107,806
Grace period	730	62,672	6,632	2,400	1,458	170,353	12,023	23,922	2,188	233,025	18,655	26,323
Interest rate changes	429	74,733	180	2,021	1,338	1,479,933	965,472	58,234	1,767	1,554,666	965,652	60,256
Other	8,595	950,786	36,654	26,133	8,412	1,738,680	666,883	201,004	17,007	2,689,466	703,537	227,137
	12,815	1,807,905	58,420	46,109	16,735	4,402,443	2,059,652	375,412	29,550	6,210,348	2,118,072	421,521

e) Restructured credit portfolio - entries and exits

Balance of restructured loans at 31-12-2016	6,210,348
New restructured loans	169,101
Accrued interest of the restructured loans	9,932
Restructured loans liquidation (partial or total)	(804,139)
Reclassifyed loans from "restructured" to "normal"	(551,984)
Other	53,326
Balance of restructured loans at 30-06-2017	5,086,584

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

	30-06-2017											
	Corporate				Construction and real estate (CRE)				Households - Housing			
	Real Estate		Other real collaterals		Real Estate		Other real collaterals		Real Estate		Other real collaterals	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Fair value												
<0.5 M€	6,225	825,702	19,482	708,838	2,886	386,291	4,153	206,304	476,497	57,654,425	1,634	1,660,054
≥ 0.5 M€ and < 1 M€	932	514,823	513	455,502	494	266,875	226	129,592	2,781	2,183,600	17	201,884
≥ 1 M€ and < 5 M€	953	1,420,252	345	1,205,461	833	1,264,555	233	368,603	411	618,430	5	76,948
≥ 5 M€ and < 10 M€	127	650,175	40	551,963	111	511,544	39	198,815	29	221,633	-	-
≥ 10 M€ and < 20 M€	50	445,397	17	566,400	50	507,478	20	297,837	19	259,717	-	-
≥ 20 M€ and < 50 M€	33	526,998	22	1,072,813	25	537,977	10	213,884	7	181,073	-	-
≥ 50 M€	5	495,121	3	3,752,753	18	3,967,085	12	835,647	2	589	-	-
	8,325	4,878,468	20,422	8,313,730	4,417	7,441,804	4,693	2,250,683	479,746	61,119,467	1,656	1,938,886

	31-12-2016											
	Corporate				Construction and real estate (CRE)				Households - Housing			
	Real Estate		Other real collaterals		Real Estate		Other real collaterals		Real Estate		Other real collaterals	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Fair value												
<0.5 M€	6,954	901,134	13,776	779,063	3,988	482,889	3,559	217,815	485,299	58,549,385	1,223	1,804,454
≥ 0.5 M€ and < 1 M€	1,005	554,916	576	507,298	538	290,342	259	150,634	2,870	2,219,834	16	217,996
≥ 1 M€ and < 5 M€	1,014	1,557,306	377	1,309,476	868	1,377,504	266	439,741	463	634,995	4	83,293
≥ 5 M€ and < 10 M€	149	785,624	38	594,927	116	565,014	46	234,775	35	236,197	-	-
≥ 10 M€ and < 20 M€	53	484,003	19	602,252	55	552,847	19	278,562	25	291,018	-	-
≥ 20 M€ and < 50 M€	39	656,283	21	964,301	26	510,590	11	271,244	9	181,324	-	-
≥ 50 M€	5	496,596	3	3,752,753	23	4,338,325	12	1,093,938	3	490	-	-
	9,219	5,435,862	14,810	8,510,070	5,614	8,117,511	4,172	2,686,710	488,704	62,113,243	1,243	2,105,742

g) LTV ratio of corporate, construction and CRE and housing segments

Segment / Ratio	30-06-2017 Number of properties	Performing loans	Non-performing loans	Impairment
Corporate				
With no associated collateral		10,674,958	1,315,306	1,039,055
< 60%	4,138	965,305	138,576	56,830
>= 60% and < 80%	2,137	453,173	81,318	23,003
>= 80% and < 100%	1,816	499,787	119,224	43,717
>= 100%	2,844	1,020,522	621,104	353,195
	10,935	13,613,746	2,275,529	1,515,800
Construction and real estate (CRE)				
With no associated collateral		3,813,650	776,517	682,231
< 60%	1,997	302,187	143,318	41,385
>= 60% and < 80%	786	206,226	387,374	142,670
>= 80% and < 100%	955	315,536	366,263	177,209
>= 100%	2,017	336,296	1,572,914	1,041,642
	5,755	4,973,895	3,246,386	2,085,137
Households - Housing				
With no associated collateral		866,274	72,848	42,944
< 60%	383,559	12,361,845	344,476	36,069
>= 60% and < 80%	141,502	9,861,838	349,807	64,699
>= 80% and < 100%	66,917	5,040,514	427,778	131,669
>= 100%	18,081	806,101	669,517	310,600
	610,059	28,936,571	1,864,425	585,981
Households - Consumption and other purposes				
With no associated collateral		1,728,164	457,222	437,618
< 60%	1,743	119,920	25,297	12,616
>= 60% and < 80%	384	77,798	27,591	14,364
>= 80% and < 100%	398	59,916	27,208	14,268
>= 100%	666	112,796	78,545	45,451
	3,191	2,098,593	615,864	524,317
Other financial institutions				
With no associated collateral		226,389	171,800	108,913
< 60%	24	6,457	179	27
>= 60% and < 80%	15	10,528	107,820	16,437
>= 80% and < 100%	12	7,972	9,540	948
>= 100%	19	79,905	31,791	35,648
	70	331,251	321,130	161,972
	630,010	49,954,056	8,323,333	4,873,206

Segment / Ratio	31-12-2016			
	Number of properties	Performing loans	Non-performing loans	Impairment
Corporate				
With no associated collateral		11,561,405	1,740,602	1,224,376
< 60%	4,117	1,057,591	182,084	62,193
>= 60% and < 80%	2,140	471,312	98,910	29,190
>= 80% and < 100%	1,922	515,718	135,846	53,624
>= 100%	3,135	1,087,858	606,486	376,626
	11,314	14,693,884	2,763,928	1,746,009
Construction and real estate (CRE)				
With no associated collateral		3,984,526	1,333,913	1,204,984
< 60%	2,059	452,715	182,402	67,331
>= 60% and < 80%	839	292,101	320,785	155,900
>= 80% and < 100%	1,054	331,713	550,288	224,047
>= 100%	2,023	376,647	1,374,184	859,726
	5,975	5,437,703	3,761,572	2,511,988
Households - Housing				
With no associated collateral		1,049,345	69,798	44,240
< 60%	386,855	12,574,833	401,502	40,084
>= 60% and < 80%	140,261	9,501,991	405,585	68,749
>= 80% and < 100%	72,022	5,311,723	486,750	145,612
>= 100%	20,432	1,090,124	650,234	309,010
	619,570	29,528,016	2,013,869	607,695
Households - Consumption and other purposes				
With no associated collateral		1,701,939	463,852	447,480
< 60%	2,675	132,367	21,154	13,631
>= 60% and < 80%	632	79,540	31,886	17,436
>= 80% and < 100%	1,023	53,249	34,242	16,843
>= 100%	1,123	139,313	64,334	34,847
	5,453	2,106,406	615,468	530,238
Other financial institutions				
With no associated collateral		497,327	187,343	119,743
< 60%	73	12,015	105,928	13,873
>= 60% and < 80%	17	6,662	1,316	22
>= 80% and < 100%	33	33,828	21,741	7,910
>= 100%	31	49,145	59,820	56,326
	154	598,976	376,148	197,874
	642,466	52,364,986	9,530,985	5,593,804

h) Details of fair value and net accounting value of property received in kind or repossessed by type of assets and seniority

Asset	30-06-2017 Number of real estate	Fair value of assets	Book value
Land			
Urban	824	137,971	65,508
Rural	110	11,854	3,404
Under construction buildings			
Commercial	4	3,739	231
Housing	589	77,260	29,277
Other	151	16,065	7,043
Concluded buildings			
Commercial	560	161,020	53,583
Housing	3,994	373,964	210,231
Other	2	245,886	219,310
	6,234	1,027,759	588,587

Time elapsed since the initial recognition / repossesssion	30-06-2017 < 1 year	≥ 1 year and < 2,5 years	≥ 2,5 years and < 5 years	≥ 5 years	Total
Land					
Urban	6,162	25,363	10,939	23,044	65,508
Rural	1,020	677	640	1,067	3,404
Under construction buildings					
Commercial	-	2	229	-	231
Housing	8,282	7,676	9,177	4,142	29,277
Other	979	1,966	2,045	2,053	7,043
Concluded buildings					
Commercial	6,342	15,153	23,093	8,995	53,583
Housing	82,804	63,806	44,251	19,370	210,231
Other	18,144	125,173	47,764	28,229	219,310
	123,733	239,816	138,138	86,900	588,587

Asset	31-12-2016 Number of real estate	Fair value of assets	Book value
Land			
Urban	855	261,731	57,858
Rural	113	11,533	2,530
Under construction buildings			
Commercial	4	3,755	2,748
Housing	665	100,708	62,422
Other	172	10,078	4,254
Concluded buildings			
Commercial	601	189,350	104,514
Housing	4,193	409,131	264,858
Other	2,174	210,426	107,341
	8,777	1,196,711	606,525

Time elapsed since the initial recognition / repossesssion	31-12-2016 < 1 year	>= 1 year e < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Land					
Urban	10,141	27,862	11,651	8,204	57,858
Rural	757	570	661	542	2,530
Under construction buildings					
Commercial	-	220	2,528	-	2,748
Housing	15,695	18,641	7,459	4,553	46,348
Other	606	2,626	2,350	483	6,065
Concluded buildings					
Commercial	11,136	52,172	30,939	10,268	104,514
Housing	98,282	84,577	63,567	18,432	264,858
Other	22,962	40,281	51,592	6,770	121,605
	159,579	226,949	170,746	49,251	606,525

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 principal activity consists of the production of non-mercantile goods and services for individual or collective consumption and/or the redistribution of income and national wealth;

ii. "Corporate" – *non-financial corporations* sector, comprising institutional units with their own legal personality whose principal 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 principal 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 2017.

. Table c)

Activity sectors refer to the Economic Activity Codes – Release 3 of customers in the "corporate" and "government" sectors.

i. Customers in the "Other financial institutions" segment were included in the Other financial activities sector.
ii. Customers classified as being "Individual customers – Housing" and – "Individual customers - other" were allocated.

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 was assumed. 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 price 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, the contractual periods to maturity of financial instruments, at June 30, 2017 and December 31, 2016, were as follows:

	30-06-2017									
	Residual term to contractual maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	4,438,187	-	-	-	-	-	-	-	-	4,438,187
Cash balances at other credit institutions	726,412	-	-	-	-	-	-	-	-	726,412
Loans and advances to credit institutions	2,102,760	526,924	36,010	156,784	5,765	2,579	6,509	42,828	247,273	3,127,433
Securities										
Trading	153	939,079	842,548	4,497,539	12,958	11,031	12,920	12,178	1,232,729	7,561,135
Other (net of impairment)	141,432	140,743	549,133	709,593	1,537,349	1,718,669	4,447,282	812,595	2,185,167	12,241,963
Loans and advances to customers (gross)	2,550,479	2,261,776	4,781,821	3,737,040	12,701,970	9,470,331	14,355,879	23,669,873	351,847	73,881,016
Assets with repurchase agreement	4,551	616	160,215	3,934	30,238	86,503	65,341	-	27,108	378,505
Hedging derivatives	-	-	-	-	-	-	-	-	7,431	7,431
	9,963,972	3,869,139	6,369,727	9,104,890	14,288,280	11,289,113	18,887,931	24,537,474	4,051,555	102,362,081
Liabilities										
Resources of central banks and credit institutions	(848,541)	(140,818)	(380,941)	(85,586)	(3,164,015)	(534,586)	(358,608)	-	55,857	(5,457,237)
Customer resources	(32,784,021)	(8,220,501)	(11,553,662)	(5,377,423)	(10,074,084)	(1,325,961)	(561,228)	(35,050)	(373,436)	(70,305,367)
Debt securities	(413)	(11,081)	(66,863)	(852,380)	(1,946,690)	(1,388,087)	(17,742)	(20,050)	6,239	(4,297,067)
Financial liabilities at fair value through profit or loss	(33)	-	-	-	-	-	-	-	(1,265,682)	(1,265,715)
Hedging derivatives	-	-	-	-	-	-	-	-	(3,903)	(3,903)
Subordinated liabilities	(179)	(2,005)	(454,495)	(8,310)	(933,405)	-	-	(100,000)	(165)	(1,498,559)
Consigned resources	-	(39,055)	(14,049)	(20,667)	(147,350)	(129,768)	(430,085)	(23,955)	(90,996)	(895,925)
	(33,633,187)	(8,413,460)	(12,470,010)	(6,344,366)	(16,265,544)	(3,378,403)	(1,367,662)	(179,054)	(1,672,085)	(83,723,771)
Derivatives	(280)	(14,555)	7,326	10,581	38,678	57,768	239,991	394,137	-	733,645
Difference	(23,669,495)	(4,558,876)	(6,092,957)	2,771,104	(1,938,585)	7,968,477	17,760,260	24,752,557	2,379,470	19,371,955

	31-12-2016									
	Residual term to contractual maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	1,840,553	-	-	-	-	-	-	-	-	1,840,553
Cash balances at other credit institutions	756,534	-	-	-	-	-	-	-	-	756,534
Loans and advances to credit institutions	2,184,976	302,202	224,154	427,304	7,353	2,694	6,350	43,763	43,358	3,242,154
Securities										
Trading	680	174,987	1,612,422	3,040,961	40,682	12,495	26,349	3,710	1,526,144	6,438,429
Other (net of impairment)	151,891	138,642	428,223	709,858	1,297,123	2,081,279	2,482,212	829,512	1,758,373	9,877,112
Loans and advances to customers (gross)	3,385,420	2,690,791	4,371,144	3,788,037	12,948,875	10,073,067	14,989,776	23,813,259	100,922	76,161,291
Assets with repurchase agreement	22,086	3,222	12,594	179,488	143,278	157,171	354,877	-	29,280	901,995
Hedging derivatives	-	-	-	-	-	-	-	-	9,541	9,541
	8,342,141	3,309,843	6,648,536	8,145,647	14,437,310	12,326,706	17,859,564	24,690,245	3,467,618	99,227,611
Liabilities										
Resources of central banks and credit institutions	(811,854)	(208,539)	(320,933)	(410,192)	(1,522,316)	(2,230,881)	(420,423)	(3,366)	16,977	(5,911,526)
Customer resources	(29,935,179)	(7,873,561)	(11,517,041)	(6,847,682)	(10,505,777)	(1,482,051)	(606,831)	(1,265,138)	(92,933)	(70,126,194)
Debt securities	(102,920)	(50,181)	(635)	(78,399)	(1,746,389)	(1,181,320)	(1,277,394)	(22,264)	6,239	(4,453,263)
Financial liabilities at fair value through profit or loss	(1,678)	(1,335)	(780)	(1,795)	(1,305)	(171)	(6,798)	(1,106)	(1,680,513)	(1,695,481)
Hedging derivatives	-	-	-	-	-	-	-	-	(2,197)	(2,197)
Subordinated liabilities	(951,366)	(7,105)	(10,948)	(456,091)	(945,427)	(12,143)	(30,332)	(112,143)	(24)	(2,525,578)
Consigned resources	(265)	(1,046)	(19,923)	(53,507)	(148,425)	(133,502)	(446,193)	(23,955)	(80)	(826,894)
	(31,803,262)	(8,141,767)	(11,870,259)	(7,847,666)	(14,869,638)	(5,040,068)	(2,787,970)	(1,427,972)	(1,752,531)	(85,541,134)
Derivatives	(3,146)	(4,576)	9,911	19,804	7,060	11,002	78,654	270,368	-	389,077
Difference	(23,464,267)	(4,836,500)	(5,211,812)	317,784	(425,268)	7,297,640	15,150,248	23,532,641	1,715,086	14,075,554

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, 2017 and December 31, 2016. Interest projections on variable-rate operations incorporate the forward rates implicit in the current yield curve in force on the respective references dates.

In the specific case of mortgage loans, the distribution of principal and interest flows took expectations on early repayment rates into account, based on an analysis of the track record of operations and 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, 2017 and December 31, 2016, differ from the former tables in their use of the following assumptions:

- Debt and equity securities: reallocation of amounts with adequate liquidity to the "up to 1 month" bucket, except for collateralised debt securities which are allocated to buckets corresponding to the maturity of operations they are collateralising;
- Customers' sight deposits: reallocation of the balance of core deposits (as a stable funding source for lending operations) from to the "up to 1 month" bucket to the "more than 6 years bucket" in accordance with a uniform distribution of balances. This approach endeavours to correspond to the recommendations of the BCBS-Basel Committee on Banking Supervision[4] namely as regards the average and maximum maturity of core deposits;
- Term deposits and savings accounts (CGD headquarters): reallocation of balances by buckets in accordance with an estimation model on their expected useful average lives.

The amounts presented also correspond to outstanding capital balances and do not include interest or accrued interest projections.

	30-06-2017									
	Remaining maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	4,438,187	-	-	-	-	-	-	-	-	4,438,187
Cash balances at other credit institutions	726,412	-	-	-	-	-	-	-	-	726,412
Loans and advances to credit institutions	2,099,464	525,729	35,001	155,006	3,165	-	1	38,365	247,273	3,104,004
Securities										
Trading	2,887,992	139,840	123,247	661,452	1,498,983	179,254	1,576	1,601,551	451,347	7,545,241
Other (net of impairment)	3,140,609	20,910	66,938	80,019	1,798,036	549,665	1,808,465	1,827,140	1,335,387	10,627,170
Loans and advances to customers (gross)	2,449,823	2,083,175	4,438,744	3,201,637	10,915,329	7,871,884	10,912,840	17,977,193	351,847	60,202,471
Assets with repurchase agreement	143,485	-	153,538	-	-	-	-	-	33,387	330,411
	15,885,972	2,769,653	4,817,469	4,098,114	14,215,513	8,600,803	12,722,881	21,444,250	2,419,241	86,973,896
Liabilities										
Resources of central banks and credit institutions	(847,756)	(131,631)	(380,211)	(67,820)	(3,108,655)	(497,447)	(350,468)	-	55,857	(5,328,131)
Customer resources	(16,690,691)	(8,822,840)	(12,367,877)	(6,750,098)	(15,138,252)	(6,476,875)	(3,135,211)	(23,075)	(378,327)	(69,783,247)
Debt securities	-	(10,000)	(62,500)	(749,000)	(1,813,948)	(1,362,373)	(17,742)	(20,050)	6,239	(4,029,374)
Financial liabilities at fair value through profit or loss	(33)	-	-	-	-	-	-	-	(1,265,682)	(1,265,715)
Subordinated liabilities	-	(952)	(446,251)	-	(909,505)	-	-	(100,000)	(6,460)	(1,463,168)
Consigned resources	-	(36,850)	(13,218)	(19,705)	(140,199)	(122,535)	(424,786)	(22,857)	(90,996)	(871,145)
	(17,538,480)	(9,002,272)	(13,270,057)	(7,586,623)	(21,110,559)	(8,459,230)	(3,928,207)	(165,982)	(1,679,368)	(82,740,779)
Difference	(1,652,508)	(6,232,619)	(8,452,589)	(3,488,509)	(6,895,046)	141,572	8,794,675	21,278,267	739,873	4,233,116

	31-12-2016									
	Remaining maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	1,840,553	-	-	-	-	-	-	-	-	1,840,553
Cash balances at other credit institutions	756,534	-	-	-	-	-	-	-	-	756,534
Loans and advances to credit institutions	2,182,388	300,715	222,709	426,301	4,804	181	-	38,886	43,358	3,219,341
Securities										
Trading	2,001,813	47,990	234,346	441,875	611,819	907,712	3,729	1,410,815	773,935	6,434,034
Other (net of impairment)	2,632,988	30,415	178,010	116,891	1,094,566	1,490,242	309,956	1,939,230	770,955	8,563,253
Loans and advances to customers (gross)	3,263,453	2,516,330	4,054,588	3,239,071	11,142,810	8,703,560	11,764,890	18,664,847	100,922	63,450,470
Assets with repurchase agreement	195,855	-	419,054	153,538	-	-	-	-	28,655	797,102
	12,873,584	2,895,449	5,108,706	4,377,676	12,854,000	11,101,694	12,078,575	22,053,778	1,717,825	85,061,286
Liabilities										
Resources of central banks and credit institutions	(811,261)	(199,256)	(318,832)	(400,026)	(1,479,759)	(2,195,700)	(403,346)	-	16,977	(5,791,203)
Customer resources	(16,290,273)	(8,228,073)	(12,002,886)	(7,882,227)	(14,488,380)	(5,615,286)	(2,660,068)	(2,269,288)	(84,164)	(69,520,646)
Debt securities	-	(50,000)	-	(72,500)	(1,563,000)	(1,115,345)	(1,265,656)	(22,076)	6,239	(4,082,338)
Financial liabilities at fair value through profit or loss	(1,678)	(1,335)	(780)	(1,795)	(1,305)	(171)	(6,798)	(1,106)	(1,680,513)	(1,695,481)
Subordinated liabilities	(906,183)	-	(449)	(447,365)	(909,505)	-	-	(100,000)	(24)	(2,363,526)
Consigned resources	(253)	(1,002)	(19,047)	(50,289)	(141,084)	(127,384)	(439,848)	(22,857)	(80)	(801,844)
	(18,009,649)	(8,479,666)	(12,341,994)	(8,854,202)	(18,583,033)	(9,053,886)	(4,775,716)	(2,415,328)	(1,741,566)	(84,255,038)
Difference	(5,136,065)	(5,584,217)	(7,233,288)	(4,476,526)	(5,729,033)	2,047,808	7,302,859	19,638,450	(23,741)	806,248

[4] Basel Committee on Banking Supervision, "*Standards – Interest rate risk in the banking book*", April 2016.

Interest rate risk

Interest rate risk derives from the possibility that the cash flows associated with a certain financial instrument, or its fair value, may change as the result of a change in market interest rates.

Long term or economic perspective – fair value

The following tables set out information on the balance sheet and fair values of the principal financial assets and liabilities, at amortised cost, at June 30, 2017 and December 31, 2016.

	30-06-2017					
	Balances analysed				Balances not analysed	Total book value
	Book value	Fair value		Difference	Book value	
		Level 1	Level 3			
Assets						
Cash and cash equivalents at central banks	4,438,204	-	4,438,204	-	-	4,438,204
Cash balances at other credit institutions	727,229	-	727,229	-	-	727,229
Loans and advances to credit institutions	2,908,699	-	2,922,963	14,264	196,409	3,105,108
Held-to-maturity investments	2,070,449	-	2,058,857	(11,592)	(13,498)	2,056,951
Loans and advances to customers	60,121,265	-	58,968,126	(1,153,139)	354,511	60,475,777
	70,265,846	-	69,115,379	(1,150,467)	537,422	70,803,268
Liabilities						
Resources of central banks and other credit institutions	(5,371,174)	-	(5,377,314)	(6,140)	33,764	(5,337,409)
Customer resources	(69,682,027)	-	(69,779,476)	(97,449)	(232,753)	(69,914,779)
Debt securities	(4,082,192)	(3,693,743)	(504,068)	(115,619)	3,948	(4,078,243)
Subordinated liabilities	(1,470,391)	(564,779)	(894,452)	11,160	317	(1,470,074)
Consigned resources	(780,531)	-	(787,186)	(6,654)	(90,614)	(871,145)
	(81,386,314)	(4,258,522)	(77,342,496)	(214,703)	(285,337)	(81,671,651)

	31-12-2016					
	Balances analysed				Balances not analysed	Total book value
	Book value	Fair value		Difference	Book value	
		Level 1	Level 3			
Assets						
Cash and cash equivalents at central banks	1,840,560	-	1,840,560	-	-	1,840,560
Cash balances at other credit institutions	757,726	-	757,726	-	-	757,726
Loans and advances to credit institutions	2,886,523	-	2,902,490	15,967	331,274	3,217,797
Assets with repurchase agreement	234,830	-	231,220	(3,609)	-	234,830
Held-to-maturity investments	433,131	-	433,131	-	-	433,131
Loans and advances to customers	61,134,467	-	58,817,433	(2,317,034)	1,732,359	62,866,825
	67,287,236	-	64,982,560	(2,304,676)	2,063,633	69,350,868
Liabilities						
Resources of central banks and other credit institutions	(5,542,275)	-	(5,560,296)	(18,020)	(257,436)	(5,799,712)
Customer resources	(67,503,291)	-	(67,677,756)	(174,465)	(2,176,839)	(69,680,130)
Debt securities	(4,190,817)	(3,791,212)	(540,899)	(141,294)	7,088	(4,183,729)
Subordinated liabilities	(2,407,887)	(546,328)	(1,812,086)	49,473	(16,247)	(2,424,133)
Consigned resources	(799,855)	-	(804,729)	(4,875)	(1,989)	(801,844)
	(80,444,124)	(4,337,540)	(76,395,765)	(289,180)	(2,445,423)	(82,889,548)

Fair value was assessed on the following premises:

- 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 flow models up to the maturity of the operations for both fixed and variable interest rate instruments. The contractual conditions of the operations as well as, for the estimated variable-rate instruments, 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 branches 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, 2017 and December 31, 2016, may be summarised as follows:

	30-06-2017			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held for trading	6,368,728	3,609	6	6,372,343
Securities at fair value through profit or loss	241,407	-	440,660	682,067
Available-for-sale financial assets	5,358,752	794,768	1,588,854	7,742,374
Assets with repurchase agreement	305,823	24,588	-	330,411
Trading derivatives	1,048	(516,177)	420,028	(95,100)
Other financial liabilities at fair value through profit or loss	-	-	-	-
Hedging derivatives	-	3,528	-	3,528
	12,275,759	310,317	2,449,547	15,035,623

	31-12-2016			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held for trading	4,764,322	159,360	485	4,924,167
Securities at fair value through profit or loss	255,443	-	464,449	719,892
Available-for-sale financial assets	4,915,303	981,200	1,360,417	7,256,920
Assets with repurchase agreement	358,683	19,105	187,114	564,901
Trading derivatives	716	(685,259)	501,094	(183,449)
Other financial liabilities at fair value through profit or loss	(2,165)	-	-	(2,165)
Hedging derivatives	-	7,344	-	7,344
	10,292,302	481,750	2,513,558	13,287,610

The preparation of the above table was based on the following criteria:

- **Level 1** – Market prices – this column included financial instruments measured on the basis of prices in active markets;
- **Level 2** – Measurement techniques – observable market input – this column included financial instruments measured on the basis of internal models using observable market input (interest rates, foreign exchange rates, ratings of external entities, other). It also

includes financial instruments measured on the bid prices supplied by external counterparties;

- **Level 3** – <u>Other measurement techniques</u> – 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, in first half 2017, were as follows:

	Financial assets at fair value through profit or loss			Available-for-sale financial assets				Derivatives financial instruments	Total
	Equity instruments	Debt instruments	Subtotal	Equity instruments	Debt instruments		Subtotal		
		Corporate bonds			Asset-backed securities	Corporate bonds			
Book value (net) at 31-12-2016	459,965	4,968	464,934	886,259	316,712	344,560	1,547,530	501,094	2,513,558
Changes in consolidation perimeter	(687)	-	(687)	-	-	-	-	(59,184)	(59,871)
Acquisitions	1,030	-	1,030	12,285	-	227,423	239,708	-	240,738
Amortisations	(11,020)	(7,123)	(18,143)	(9,199)	(16,345)	(7,042)	(32,586)	60,298	9,569
Sales	-	-	-	-	(21,270)	(133,679)	(154,948)	-	(154,948)
Gains / (losses) recognised as a charge to results - alienated instruments	(48)	2,167	2,119	(100)	326	(75)	151	(82,179)	(79,909)
Gains / (losses) recognised as a charge to results - portfolio instruments [*]	(4,954)	-	(4,954)	(10,340)	2,752	2,582	(5,006)	-	(9,960)
Impairment for the year	-	-	-	(10,393)	-	-	(10,393)	-	(10,393)
Gains / (losses) recognised as a charge to fair value reserves	-	-	-	(5,943)	17,913	(3,636)	8,334	-	8,334
Transfers from / (to) other levels (Levels 1 and 2)	-	-	-	-	(1,632)	-	(1,632)	-	(1,632)
Exchange differences	(3,621)	(13)	(3,633)	(825)	-	(195)	(1,020)	-	(4,653)
Other	-	-	-	(1,286)	-	-	(1,286)	-	(1,286)
Book value (net) at 30-06-2017	440,666	-	440,666	860,457	298,457	429,939	1,588,853	420,028	2,449,547

At June 30, 2017, 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 decrease of approximately €120 thousand and €241 thousand in fair value in the balance sheet and revaluation reserves and profit and loss, respectively.

Equity instruments valued by other measurement techniques (Level 3) at June 30, 2017 essentially include investment structures measured on the basis of data on underlying net asset values provided by management entities or other information service providers.

In first half 2017 transfers between Levels 1 and 2 of the fair value ranking were as follows:

	2017-06-30		
	Securities at fair value through profit or loss	Available-for-sale financial assets	
	Transfers from level 2 to level 1	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Debt instruments	21	49.528	40.082

The transfers noted between classification levels in the fair value ranking essentially derive from the changes in the sources available for the valuation of these assets (market or external counterparties).

<u>Derivatives</u>

Derivative transactions are performed in organised and OTC markets.

Listed derivatives operations are measured on prices taken from financial information systems (Reuters/Bloomberg).

OTC derivatives are measured by commonly accepted theoretical, reasonably complex theoretical models, in line with the characteristics of the product in question:

- Discounted cash flow projections based on an adequate yield curve;
- Valuations based on statistical models, accepted in the market, such as Black & Scholes.

The type of input necessary for the measurement also depends upon the characteristics of the operations, but generally include yield curves, volatility curves, equity/indices prices, exchange rates and dividend yields.

Yield curves are produced on deposit rates and swap prices taken from Reuters/Bloomberg. An adjustment based on interest rate futures or FRAs is applied to currencies with the highest exposure levels. Different future yield curves are available on cash flow projections, depending on the period of the operation's indexer.

Volatility curves are produced on the basis of the implied volatilities in the prices of listed options on underlying assets. If there are no listed options for an underlying asset, historic volatility is calculated on the basis of the historical price series of its component parts.

Prices of shares/indices, exchange rates and dividend yields are supplied by Reuters/Bloomberg.

According to IFRS 13 requirements, Caixa incorporated add-ons to its measurement of the said financial instruments to reflect its own credit risk based on a market discount curve considered to reflect the associated risk profile. Simultaneously, based on its current exposure, the Group has adopted a similar methodology to reflect counterparty credit risk on derivatives with positive fair value. The fair value thus obtained comprises the risk-free measurement affected by this addition.

CVA/DVA is assessed by a methodology implemented on a Caixa Geral de Depósitos Group level. This methodology is based on the estimation of exposure at the time of default (“Exposure at default” or “EAD”) on each operation and the application of risk parameters on EAD estimates in order to assess the expected loss for CGD (CVA) and counterparty (DVA). In the case of interest rate swaps, EAD is estimated for various future dates by modelling swaptions, thus enabling the incorporation of the future potential exposure of the operations. For the remaining products, EAD usually corresponds to the instrument’s fair value on the reference date.

The risk parameters consist of PDs (probabilities of default) and LGDs (loss given defaults) and are centrally assessed by the Group on the basis of the following criteria:

- For counterparties or projects with listed debt or available credit default swap prices, the Group infers the risk parameters underpinning the prices and uses them in the calculation;

The remaining counterparties or projects are classified on the basis of their creditworthiness based on a set of quantitative and qualitative criteria, resulting in an internal rating the Group matches to a historical PD.

The value of CVA (credit value adjustments) at June 30, 2017 recognised In the "Financial assets held-for-trading" account and DVA (debit value adjustments) recognised in the "Financial liabilities held-for-trading" account totalled €46,654 thousand and €48,698 thousand respectively (€138,551 thousand and €3,290 thousand, respectively, at December 31, 2016).

Debt instruments issued by financial and non-financial entities

Whenever possible, these securities are valued at market prices, based on an internally developed algorithm. This algorithm endeavours to obtain the most appropriate price for each security in accordance with a ranking of contributions defined internally by CGD. Price changes are analysed daily with the aim of ensuring the quality of the prices used.

In general the input used for internal valuations is obtained from Bloomberg and Reuters systems.

There are several securities for which market prices cannot be obtained: assets classified at Levels 2 and 3. These securities are priced by the use of internal/external valuation techniques. The valuations are generally based on future discounted cash flow projections. They may be forecast by a reasonably complex model ranging from simple discounted cash flows resulting from forward rates (obtained from the most adequate yield curve, which, in turn, is produced on the basis of money market rates and swap prices, whose money market component is adjusted by interest rate futures or FRAs) to a CLO (collateralised loan obligations) cascade payment on the basis of information disclosed in Investor Reports.

For discount purposes, internal measurements use a listed credit curve complying with the currency/sector/rating trinomial to consider the risk attached to each issuance. Segmentation between Levels 2 and 3 is essentially associated with the viability of the direct observation of input sources for measurement purposes. The valuations provided by structurers, issuing entities or counterparties (external measurements) are generally allocated to Level 3. Securitisations with reduced liquidity are also allocated to Level 3.

Yield curves are calculated on money market rates and swap prices. Euro, GBP and USD yield curves are adjusted by the market price of interest rate futures and/or FRAs.

The values of the curves of the currencies with the highest exposure, at June 30, 2017 and December 31, 2016, were as follows:

	30-06-2017			31-12-2016		
	EUR	USD	GBP	EUR	USD	GBP
O/N	-0.4200	1.3250	0.1700	-0.4200	1.7500	0.1950
1 month	-0.4200	1.4100	0.2700	-0.4100	1.4500	0.5300
2 months	-0.3956	1.4500	0.3600	-0.3831	1.3900	0.5400
3 months	-0.3730	1.4668	0.3831	-0.3545	1.3686	0.5277
6 months	-0.3048	1.4147	0.4029	-0.2716	1.2014	0.4542
9 months	-0.2832	1.4401	0.4392	-0.2528	1.2189	0.4405
1 year	-0.2492	1.4749	0.4775	-0.2253	1.2673	0.4418
2 years	-0.1360	1.6157	0.6126	-0.1754	1.5118	0.4972
3 years	0.0023	1.7120	0.7954	-0.0929	1.6785	0.7010
5 years	0.2782	1.9120	0.9896	0.0720	1.9830	0.8728
7 years	0.5491	2.0680	1.1483	0.3040	2.1780	1.0320
10 years	0.9170	2.2360	1.3448	0.6430	2.3600	1.2197
15 years	1.2965	2.3940	1.5481	1.0000	2.5170	1.4003
20 years	1.4651	2.4660	1.6184	1.1420	2.5820	1.4485
25 years	1.5264	2.4920	1.6211	1.1830	2.6000	1.4377
30 years	1.5520	2.5010	1.6058	1.1960	2.6060	1.4157

Credit curve values are obtained from the Bloomberg/Thomson Reuters Eikon system and assessed on the prices of a series of securities complying with the currency/sector/rating trinomial.

The values of the credit curve of the Portuguese and German governments, at June 30, 2017 and December 31, 2016, were as follows:

	30-06-2017		31-12-2016	
	Portuguese Government	German Government	Portuguese Government	German Government
3 months	-0.3331	-0.7780	-0.1562	-0.9590
6 months	-0.2751	-0.7480	-0.0392	-0.8440
9 months	-0.2480	-0.6810	-0.0343	-0.8530
1 year	-0.1110	-0.6875	-0.0382	-0.8595
2 years	0.1047	-0.5810	0.3235	-0.8025
3 years	0.3245	-0.5001	1.0170	-0.7619
5 years	1.1732	-0.2255	2.1482	-0.5550
7 years	2.2756	0.0520	3.2787	-0.2170
10 years	3.1047	0.4670	3.7678	0.1710
15 years	3.5792	0.7290	4.2602	0.4137
20 years	3.7463	0.9850	4.3389	0.6506
25 years	3.8790	1.1138	4.5131	0.7609
30 years	3.9532	1.2428	4.6222	0.8713

Foreign exchange rates are assessed on the prices set by the Central Bank. The following table provides information on the foreign exchange rate pairings of several relevant currencies, at June 30, 2017 and December 31, 2016:

	30-06-2017	31-12-2016
EUR/USD	1.1412	1.0541
EUR/GBP	0.8793	0.8562
EUR/CHF	1.0930	1.0739
EUR/AUD	1.4851	1.4596
EUR/JPY	127.7500	123.4000
EUR/BRL	3.7600	3.4305

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;

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;

Trading portfolio – includes securities and derivatives traded with the objective of detecting business opportunities over the short term;

. Own portfolio – securities acquired for investment purposes 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 BI, 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 units;

. 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 premises:

- 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, 2017 and December 31, 2016:

Activity of Caixa Geral de Depósitos (Headquarters and Branches)

Held for Trading portfolio Group CGD (VaR 99%, 10 days)

	30-06-2017	Maximum	Minimum	31-12-2016
VaR by type of risk	23,770	27,506	21,169	24,524

Trading portfolio (VaR 95%, 1 day)

	30-06-2017	Maximum	Minimum	31-12-2016
VaR by type of risk				
Interest rate	663	1,568	360	375
Foreign exchange rate	277	12,015	85	187
Price	190	257	24	24
Volatility	1	1	-	1
Diversification effect	(420)			(158)
	710	12,320	402	429

Treasury management (VaR 95%, 1 day)

	30-06-2017	Maximum	Minimum	31-12-2016
VaR by type of risk				
Interest rate	1,223	1,612	1,223	1,582
Foreign exchange rate	4,871	8,520	4,207	5,631
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	(987)			(1,414)
	5,107	9,257	4,660	5,799

Own portfolio (VaR 99%, 10 days)

	30-06-2017	Maximum	Minimum	31-12-2016
VaR by type of risk				
Interest rate	492	686	488	614
Foreign exchange rate	162	162	4	37
Price	2,749	2,928	2,742	2,904
Volatility	-	-	-	-
Diversification effect	(559)			(619)
	2,844	3,075	2,823	2,936

Investment portfolio (VaR 99%, 10 days)

	30-06-2017	Maximum	Minimum	31-12-2016
VaR by type of risk				
Interest rate	105,638	107,693	98,180	102,916
Foreign exchange rate	5	5	-	5
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	(4)			(2)
	105,639	107,708	98,182	102,919

London branch activity (VaR 99%, 10 days)

	30-06-2017	Maximum	Minimum	31-12-2016
VaR by type of risk				
Interest rate	380	483	211	258
Foreign exchange rate	172	194	51	90
Price	687	1,400	540	1,191
Volatility	169	302	148	240
Diversification effect	(622)			(540)
	786	1,504	553	1,240

Investment banking activity

Caixa - Banco de Investimento (VaR 99%, 10 days)

	30-06-2017	Maximum	Minimum	31-12-2016
VaR by type of risk				
Interest rate	9,543	11,198	3,899	9,859
Foreign exchange rate	2,268	2,766	1,243	1,306
Price	137	255	46	52
Volatility	247	716	235	697
Diversification effect	(2,037)			(300)
	10,158	13,805	4,683	11,613

The diversification effect is calculated implicitly. Total VaR refers to the combined effect of interest rate, price, foreign exchange and volatility risks.

38. SUBSEQUENT EVENTS

No situations or events with an impact on the condensed financial statements or which require disclosure, occurred after June 30, 2017.

39. NOTE ADDED FOR TRANSLATION

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in accordance with generally accepted accounting principles in Portugal. In the event of discrepancies, the Portuguese version language version prevails.

2.2. European Banking Authority 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 2016 - Chapters: • Message from the Chairman and CEO of Board of Directors • Planning the future • CGD business model See Corporate Governance Report 2016.
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 2017 – Chapter: • Activity and financial information 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 2016 – Chapter: • Planning the future • CGD business model See Board of Director's Report – 1st half 2017 – Chapters: • Activity and financial information 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 2016 – Chapter: • Risk management See Board of Director's Report – 1st half 2017: 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 2016 – Chapter: • Risk management See Annex to the Consolidated Financial Statements: Note 41: containing a detailed description of the financial risk management policies inherent to the group's activity, the monitoring thereof, maximum exposure to credit risk, credit quality, liquidity risk, interest rate risk, foreign exchange risk, market risk and VaR analyses and sensitivity to interest rate. See Board of Director's Report – 1st half 2017: Note 37 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 2017 – Chapter: • Activity and financial information 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 2017: Note 37 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 2017, namely in the following chapters: • Economic and Financial Situation • Activity and financial information See items III. 8 and III.9 above.
11.	Comparison of: i) Impacts between (relevant) periods; ii) Financial statements before and after the impact of the period of turmoil;	See items III.8 to III.10 above.
12.	Breakdown of "write-downs" between realised and unrealised amounts;	See Board of Director's Report – 1st half 2017: Items III.8 to III.10 above, particularly Note 37 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 2017, namely the following chapter: • Main risks and uncertainties in second half 2017 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 2017 – Chapter: • Activity and financial information Liabilities issued by CGD Group are recognised at amortised cost.
IV.	**Levels and types of exposures affected by the period of turmoil**	
16.	Nominal (or amortised cost) and fair value of "live" exposures;	See Board of Directors' Report 2016: • Risk management See Board of Director's Report – 1st half 2017 - Annex to the Consolidated Financial Statements: • Note 2 • Note 37, 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 2017 - Annex to the Consolidated Financial Statements: • Note 2, describes the accounting policies for derivatives and hedge accounting • Note 10 • Note 37
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 2017: Note 37 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 2017: 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 2017: - Notes 7, 8 and 37 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 2016: Note 41 of Annex to the Consolidated Financial Statements; See Board of Director's Report – 1st half 2017: Note 2 and 37 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 2017: Note 2 of Annex to the Consolidated Financial Statements.

2.3. Report on Limited Review of Condensed Consolidated Financial Statements

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(This report is a free translation of the Portuguese version in case of any doubt or misinterpretation the Portuguese version will prevail)

Report on Limited Review of Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying condensed consolidated financial statements of Caixa Geral de Depósitos, S.A. ("Group" or "CGD") which comprise the condensed consolidated balance sheet as at June 30, 2017 (which shows a total of 96,007,879 thousands euros and total shareholder equity attributable to CGD of 7,530,968 thousand euros, including a net loss attributable to the shareholder of CGD of 49,925 thousand euros), the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and accompanying notes thereto, including a summary of significant accounting policies.

Responsibilities of management

Management is responsible for the preparation of these condensed consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, for Interim Financial Reporting (IAS 34) purposes, and designing and maintaining an appropriate internal control system to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express a conclusion on these condensed consolidated financial statements. We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and further technical and ethical guidelines from Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). These Standards require that our work be conducted for the purpose of expressing a conclusion whether anything has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards as endorsed by the European Union, for Interim Financial Reporting (IAS 34) purposes.

A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of Caixa Geral de Depósitos, S.A. as at June 30, 2017 have not been prepared, in all material respects, in accordance with International Financial Reporting Standards as endorsed by the European Union, for Interim Financial Reporting (IAS 34) purposes.

Emphasis of Matter

Without modifying our conclusion, we draw attention to the following situations:

- As described in Note 1 to the condensed consolidated financial statements, in March 2017, a recapitalization plan for CGD was approved, based on a four year strategic plan (2017-2019), which comprised two phases of recapitalization that were concluded on January 4, 2017 and March 30, 2017. These operations enabled the Group to comply with the regulatory capital requirements as at June 30, 2017. Additionally, in accordance with the recapitalization plan, CGD will be required to issue additional subordinated debt instruments for an amount of 430,000 thousand euros by September 30, 2018.

Sociedade Anónima - Capital Social 1.335.000 euros - Inscrição n.º 178 na Ordem dos Revisores Oficiais de Contas - Inscrição N.º 20161480 na Comissão do Mercado de Valores Mobiliários
Contribuinte N.º 505 988 283 - C. R. Comercial de Lisboa sob o mesmo número
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Limited Review Report
30 June 2017

- The strategic plan foresees a set of restructuring measures to be implemented during the period 2017 to 2020. As described in Note 21 of the condensed consolidated financial statements, the provisions recorded as at June 30, 2017 for the partial execution of these measures amounts to 383,000 thousand euros.

Other matters

The condensed consolidated financial statements of CGD for the year ended in December 31, 2016 were audited by other Statutory Auditors, in their capacity as Statutory Auditors and External Auditor, who, on April 28, 2017, expressed a modified report with an emphasis of matter on the recapitalization plan.

The comparative figures as at June 30, 2016 presented in the condensed consolidated statement of income, comprehensive income and cash flows were not audited.

Lisbon, 29 September 2017

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

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